

City of Newton
Newton, Illinois

Financial Statements
and Supplementary Information

April 30, 2013

City of Newton
Newton, Illinois
Year Ended April 30, 2013

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Newton, Illinois
Year Ended April 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Newton
Newton, Illinois

We have audited the accompanying financial statements of the City of Newton, Illinois, as of and for the year ended April 30, 2013, 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 error or fraud.

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.

Basis for Qualified Opinions

As described in Note 13, the City's financial statements do not include disclosures and required supplementary information regarding postemployment health insurance benefits. In our opinion, disclosure of that information is required to conform with the modified cash basis of accounting.

Qualified Opinions

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis 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, 2013, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as 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 opinion is not modified with respect to that matter.

Disclaimer of Opinion on Supplementary Information

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 budgetary comparison information on pages 31 through 33 and the Illinois Municipal Retirement Fund Schedule of Funding Progress on page 34, which are the responsibility of management, are presented for purposes of additional analysis and are 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 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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual 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 and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 09, 2013, 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 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 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

August 09, 2013

CITY OF NEWTON
Statement of Net Position - Modified Cash Basis
April 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,607,398	\$ 5,229,159	\$ 6,836,557
Notes receivable	105,365	-	105,365
Miscellaneous receivable	10,788	162	10,950
Inventory	123,478	-	123,478
Internal balances	(111,878)	111,878	-
Restricted cash and cash equivalents	202,389	285,849	488,238
Capital assets, net of accumulated depreciation	5,639,046	10,195,969	15,835,015
Total assets	<u>\$ 7,576,586</u>	<u>\$ 15,823,017</u>	<u>\$ 23,399,603</u>
LIABILITIES AND NET POSITION:			
Liabilities:			
Sales tax payable	\$ 40	\$ -	\$ 40
Property tax payable	1,612	-	1,612
Temporary notes payable	147,000	369,600	516,600
Customer deposits	-	285,849	285,849
Deferred revenue	-	151	151
Due within one year:			
Notes payable	-	106,148	106,148
Bonds payable	80,000	-	80,000
Due in more than one year:			
Notes payable	-	1,854,077	1,854,077
Bonds payable	1,610,000	-	1,610,000
Total liabilities	<u>1,838,652</u>	<u>2,615,825</u>	<u>4,454,477</u>
Net Position:			
Invested in capital assets, net of related debt	3,949,046	8,235,744	12,184,790
Restricted for:			
Community development	307,754	-	307,754
DUI and drug equipment	7,965	-	7,965
Canine equipment	10,225	-	10,225
Other purposes	815,901	-	815,901
Unrestricted	647,043	4,971,448	5,618,491
Total net position	<u>5,737,934</u>	<u>13,207,192</u>	<u>18,945,126</u>
Total liabilities and net position	<u>\$ 7,576,586</u>	<u>\$ 15,823,017</u>	<u>\$ 23,399,603</u>

CITY OF NEWTON
Statement of Activities - Modified Cash Basis
For the Year Ended April 30, 2013

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		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 387,574	\$ 110,378	\$ 7,170	\$ 1,111	\$ (268,915)	\$ -	\$ (268,915)
Public safety	779,299	-	-	-	(779,299)	-	(779,299)
Environment	1,175	-	-	378,929	377,754	-	377,754
Transportation and public works	463,621	-	81,802	-	(381,819)	-	(381,819)
Social services	18,786	2,875	-	-	(15,911)	-	(15,911)
Community development	298,135	-	-	-	(298,135)	-	(298,135)
Culture and recreation	394,965	59,196	-	32,882	(302,887)	-	(302,887)
Interest on long-term debt	79,450	-	-	-	(79,450)	-	(79,450)
Total governmental activities	2,423,005	172,449	88,972	412,922	(1,748,662)	-	(1,748,662)
Business-type activities:							
Electric	2,645,270	3,082,379	-	-	-	437,109	437,109
Water	381,768	679,453	-	-	-	297,685	297,685
Waste water treatment	513,784	546,165	-	-	-	32,381	32,381
Interest on long-term debt	120,186	-	-	-	-	(120,186)	(120,186)
Total business-type activities	3,661,008	4,307,997	-	-	-	646,989	646,989
Total primary government	\$ 6,084,013	\$ 4,480,446	\$ 88,972	\$ 412,922	(1,748,662)	646,989	(1,101,673)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					594,075	-	594,075
Intergovernmental revenue:							
Sales tax					712,373	-	712,373
Income tax					273,231	-	273,231
Replacement tax					40,044	-	40,044
Pull tab and gaming					4,027	-	4,027
Township road and bridge					46,592	-	46,592
Interest and investment earnings					12,190	46,596	58,786
Transfers					256,863	(256,863)	-
Miscellaneous					45,610	16,169	61,779
Loss on sale of capital assets					(4,143)	-	(4,143)
Total general revenues and transfers					1,980,862	(194,098)	1,786,764
Change in net position					232,200	452,891	685,091
Net position - beginning					5,505,734	12,754,301	18,260,035
Net position - ending					\$ 5,737,934	\$ 13,207,192	\$ 18,945,126

The notes to the financial statements are an integral part of this statement.

