

CITY OF CARLYLE, ILLINOIS

**Results of Agreed-Upon Procedures Related
to the City of Carlyle's Statement
of the Production Cost of Water**

April 30, 2013

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

April 22, 2014

The Honorable Mayor and Members of
the Board of Alderman
City of Carlyle
Carlyle, Illinois 62231

We have performed the procedures enumerated below, which were agreed to by the City of Carlyle, Illinois, to the City of Carlyle's Statement of the Production Cost of Water for the year ended April 30, 2013, as presented in Exhibit A. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings follow:

1. We read the water supply contracts between the City of Carlyle and the Village of Beckemeyer, Illinois, Clinton County East Public Water District, Carlyle Southwest Public Water District, and Hoffman Rural Water District, Inc. and Carlyle North Water Co., Inc. (Customers).

The water supply contracts stipulate that the cost of production will be determined by the Seller and verified by Purchaser as a result of an annual audit of the Seller's accounts by a certified public accountant; Said cost of production will include costs of operation and maintenance of the Seller's treatment plant and a proportionate share of administrative, financial, supervisory and other indirect overhead costs of the Seller reasonably attributable to water production, including 1/3 of the salary of the Plant Manager, but shall not include any portion of the costs of installing, maintaining, repairing or operating any part of the Seller's distribution system. Likewise, the cost of production shall not include any costs for constructing, repairing, replacing, operating or maintaining any of Seller's existing or proposed ground or elevated storage tanks or any depreciation on the foregoing as the Purchasers maintains its own storage and the Seller is not hereby required to maintain storage for Purchaser. The parties agree to allocate salaries, FICA, IMRF and health insurance for Administrative Personnel based on the percentage that the Water Production Fund expenses bear to all expenses for all funds maintained by the Seller.

The water supply contracts call for the City to bill monthly at a rate determined annually which is equal to the previous year's costs of production, as defined, plus twenty three (23) %.

2. We compared the City of Carlyle's Statement of the Production Cost of Water for the year ended April 30, 2013, to the statement for the preceding year. We made inquiries of the City of Carlyle officials obtaining explanations of significant fluctuations. The results are shown at Schedule 1.

3. We obtained detail supporting schedules of expenses included in the City of Carlyle's Statement of the Production Cost of Water, Exhibit A, and performed the following procedures:

We agreed the City's supporting schedules of expenses to the City's Water Fund computerized cash disbursements journal, payroll records, and the related accounts in the general ledger.

We reviewed the descriptions of the costs recorded in the City's Water Fund computerized cash disbursements journal by account, which supports the detail schedules of expenses, for any descriptions which would appear to indicate that costs were either misposted or did not represent production costs, as defined. No exceptions were noted.

We reviewed the City's methods used in allocating certain expenses recorded in the City's Water Fund to production costs of water under the terms of the water supply contracts to determine if any were changed. No significant changes were noted.

We reviewed the consistency of handling the agreed-upon adjustments to production cost as agreed to for fiscal years 2011 and 2012.

We reviewed the City's computation of cost per 1,000 gallons of water produced to determine if the computation was consistent with that of the previous year. An explanation of the method used in computing the cost per 1,000 gallons appears at Schedule 2.

We checked the mathematical accuracy of the detail supporting schedules of expenses and agreed the totals to the amounts included in the City's Statement of the Production Cost of Water (Exhibit A).

4. We agreed the total gallons distributed and sold included in Exhibit A to detail schedules maintained by City officials.
5. We checked the mathematical accuracy of the Statement of Production Cost of Water (Exhibit A).

We were not engaged to, and did not; perform an examination, the objective of which would be the expression of an opinion on the Statement of the Production Cost of Water (Exhibit A). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the City of Carlyle, Illinois and authorized officials of the Village of Beckemeyer, Illinois, Clinton County East Public Water District, Carlyle Southwest Public Water District, Hoffman Rural Water District, Inc. and Carlyle North Water Co., Inc. and is not intended to be and should not be used by anyone other than those specified parties.