CITY OF NEWTON
Balance Sheet - Modified Cash Basis
Governmental Funds
April 30, 2013

	General	TIF	IKE Grant	Other Governmental Funds	Total Governmental Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 496,636	\$ 45,487	\$ -	\$ 845,437	\$ 1,387,560
Notes receivable	105,365	-	-	-	105,365
Miscellaneous receivable	2,276	-	-	-	2,276
Inventory	-	123,478	-	-	123,478
Total current assets	604,277	168,965	-	845,437	1,618,679
Noncurrent assets:					
Restricted cash and cash equivalents	202,389	-	-	-	202,389
Total assets	\$ 806,666	\$ 168,965	\$ -	\$ 845,437	\$ 1,821,068
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payroll withholdings	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax payable	40	-	-	-	40
Property tax payable	-	-	-	1,612	1,612
Temporary notes payable	-	147,000	-	-	147,000
Total liabilities	40	147,000	-	1,612	148,652
Fund balances:					
Nonspendable	-	123,478	-	-	123,478
Restricted:					
Community development	307,754	-	-	-	307,754
DUI and drug equipment	7,965	-	-	-	7,965
Canine equipment	10,225	-	-	-	10,225
Other purposes	-	-	-	815,901	815,901
Committed	-	-	-	27,924	27,924
Assigned	173,791	-	-	-	173,791
Unassigned	306,891	(101,513)	-	-	205,378
Total fund balances	806,626	21,965	-	843,825	1,672,416
Total liabilities and fund balances	\$ 806,666	\$ 168,965	\$ -	\$ 845,437	

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.

5,639,046

Internal service funds are used by management to charge health insurance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.

116,472

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(1,690,000)

Net position of governmental activities

\$ 5,737,934

CITY OF NEWTON
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended April 30, 2013

	General	TIF	IKE Grant	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 77,003	\$ 137,489	\$ -	\$ 379,583	\$ 594,075
Intergovernmental:					
Sales tax	712,373	-	-	-	712,373
Income tax	273,231	-	-	-	273,231
Replacement tax	40,044	-	-	-	40,044
Township road and bridge	46,592	-	-	-	46,592
Pull tab and gaming	4,027	-	-	-	4,027
Licenses and permits	2,555	-	-	-	2,555
Fees and fines	103,323	-	-	-	103,323
Charges for services	62,375	-	-	-	62,375
Revenue from the use of property and equipment	72	-	-	4,124	4,196
Interest and investment earnings	6,783	249	-	4,099	11,131
Operating grants and contributions	7,170	-	-	81,802	88,972
Capital grants and contributions	1,111	-	378,929	32,882	412,922
Proceeds from sale of capital assets	1,250	-	-	-	1,250
Miscellaneous	19,779	13,318	-	12,513	45,610
Total revenues	<u>1,357,688</u>	<u>151,056</u>	<u>378,929</u>	<u>515,003</u>	<u>2,402,676</u>
EXPENDITURES					
Current:					
General government	179,251	-	-	199,569	378,820
Public safety	603,750	-	-	152,688	756,438
Environment	-	-	1,175	-	1,175
Transportation and public works	191,879	-	-	197,083	388,962
Social services	18,098	-	-	-	18,098
Community development	-	168,001	-	93,531	261,532
Culture and recreation	198,239	-	-	43,530	241,769
Debt service:					
Principal	80,000	-	-	-	80,000
Interest	79,450	-	-	-	79,450
Capital outlay	807,510	-	377,754	43,316	1,228,580
Total expenditures	<u>2,158,177</u>	<u>168,001</u>	<u>378,929</u>	<u>729,717</u>	<u>3,434,824</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(800,489)</u>	<u>(16,945)</u>	<u>-</u>	<u>(214,714)</u>	<u>(1,032,148)</u>
OTHER FINANCING SOURCES(USES)					
Operating transfers in	167,405	-	-	89,458	256,863
Total other financing sources	<u>167,405</u>	<u>-</u>	<u>-</u>	<u>89,458</u>	<u>256,863</u>
Net change in fund balance	(633,084)	(16,945)	-	(125,256)	(775,285)
Fund balances - beginning	1,439,710	(138,590)	-	969,081	2,270,201
Prior period adjustment - Note 14	-	177,500	-	-	177,500
Fund balances - beginning, as restated	1,439,710	38,910	-	969,081	2,447,701
Fund balances - ending	<u>\$ 806,626</u>	<u>\$ 21,965</u>	<u>\$ -</u>	<u>\$ 843,825</u>	<u>\$ 1,672,416</u>

CITY OF NEWTON
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, 2013

Net change in fund balances - total governmental funds \$ (775,285)

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 in the current period.

Capital Outlay	1,228,580	
Depreciation	<u>(292,612)</u>	935,968

In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the asset sold. (5,393)

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. This is the amount by which repayments exceeded proceeds.

Repayment	80,000	
Proceeds	<u>-</u>	80,000

Internal service funds are used by management to charge health insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. (3,090)

Change in net position of governmental activities \$ 232,200

CITY OF NEWTON
Statement of Net Position - Modified Cash Basis
Proprietary Funds
April 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Electric	Water	Waste Water	Totals	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,614,508	\$ 360,432	\$ 254,219	\$ 5,229,159	\$ 219,838
Miscellaneous receivable	162	-	-	162	8,512
Total current assets	<u>4,614,670</u>	<u>360,432</u>	<u>254,219</u>	<u>5,229,321</u>	<u>228,350</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	1,613,190	3,759,459	4,823,320	10,195,969	-
Restricted assets:					
Cash and cash equivalents	285,849	-	-	285,849	-
Total noncurrent assets	<u>1,899,039</u>	<u>3,759,459</u>	<u>4,823,320</u>	<u>10,481,818</u>	<u>-</u>
Total assets	<u>\$ 6,513,709</u>	<u>\$ 4,119,891</u>	<u>\$ 5,077,539</u>	<u>\$ 15,711,139</u>	<u>\$ 228,350</u>
LIABILITIES AND NET POSITION					
Liabilities:					
Current liabilities:					
Temporary notes payable	\$ -	\$ 369,600	\$ -	\$ 369,600	\$ -
Customer deposits	285,849	-	-	285,849	-
Deferred revenue	151	-	-	151	-
Current portion of notes payable	-	-	106,148	106,148	-
Total current liabilities	<u>286,000</u>	<u>369,600</u>	<u>106,148</u>	<u>761,748</u>	<u>-</u>
Noncurrent liabilities:					
Notes payable	-	-	1,854,077	1,854,077	-
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>1,854,077</u>	<u>1,854,077</u>	<u>-</u>
Total liabilities	<u>286,000</u>	<u>369,600</u>	<u>1,960,225</u>	<u>2,615,825</u>	<u>-</u>
Net Position					
Invested in capital assets, net of related debt	1,613,190	3,759,459	2,863,095	8,235,744	-
Unrestricted	4,614,519	(9,168)	254,219	4,859,570	228,350
Total net position	<u>6,227,709</u>	<u>3,750,291</u>	<u>3,117,314</u>	<u>13,095,314</u>	<u>228,350</u>
Total liabilities and net position	<u>\$ 6,513,709</u>	<u>\$ 4,119,891</u>	<u>\$ 5,077,539</u>	<u>15,711,139</u>	<u>\$ 228,350</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				111,878	
Total liabilities and net position of business-type activities				<u>\$ 15,823,017</u>	

CITY OF NEWTON
Statement of Revenues, Expenses, and Changes in Fund Net Position -
Modified Cash Basis
Proprietary Funds
For the Year Ended April 30, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Electric	Water	Waste Water	Totals
Operating revenues:				
Charges for services	\$ 3,082,379	\$ 679,453	\$ 546,165	\$ 4,307,997
Miscellaneous	6,242	2,461	7,466	16,169
Total operating revenues	<u>3,088,621</u>	<u>681,914</u>	<u>553,631</u>	<u>4,324,166</u>
Operating expenses:				
Personal services	288,517	142,415	200,278	631,210
Support services	4,554	5,495	5,376	15,425
Contractual services	2,085,155	17,429	14,996	2,117,580
Utilities	5,399	25,965	49,647	81,011
Repairs and maintenance	36,221	13,939	50,487	100,647
Other supplies and materials	159,503	48,943	16,457	224,903
Insurance	14,123	13,567	12,090	39,780
Depreciation	48,966	111,908	161,311	322,185
Miscellaneous	1,100	1,216	1,954	4,270
Total operating expenses	<u>2,643,538</u>	<u>380,877</u>	<u>512,596</u>	<u>3,537,011</u>
Operating income (loss)	<u>445,083</u>	<u>301,037</u>	<u>41,035</u>	<u>787,155</u>
Nonoperating revenues:				
Interest and investment revenue	40,974	2,447	3,175	46,596
Total non-operating revenues	<u>40,974</u>	<u>2,447</u>	<u>3,175</u>	<u>46,596</u>
Nonoperating expenses:				
Interest expense	-	(4,371)	(115,815)	(120,186)
Total non-operating expenses	<u>-</u>	<u>(4,371)</u>	<u>(115,815)</u>	<u>(120,186)</u>
Income (loss) before contributions and transfers	486,057	299,113	(71,605)	713,565
Transfers out	(208,735)	(26,482)	(21,646)	(256,863)
Change in net position	<u>277,322</u>	<u>272,631</u>	<u>(93,251)</u>	<u>456,702</u>
Total net position - beginning	5,950,387	3,477,660	3,210,565	235,252
Total net position - ending	<u>\$ 6,227,709</u>	<u>\$ 3,750,291</u>	<u>\$ 3,117,314</u>	<u>\$ 228,350</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(3,811)
Change in net position of business-type activities				<u>\$ 452,891</u>

CITY OF NEWTON
Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended April 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Electric	Water	Waste Water	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 3,117,576	\$ 679,526	\$ 546,844	\$ 4,343,946	\$ -
Receipts from interfund services provided	-	-	-	-	182,787
Payments to suppliers	(2,306,055)	(127,648)	(151,007)	(2,584,710)	(36,825)
Payments to employees	(259,354)	(127,417)	(180,280)	(567,051)	-
Payments for interfund services used	(29,163)	(14,998)	(19,998)	(64,159)	-
Payments for claims	-	-	-	-	(261,388)
Other receipts	6,242	2,461	7,466	16,169	116,007
Net cash provided by operating activities	<u>529,246</u>	<u>411,924</u>	<u>203,025</u>	<u>1,144,195</u>	<u>581</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	<u>(208,735)</u>	<u>(26,482)</u>	<u>(21,646)</u>	<u>(256,863)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(876,105)	(244,553)	(260,766)	(1,381,424)	-
Note proceeds	-	369,600	1,982,500	2,352,100	-
Principal paid on notes	-	(417,900)	(54,855)	(472,755)	-
Principal paid on bonds	-	-	(2,225,000)	(2,225,000)	-
Interest paid on debt	-	(4,371)	(115,815)	(120,186)	-
Net cash used by capital and related financing activities	<u>(876,105)</u>	<u>(297,224)</u>	<u>(673,936)</u>	<u>(1,847,265)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest	40,974	2,447	3,175	46,596	1,059
Net cash provided by investing activities	<u>40,974</u>	<u>2,447</u>	<u>3,175</u>	<u>46,596</u>	<u>1,059</u>
Net increase (decrease) in cash and cash equivalents	(514,620)	90,665	(489,382)	(913,337)	1,640
Cash and cash equivalents - beginning of year	5,414,977	269,767	743,601	6,428,345	218,198
Cash and cash equivalents - end of year	<u>\$ 4,900,357</u>	<u>\$ 360,432</u>	<u>\$ 254,219</u>	<u>\$ 5,515,008</u>	<u>\$ 219,838</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 445,083	\$ 301,037	\$ 41,035	\$ 787,155	\$ (7,961)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	48,966	111,908	161,311	322,185	-
Change in assets:					
Miscellaneous receivable	12,391	73	679	13,143	8,542
Change in liabilities:					
Accrued liabilities	-	(1,094)	-	(1,094)	-
Customer deposits	22,655	-	-	22,655	-
Deferred revenue	151	-	-	151	-
Net cash provided (used) by operating activities	<u>\$ 529,246</u>	<u>\$ 411,924</u>	<u>\$ 203,025</u>	<u>\$ 1,144,195</u>	<u>\$ 581</u>
Reconciliation of cash on statement of net position to cash balance at year end:					
Cash and cash equivalents	\$ 4,614,508	\$ 360,432	\$ 254,219	\$ 5,229,159	\$ 219,838
Restricted cash and cash equivalents	285,849	-	-	285,849	-
Cash and cash equivalents - end of year	<u>\$ 4,900,357</u>	<u>\$ 360,432</u>	<u>\$ 254,219</u>	<u>\$ 5,515,008</u>	<u>\$ 219,838</u>