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City of Carlyle, Illinois
 STATEMENT OF THE PRODUCTION COST OF WATER
 For the Year Ended April 30, 2013

	<u>Year Ended April 30</u>		Increase (Decrease)
	<u>2013</u>	<u>2012</u>	
<u>PRODUCTION COSTS</u>			
Source of Supply:			
Pumping	\$ 106,964	\$ 91,509	\$ 15,455
Purification -- Chemicals	151,268	126,645	24,623
	<u>258,232</u>	<u>218,154</u>	<u>40,078</u>
Labor and Fringe Benefits:			
Labor and Supervision	209,752	198,172	11,580
Payment to IMRF and Social Security	48,844	45,180	3,664
Health Insurance	27,132	24,720	2,412
	<u>285,728</u>	<u>268,072</u>	<u>17,656</u>
Overhead Costs:			
General Insurance	23,317	17,958	5,359
Professional Fees	5,881	6,409	(528)
Repairs and Maintenance	32,990	44,780	(11,790)
Supplies	17,001	19,935	(2,934)
Training, Travel & Dues	3,229	2,050	1,179
Uniforms	1,350	2,086	(736)
Telephone	3,511	3,676	(165)
Fuel & Oil	1,435	1,250	185
Small Tools	1,347	1,032	315
Postage	1,964	2,082	(118)
Miscellaneous	2,065	1,539	526
General & Administrative	40,819	50,651	(9,832)
Depreciation	133,089	131,160	1,929
	<u>267,998</u>	<u>284,608</u>	<u>(16,610)</u>
Financial Costs:			
Interest Expense	26,645	28,228	(1,583)
	<u>26,645</u>	<u>28,228</u>	<u>(1,583)</u>
Total Production Costs, as Defined	<u>\$ 838,603</u>	<u>\$ 799,062</u>	<u>\$ 39,541</u>

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City of Carlyle, Illinois
 STATEMENT OF THE PRODUCTION COST OF WATER--CONTINUED
 For the Year Ended April 30, 2013

	Year Ended April 30		Increase (Decrease)
	2013	2012	
<u>COMPUTATION OF WATER RATES</u>			
Total Gallons Distributed (In Thousands)	354,460	342,558	11,902
Total Gallons Sold (In Thousands)	<u>331,992</u>	<u>320,668</u>	<u>11,324</u>
Difference	<u>22,468</u>	<u>21,890</u>	<u>578</u>
Total Gallons Distributed (In Thousands)	354,460	342,558	11,902
District's Share of Difference Between Gallons Sold and Gallons Distributed (In Thousands) -- 10%	<u>(2,247)</u>	<u>(2,189)</u>	<u>(58)</u>
Number of Gallons (In Thousands) Upon Which Rates are Computed	<u>352,213</u>	<u>340,369</u>	<u>11,844</u>
Cost Per Thousand Gallons	\$ 2.3810	\$ 2.3476	\$ 0.0334
Add--23% factor, as per water contracts	<u>0.5476</u>	<u>0.5399</u>	<u>0.0077</u>
Total Rate per Thousand Gallons	<u>\$ 2.9286</u>	<u>\$ 2.8875</u>	<u>\$ 0.0411</u>

Note -- April 30, 2012, figures are presented for comparison purposes only.

City of Carlyle, Illinois
EXPLANATIONS FOR SIGNIFICANT FLUCTUATIONS
IN PRODUCTION COSTS
For the Years Ended April 30, 2013

Description	Year Ended April 30		Increase (Decrease)	Explanation
	2013	2012		
Pumping	\$ 106,964	\$ 91,509	\$ 15,455	Pumping includes electric and gas for the water plant. Weather conditions and increased water pumped were attributed to the higher cost of pumping in fiscal year 2013.
Chemicals	\$ 151,268	\$ 126,645	\$ 24,623	Price increases and water quality issues resulted in higher chemical costs in fiscal year 2013. Secondary chemical feeds were required to address water problems this year.
Labor and Fringes	\$ 285,728	\$ 268,072	\$ 17,656	Annual pay increases and higher health insurance rates attributed to the increase in fiscal year 2013. There were no staff changes.
General Insurance	\$ 23,317	\$ 17,958	\$ 5,359	General insurance rates increased in fiscal year 2013.
Repairs and Maintenance	\$ 32,990	\$ 44,780	\$ (11,790)	Repairs vary annually based on need. There were less repair projects in fiscal year 2013.
General and Administrative	\$ 40,819	\$ 50,651	\$ (9,832)	Water production's share of the cost of operating City Hall dropped from 10.84% to 9.67% in fiscal year 2013.

City of Carlyle, Illinois
EXPLANATIONS OF METHOD USED IN
COMPUTING PRODUCTION COST PER THOUSAND GALLONS
Year Ended April 30, 2012

The cost per thousand gallons of water produced was determined using total gallons distributed (less) plus 10% of the difference between total gallons distributed and total gallons sold, consistent with the prior year.