City of Newton, Illinois
Notes to Financial Statements
April 30, 2013

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, sanitation 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 the modified cash basis of accounting, 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 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; fiduciary activities have been excluded. 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 meet 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, 2013
(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, proprietary, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds; therefore each is displayed in a separate column. All remaining governmental and enterprise 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.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds*, the City has chosen to apply all GASB pronouncements as well as those pronouncements of the Financial Accounting Standards Board (FASB) issued on or after November 30, 1989, to account for its proprietary funds, unless those pronouncements conflict with or contradict GASB pronouncements.

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 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. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, 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. Liabilities of a fund, similarly, result from previous cash transactions.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2013
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

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.

In the governmental fund statements, proceeds from long-term debt borrowings are included as other financing sources in the appropriate fund on the date received.

Operating revenue 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 accounts for revenues and expenditures of the City's Tax Increment Financing district.

The IKE Grant fund accounts for revenues and expenditures associated with the IKE Public Infrastructure grant received by 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 Waste Water 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.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2013
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

F. 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.

G. Inventory

Inventory consists of developed lots in the 5 Aprils Crossing subdivision held for sale by the City, which are valued at cost.

H. 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.

I. 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 capital assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Capital assets are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	10-50
Improvements	10-20
Equipment	2-20

I. 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 termination of police employees. As of April 30, 2013, the City's liability for unused sick time is estimated to be \$53,557.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2013
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

J. Fund Equity

In the government-wide financial statements, restricted net position is legally restricted by outside parties for a specific purpose. Invested in capital assets, net of related debt 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.

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. 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.

K. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in August and are payable in two installments between July and September of the subsequent year. Property taxes are billed by the County, which remits payment to the City. Payments are typically made during the period August through November.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2013
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

L. Program Revenues

Charges for services include revenues based on exchange or exchange-like transactions, namely charges for services provided by the City's office. 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.

M. Use of Estimates

The preparation of the financial statements 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.

N. Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

O. Restricted Cash

Enterprise Funds hold customer deposits that will have to be refunded to the customer in the future.

In addition, the General Fund maintains a restricted cash account for its revolving loan fund. These funds are restricted by a grant agreement to be used again for certain economic development loans.

At April 30, 2013, the City maintained restricted cash of \$488,210 as follows:

<u>Business-type Activities</u>	
For customer utility deposits	\$ <u>285,849</u>
<u>Governmental Activities</u>	
For community development	\$ <u>202,389</u>

P. Concentration of Credit Risk

All users of the City's electric, water and waste water 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 August 09, 2013, the date which the financial statements were available to be issued.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2013
(Continued)

Note 2: Cash and Investments

The City's cash deposits consist of checking, 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, 2013, the carrying amount and the bank balance of the City's cash deposits were \$7,323,495 and \$7,338,774, 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 \$200 recorded in the Waste Water Fund. The City has a written investment policy.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of April 30, 2013, \$7,036,523 of the City's total bank balance of deposits at financial institutions of \$7,338,774 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the city's name	\$ <u>7,036,523</u>
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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.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2013
(Continued)

Note 4: Notes Receivable

The City of Newton is under a contractual agreement with the Illinois Department of Commerce and Community Affairs to implement an economic development program that significantly impacts its economic base. The loans have been recorded in the General Fund as a receivable and a restricted fund balance. Proceeds have been loaned to the following parties:

Name	Terms	Amount
Deborah Overoyen	4% interest, \$162 payable monthly, due February 15, 2017	\$ 6,762
Newton Hotel Group, LLC	3.5% interest, \$989 payable monthly, due February 5, 2023	98,603
		<u>\$ 105,365</u>

Note 5: Changes in Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities:

	Balance May 01, 2012	Additions	Deletions	Reclassifications	Balance April 30, 2013
<u>Assets Not Depreciated</u>					
Land	\$ 565,750	\$ 101,900	\$ -	\$ (177,500)	\$ 490,150
Construction in progress	-	319,170	-	-	319,170
<u>Assets Depreciated</u>					
Buildings and improvements	4,227,982	-	-	-	4,227,982
Equipment, furniture, fixtures	862,219	27,024	(23,971)	-	865,272
Infrastructure	917,336	780,486	-	-	1,697,822
Total Capital Assets	6,573,287	1,228,580	(23,971)	(177,500)	7,600,396
Less: Accumulated depreciation					
Buildings and improvements	(682,525)	(170,227)	-	-	(852,752)
Equipment, furniture, fixtures	(589,720)	(61,569)	18,577	-	(632,712)
Infrastructure	(415,070)	(60,816)	-	-	(475,886)
Total Accumulated Depreciation	(1,687,315)	(292,612)	18,577	-	(1,961,350)
Capital Assets, net	<u>\$ 4,885,972</u>	<u>\$ 935,968</u>	<u>\$ (5,394)</u>	<u>\$ (177,500)</u>	<u>\$ 5,639,046</u>

City of Newton, Illinois
Notes to Financial Statements
April 30, 2013
(Continued)

Note 5: Changes in Capital Assets (Continued)

Business-type Activities:

	Balance May 01, 2012	Additions	Deletions	Balance April 30, 2013
<u>Assets Not Depreciated</u>				
Land	\$ 123,572	\$ -	\$ -	\$ 123,572
Construction in Progress	-	-	-	-
<u>Assets Depreciated</u>				
Plant and equipment	13,743,218	1,267,020	-	15,010,238
Total Capital Assets	13,866,790	1,267,020	-	15,133,810
Less: Accumulated depreciation	(4,615,656)	(322,185)	-	(4,937,841)
Capital Assets, net	<u>\$ 9,251,134</u>	<u>\$ 944,835</u>	<u>\$ -</u>	<u>\$ 10,195,969</u>

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

Governmental activities:

General government	\$ 8,443
Public safety	20,484
Transportation and public works	73,793
Social services	687
Culture and recreation	152,602
Community development	36,603
	<u>\$ 292,612</u>

Business-Type Activities:

Electric	\$ 48,966
Water	111,908
Waste Water	161,311
	<u>\$ 322,185</u>

Note 6: Short-Term Debt

The City obtains bank financing to repay all interfund loans at the end of the fiscal year. The loans are taken out on April 30 and subsequently repaid on May 1.

The following is a summary of changes in short-term debt for the year ended April 30, 2013:

Balance, May 1, 2012	\$ 579,900
Increases	516,600
Decreases	(579,900) -
Balance, April 30, 2013	<u>\$ 516,600</u>

City of Newton, Illinois
Notes to Financial Statements
April 30, 2013
(Continued)

Note 7: Long-Term Debt

The following is a summary of the City's long-term debt transactions for the year ended April 30, 2013:

Governmental Funds:

	Payable at May 1, 2012	Additions	Reductions	Payable at April 30, 2013
Aquatic Facility GO Bonds - Series 2008	<u>\$ 1,770,000</u>	<u>\$ -</u>	<u>\$ (80,000)</u>	<u>\$ 1,690,000</u>

Bond Obligations

The City has outstanding General Obligation (Revenue Sharing Receipts Alternate Revenue Source) Series 2008 Bonds in the original amount of \$1,975,000. 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, 2013, the levy for such taxes was abated. However, the City has abated the levy for such taxes in the current and all previous years.

The Series 2008 Bonds are dated May 15, 2008, with interest payable on May 1 and November 1 of each year. The bonds are issued in \$5,000 multiples. The following is a maturity schedule of the 2008 bonds:

Fiscal Year	Series 2008		
	Principal Amount	Interest Amount	Total Funds Required
2014	\$ 80,000	\$ 77,950	\$ 157,950
2015	85,000	74,950	159,950
2016	90,000	71,508	161,508
2017	95,000	67,863	162,863
2018	95,000	64,015	159,015
2019-2023	550,000	252,565	802,565
2024-2028	695,000	108,000	803,000
	<u>\$ 1,690,000</u>	<u>\$ 716,850</u>	<u>\$ 2,406,850</u>

Total interest related to the bonds incurred and expensed for the year ended April 30, 2013 was \$79,450.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2013
(Continued)

Note 7: Long-Term Debt (Continued)

Enterprise Funds:

	Payable at May 1, 2012	Additions	Reductions	Payable at April 30, 2013
Waste Water Revenue Bonds - Series 2005 A	\$ 1,900,000	\$ -	\$ (1,900,000)	\$ -
Waste Water Revenue Bonds - Series 2005 B	325,000	-	(325,000)	-
Peoples State Bank	-	1,982,500	(49,201)	1,933,299
Illinois EPA Note - Imperial Acres	32,580	-	(5,654)	26,926
	<u>\$ 2,257,580</u>	<u>\$ 1,982,500</u>	<u>\$ (2,279,855)</u>	<u>\$ 1,960,225</u>

2005 Sewerage System Revenue Bonds

The City issued revenue bonds in the amount of \$2,000,000 (Series A) and \$400,000 (Series B) for the construction of a sewer system. The bonds are dated August 17, 2005, and are due in annual installments on May 1 of each year. Interest is payable semi-annually at 4.125% on the Series A bonds and the Series B bonds. The bonds were paid off during fiscal year 2013.

Illinois Environmental Protection Agency Wastewater Loan

The City obtained a loan from the Illinois Environmental Protection Agency in order to extend a waste water collection system to the Imperial Acres subdivision. The loan was issued on November 1, 1997 in the amount of \$98,721 and installments are due semi-annually on March 1 and September 1 of each year. The loan has an interest rate of 2.865% and matures on March 1, 2018.

Presented below is a summary of debt service requirements to maturity by years for the Illinois Environmental Protection Agency wastewater loan:

Fiscal Year	Principal	Interest	Total Payment
2014	\$ 5,816	\$ 730	\$ 6,546
2015	5,984	562	6,546
2016	6,156	390	6,546
2017	6,335	211	6,546
2018	2,635	38	2,673
	<u>\$ 26,926</u>	<u>\$ 1,931</u>	<u>\$ 28,857</u>

Peoples State Bank Loan

The City obtained a loan from Peoples State Bank in order to pay off the 2005 Sewerage System Revenue Bonds. The loan was issued October 17, 2012 in the amount of \$1,982,500. Monthly payments of \$12,750 are due monthly beginning November 17, 2012. The loan has an interest rate of 2.79% and matures on October 17, 2022, at which time a balloon payment of \$870,224 is due.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2013
(Continued)

Note 7: Long-Term Debt (Continued)

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

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Funds Required</u>
2014	\$ 100,332	\$ 52,668	\$ 153,000
2015	103,168	49,832	153,000
2016	105,957	47,043	153,000
2017	109,077	43,923	153,000
2018	112,160	40,840	153,000
2019-2023	1,402,605	143,371	1,545,976
	<u>\$ 1,933,299</u>	<u>\$ 377,677</u>	<u>\$ 2,310,976</u>

Total interest related to the bonds and loans incurred and expensed for the year ended April 30, 2013 was \$116,708.

Note 8: Fund Equity

The City's nonspendable fund balance consisted of the following:

Governmental Activities

<u>Purpose</u>	<u>Amount</u>
Inventory of lots in 5 Aprils Crossing subdivision	\$ <u>123,478</u>

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

Governmental Activities

<u>Purpose</u>	<u>Amount</u>
General Fund:	
Community development	\$ 307,754
DUI and drug equipment	7,965
Canine equipment	10,225
Social Security Fund	144,793
IMRF Fund	145,532
Emergency Management Fund	34,811
Motor Fuel Tax Fund	300,154
Insurance Fund	94,861
Workmen's Compensation Fund	95,750
	\$ <u>1,141,845</u>

City of Newton, Illinois
Notes to Financial Statements
April 30, 2013
(Continued)

Note 8: Fund Equity (Continued)

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

Governmental Activities

Purpose	Amount
Capital Development Fund	\$ 27,924

The City reported the following assigned balances:

Governmental Activities

Purpose	Amount
Allocated Funds for Aquatic Facility Debt Payments	\$ 173,791

Note 9: Interfund Transfers

For the year ended April 30, 2013, the following interfund transfers were made:

Fund	Interfund Transfer In	Interfund Transfer Out
General Fund	\$ 167,405	\$ -
Capital Development Fund	89,458	-
Electric Fund	-	208,735
Water Fund	-	26,482
Waste Water Fund	-	21,646
	<u>\$ 256,863</u>	<u>\$ 256,863</u>

The transfers from the Electric Fund to the Capital Development Fund were made pursuant to an ordinance passed by the City Council establishing a capital development fund. The transfers from the Electric Fund, Water Fund, and Waste Water Fund to the General Fund were made pursuant to an ordinance passed by the City Council.

Note 10: Defined Benefit Pension Plan

ILLINOIS MUNICIPAL RETIREMENT PLAN

A. 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. That report may be obtained online at www.imrf.org.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2013
(Continued)

Note 10: Defined Benefit Pension Plan (Continued)

ILLINOIS MUNICIPAL RETIREMENT PLAN (Continued)

B. 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 contribution rate for calendar year 2012 was 13.81%. 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.

C. Annual Pension Cost:

The required contribution for calendar year 2012 was \$147,685.

<u>Three-Year Trend Information</u>			
Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	\$ 147,685	100%	\$ 0
12/31/11	134,751	100%	0
12/31/10	136,548	100%	0

The required contribution for 2012 was determined as part of the December 31, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010 included (a) 7.50% investment rate of return (net of administrative and direct investment expenses); (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the City's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The City's Regular plan's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on an open 30 year basis.

C. Funded Status and Funding Progress.

As of December 31, 2012, the most recent actuarial valuation date, the Regular plan was 68.02% funded. The actuarial accrued liability for benefits was \$3,431,300 and the actuarial value of assets was \$2,334,085, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,097,215. The covered payroll for year 2012 (annual payroll of active employees covered by the plan) was \$1,069,405 and the ratio of the UAAL to the covered payroll was 103%.

The schedule of funding progress, presented as supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2013
(Continued)

Note 10: Defined Benefit Pension Plan (Continued)

FICA

Employees not qualifying for coverage under the Illinois Municipal Retirement Fund (IMRF) are considered "non-participating employees". These employees and those qualifying for coverage under IMRF are covered under FICA. The City paid the total required contribution of \$81,517 for the current fiscal year.

Note 11: 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 from the prior year and settlements have not exceeded coverage in any of the prior three years.

Note 12: 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 \$15,000 on an employee per year, the City is reimbursed by the policy.

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.

Construction Bids Awarded

The City entered into a contract on July 20, 2012, to have the water tower painted at a cost of \$231,000. The work is to be performed by July 20, 2013.

Note 13: 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.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2013
(Continued)

Note 13: Post-Employment Health Care Benefits (Continued)

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.

Note 14: Prior Period Adjustment

During the current year, it has been determined that the purchase of land used in developing the 5 Aprils Crossing subdivision should have been recorded as inventory in the TIF Fund rather than as a capital asset. Therefore, beginning fund balance has been increased by \$177,500, which was the amount paid by the TIF Fund to purchase the property in fiscal year 2012. Likewise, beginning inventory in the TIF fund was increased by \$177,500.

Government-wide Financial Statements	
	Increase in
Governmental Activities	Beginning Fund
	Balance
5 Aprils Crossing subdivision lots inventory	\$ <u>177,500</u>

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 City Council
City of Newton
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, 2013, 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 August 09, 2013. Our report disclosed, as described in Note 13, that the City's financial statements do not include disclosures regarding post employment health insurance benefits.

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's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider deficiency 2013-01 described in the accompanying schedule of findings and responses to be a material weakness.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2013-02.

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

August 09, 2013

City of Newton, Illinois
Schedule of Findings and Responses
Year Ended April 30, 2013

FINDINGS – FINANCIAL STATEMENT AUDIT

2013-01 Ability to Draft Financial Statement Footnotes

Deficiency: The City does not have an individual with the pre-requisite technical expertise to draft the notes to the financial statements in accordance with generally accepted accounting principles.

Criteria: The City should have at least one staff member with the technical expertise to properly prepare the notes to the financial statements.

Effect: The City cannot prepare the notes to the financial statements in accordance with generally accepted accounting principles.

Recommendation: The City should provide the necessary training to personnel or contract with an independent contractor with the technical expertise to prepare the notes to the financial statements.

Management Response: The City plans to continue to utilize an independent contractor for the preparation of the notes to the financial statements.

2013-02 Legal Debt Margin

Deficiency: The City failed to properly include short term loans in its calculation of indebtedness applicable to the legal debt limitation.

Criteria: The City's indebtedness is limited to 8.625% of the value of taxable property therein as stated by 65 ILCS 5/8-5-1.

Effect: The City exceeded the legal debt limitation as of April 30, 2013. Indebtedness applicable to the limitation was 10.02% of the value of taxable property.

Recommendation: The City should review state statutes and consult with legal counsel when needed to determine what indebtedness applies towards its legal debt limitation provided in 65 ILCS 5/8-5-1.

Management Response: The City agrees that the legal debt limitation was exceeded as of April 30, 2013. However, they would like to note that twelve hour loans in the amount of \$516,600 were subsequently paid off on May 1, 2013. Excluding these twelve hour loans, the debt applicable to the limitation was 7.93% of the value of taxable property.

CITY OF NEWTON
Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended April 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Over (Under)
REVENUES				
Property taxes	\$ -	\$ -	\$ 77,003	\$ 77,003
Intergovernmental:				
Sales tax	-	-	712,373	712,373
Income tax	-	-	273,231	273,231
Replacement tax	-	-	40,044	40,044
Township road and bridge	-	-	46,592	46,592
Pull tab and gaming	-	-	4,027	4,027
Licenses and permits	-	-	2,555	2,555
Fees and fines	-	-	103,323	103,323
Charges for services	-	-	62,375	62,375
Revenue from the use of property and equipment	-	-	72	72
Interest and investment earnings	-	-	6,783	6,783
Operating grants and contributions	-	-	7,170	7,170
Capital grants and contributions	-	-	1,111	1,111
Proceeds from sale of capital assets	-	-	1,250	1,250
Miscellaneous	-	-	19,779	19,779
Total revenues	-	-	1,357,688	1,357,688
EXPENDITURES				
Current:				
General government	312,785	312,785	179,251	(133,534)
Public safety	915,050	915,050	603,750	(311,300)
Transportation and public works	605,850	605,850	191,879	(413,971)
Social services	72,500	72,500	18,098	(54,402)
Culture and recreation	589,750	589,750	198,239	(391,511)
Debt service:				
Principal	80,500	80,500	80,000	(500)
Interest	80,000	80,000	79,450	(550)
Capital outlay	1,242,000	1,242,000	807,510	(434,490)
Total expenditures	3,898,435	3,898,435	2,158,177	(1,740,258)
Excess (deficiency) of revenues over (under) expenditures	(3,898,435)	(3,898,435)	(800,489)	3,097,946
OTHER FINANCING SOURCES(USES)				
Operating transfers in	-	-	167,405	167,405
Total other financing sources	-	-	167,405	167,405
Net change in fund balance	\$ (3,898,435)	\$ (3,898,435)	(633,084)	\$ 3,265,351
Fund balance - beginning			1,439,710	
Fund balance - ending			\$ 806,626	

CITY OF NEWTON
Budgetary Comparison Schedule - Modified Cash Basis
TIF Fund
For the Year Ended April 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary	Final Budget
			Basis	Over (Under)
REVENUES				
Property taxes	\$ -	\$ -	\$ 137,489	\$ 137,489
Interest and investment earnings	-	-	249	249
Miscellaneous	-	-	13,318	13,318
Total revenues	-	-	151,056	151,056
EXPENDITURES				
Current:				
Community development	5,699,500	5,699,500	168,001	(5,531,499)
Total expenditures	5,699,500	5,699,500	168,001	(5,531,499)
Net change in fund balance	\$ (5,699,500)	\$ (5,699,500)	(16,945)	\$ 5,682,555
Fund balance - beginning			(138,590)	
Prior period adjustment - Note 14			177,500	
Fund balance - beginning, as restated			38,910	
Fund balance - ending			\$ 21,965	

CITY OF NEWTON
Budgetary Comparison Schedule - Modified Cash Basis
IKE Grant Fund
For the Year Ended April 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary	Final Budget
			Basis	Over (Under)
REVENUES				
Capital grants and contributions	\$ -	\$ -	\$ 378,929	\$ 378,929
Total revenues	-	-	378,929	378,929
EXPENDITURES				
Current:				
Environment	201,000	201,000	1,175	(199,825)
Capital outlay	947,000	947,000	377,754	(569,246)
Total expenditures	1,148,000	1,148,000	378,929	(769,071)
Net change in fund balance	\$ (1,148,000)	\$ (1,148,000)	-	\$ 1,148,000
Fund balance - beginning			-	
Fund balance - ending			\$ -	

City of Newton, Illinois
 Illinois Municipal Retirement Fund
 Schedule of Funding Progress
 April 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
12/31/12	\$ 2,334,085	\$ 3,431,300	\$ 1,097,215	68.02%	\$ 1,069,405	102.60%
12/31/11	2,377,923	3,575,263	1,197,340	66.51%	1,077,150	111.16%
12/31/10	2,509,756	3,544,723	1,034,967	70.80%	1,053,610	98.23%

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$2,439,639. On a market basis, the funded ratio would be 71.10%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the City of Newton. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

City of Newton, Illinois
Notes to Supplementary Information
April 30, 2013

Note 1: Budgets, Appropriation Ordinance, and Budgetary Accounting

The City adopts its budget in accordance with a basis of accounting utilized by that fund. Annual appropriated 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 budgetary data reflected in the financial statements.

1. Prior to adoption, the City prepares and submits to the City Council a proposed operating budget, for the fiscal year commencing May 1st. The operating budget includes both proposed expenditures and the expected revenue for the fiscal year.
2. Public hearings are conducted at an advertised location to obtain taxpayer comments on the appropriations ordinance.
3. Prior to July 31, the appropriations ordinance is legally enacted through passage of an ordinance.
4. The Annual Appropriation Ordinance was adopted on July 17, 2012.
5. Numerous transfers were made between line items in the Appropriation Ordinance during fiscal year 2013.
6. Budget amounts reflected in the financial statements are the amounts as originally adopted on July 17, 2012 adjusted for the line item transfers.

Note 2: Individual Fund Disclosures

No funds had an excess of expenditures over appropriations for the year ended April 30, 2013.

Note 3: Encumbrances

Encumbrance accounting is not used by the City.

CITY OF NEWTON
Combining Balance Sheet - Modified Cash Basis
Nonmajor Governmental Funds
April 30, 2013

	Special Revenue Funds					
	Social Security	IMRF	Emergency Management	Motor Fuel Tax	Insurance	Workmen's Compensation
ASSETS						
Cash and investments	\$ 144,793	\$ 145,532	\$ 34,811	\$ 300,154	\$ 94,861	\$ 95,750
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 144,793</u>	<u>\$ 145,532</u>	<u>\$ 34,811</u>	<u>\$ 300,154</u>	<u>\$ 94,861</u>	<u>\$ 95,750</u>
 LIABILITIES & FUND BALANCE						
Liabilities:						
Property tax payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balances:						
Restricted						
Other purposes	144,793	145,532	34,811	300,154	94,861	95,750
Committed	-	-	-	-	-	-
Total fund balances	<u>144,793</u>	<u>145,532</u>	<u>34,811</u>	<u>300,154</u>	<u>94,861</u>	<u>95,750</u>
Total liabilities and fund balances	<u>\$ 144,793</u>	<u>\$ 145,532</u>	<u>\$ 34,811</u>	<u>\$ 300,154</u>	<u>\$ 94,861</u>	<u>\$ 95,750</u>

CITY OF NEWTON
Combining Balance Sheet - Modified Cash Basis
Nonmajor Governmental Funds
April 30, 2013

	Special Revenue Funds		Total
	Capital	ITEP	Nonmajor
	Development	Eagle Trail	Governmental
			Funds
ASSETS			
Cash and investments	\$ 29,536	\$ -	\$ 845,437
Due from other funds	-	-	-
Total assets	<u>\$ 29,536</u>	<u>\$ -</u>	<u>\$ 845,437</u>
 LIABILITIES & FUND BALANCE			
Liabilities:			
Property taxes payable	\$ 1,612	\$ -	\$ 1,612
Total liabilities	<u>1,612</u>	<u>-</u>	<u>1,612</u>
 Fund balances:			
Restricted			
Other purposes	-	-	815,901
Committed	27,924	-	27,924
Total fund balances	<u>27,924</u>	<u>-</u>	<u>843,825</u>
Total liabilities and fund balances	<u>\$ 29,536</u>	<u>\$ -</u>	<u>\$ 845,437</u>

CITY OF NEWTON
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances - Modified Cash Basis
Nonmajor Governmental Funds
For the Year Ended April 30, 2013

	Special Revenue Funds					
	Social Security	IMRF	Emergency Management	Motor Fuel Tax	Insurance	Workmen's Compensation
REVENUES						
Property taxes	\$ 124,458	\$ 147,378	\$ 2,470	\$ -	\$ 31,711	\$ 73,566
Revenue from the use of property and equipment	-	-	-	-	-	-
Interest and investment earnings	588	643	237	1,361	823	395
Operating grants	-	-	-	81,802	-	-
Capital grants	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>125,046</u>	<u>148,021</u>	<u>2,707</u>	<u>83,163</u>	<u>32,534</u>	<u>73,961</u>
EXPENDITURES						
Current:						
General government	37,190	52,532	-	-	108,241	1,606
Public safety	27,295	51,324	8,322	-	48,677	17,070
Transportation and public works	7,869	14,980	-	143,329	18,216	12,689
Community development	-	-	-	-	-	-
Culture and recreation	9,163	10,929	-	-	17,379	6,059
Capital outlay	-	-	-	12,725	-	-
Total expenditures	<u>81,517</u>	<u>129,766</u>	<u>8,322</u>	<u>156,054</u>	<u>192,513</u>	<u>37,423</u>
Excess (deficiency) of revenues over (under) expenditures	43,529	18,255	(5,615)	(72,891)	(159,979)	36,538
OTHER FINANCING SOURCES(USES)						
Operating transfers in	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	43,529	18,255	(5,615)	(72,891)	(159,979)	36,538
Fund balances - beginning	<u>101,264</u>	<u>127,277</u>	<u>40,426</u>	<u>373,045</u>	<u>254,840</u>	<u>59,212</u>
Fund balances - ending	<u>\$ 144,793</u>	<u>\$ 145,532</u>	<u>\$ 34,811</u>	<u>\$ 300,154</u>	<u>\$ 94,861</u>	<u>\$ 95,750</u>

CITY OF NEWTON
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances - Modified Cash Basis
Nonmajor Governmental Funds
For the Year Ended April 30, 2013

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Capital Development	ITEP Eagle Trail	
REVENUES			
Property taxes	\$ -	\$ -	\$ 379,583
Revenue from the use of property and equipment	4,124	-	4,124
Interest and investment earnings	52	-	4,099
Operating grants	-	-	81,802
Capital grants	-	32,882	32,882
Miscellaneous	12,513	-	12,513
Total revenues	<u>16,689</u>	<u>32,882</u>	<u>515,003</u>
EXPENDITURES			
Current:			
General government	-	-	199,569
Public safety	-	-	152,688
Transportation and public works	-	-	197,083
Community development	93,531	-	93,531
Culture and recreation	-	-	43,530
Capital outlay	-	30,591	43,316
Total expenditures	<u>93,531</u>	<u>30,591</u>	<u>729,717</u>
Excess (deficiency) of revenues over (under) expenditures	(76,842)	2,291	(214,714)
OTHER FINANCING SOURCES(USES)			
Operating transfers in	<u>89,458</u>	-	<u>89,458</u>
Total other financing sources	<u>89,458</u>	-	<u>89,458</u>
Net change in fund balances	12,616	2,291	(125,256)
Fund balances - beginning	<u>15,308</u>	<u>(2,291)</u>	<u>969,081</u>
Fund balances - ending	<u>\$ 27,924</u>	<u>\$ -</u>	<u>\$ 843,825</u>