

CITY OF CARBONDALE

**PRESENTATION TO THE HONORABLE
MAYOR AND CITY COUNCIL REGARDING
RESULTS OF THE AUDIT
AS OF APRIL 30, 2015**

KERBER, ECK & BRAECKEL LLP

CITY OF CARBONDALE

DISCUSSION AGENDA

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CITY OF CARBONDALE

OVERVIEW OF THE FY 2015 AUDIT

Management's Responsibility

- Fair presentation of financial statements

Auditor Responsibility

- Express an opinion on the financial statements
- Audit performed in accordance with Generally Accepted Auditing Standards (GAAS) and Governmental Auditing Standards (GAS)
- Objective is reasonable - not absolute - assurance that the financial statements are free of material misstatement whether caused by error or fraud

Types of Audit Opinions

- Unmodified opinion - The unmodified opinion has no reservations concerning the financial statements. This is also known as a "clean opinion" meaning that the financial statements appear to be presented fairly in conformity with Generally Accepted Accounting Principles (GAAP)
- Modified opinion - This means that the auditor has taken exception to certain accounting applications or is unable to establish the potential outcome of a material uncertainty
- Adverse opinion - This type of audit opinion states that the financial statements do not fairly present the financial position and changes in financial position in conformity with GAAP

Report on 2015 Audit

- Unmodified opinion has been issued for the 2015 audit.

Risk Assessment

- Auditing Standards establish standards and provide guidance related to the auditors' assessment of the risks of material misstatement; **whether caused by error or fraud**; in financial statement audits. This risk assessment includes the following:
 - Obtain an understanding of the City and its operating environment
 - Obtain an understanding of the design and implementation of its internal control
 - Perform fraud risk inquires
 - Identify potential risks to the financial statements
 - Summarize our audit risk assessment by significant audit area
 - Determine and document materiality for audit planning purposes
 - Develop audit procedures to respond to the areas where the risk of material misstatement is the greatest

CITY OF CARBONDALE

OVERVIEW OF THE FY 2015 AUDIT - Continued

Internal Control Assessment

- As noted above, we obtained an understanding of the City's design and implementation of its internal control in order to identify the risks of material misstatements in the financial statements and what the City is doing to mitigate them. Controls reviewed included segregation of duties, proper authorization of transactions; proper reconciliation procedures and physical security over assets.
- No material weaknesses noted
- No significant deficiencies noted
- See separate letter for other matters noted

In planning and performing our audit, we considered the internal controls over financial reporting as a basis for designing our auditing procedures for purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal controls over financial reporting. Because our consideration of internal control over financial reporting was for the limited purpose of designing our audit procedures, we would not necessarily identify all deficiencies in internal control and accordingly, we do not express such an opinion.

Fraud Risk Assessment

- Auditing Standards requires consideration and documentation of fraud risk factors as part of our audit procedures, any irregularities or illegal acts requires communication to the Council. In addition, the application of professional skepticism is a key component in detecting fraud. The following are some of the specific procedures we performed related to fraud:
 - Held discussions with management and key employees concerning the risks of fraud.
 - We performed tests of certain bank statement reconciliations to determine that the reconciliations were:
 - Properly prepared
 - Properly supported
 - Properly approved
 - Free of any unusual reconciling items
 - We tested cash disbursements to determine that the disbursements included:
 - Proper approval
 - Proper purchase orders and receiving reports
 - A properly calculated vendor invoice
 - A legitimate vendor
- We reviewed P-card statements to ensure all transactions were properly approved and supported.
- No irregularities or illegal acts were noted during our auditing tests and procedures.

CITY OF CARBONDALE

OVERVIEW OF THE FY 2015 AUDIT - Continued

Key Audit Areas

- Cash
- Investments
- Accounts Receivable
- Accounts Payable
- Revenue
- Expense

Accounting Policies

- The City's significant accounting policies are described in Note 1 to the financial statements.
- During fiscal year 2015, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which requires that bond issuance costs can no longer be amortized over the life of the bond over the life of the bonds, but must be expenses in the period incurred. GASB 65 requires retroactive application resulting in the write-down of the bond issuance costs in the prior period. The result was a decrease in net position of \$376,508. This change is in accordance with generally accepted accounting principles.
- The Police and Firemen's Pension Funds adopted GASB Statement No 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*. GASB 67 replaces the requirements of GASB 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Benefit Plans*, and also replaces the requirements of GASB Statement No. 50, *Pension Disclosures*. The objective of GASB 67 is to improve financial reporting by state and local government pension plans.

Transactions

- No transactions that lack authoritative guidance or consensus.
- All significant transactions have been recognized in the financial statements in the proper period.
- The financial statement disclosures are neutral, consistent, and clear.

Management Cooperation

- Management representation letter dated October 22, 2015.
- Received full cooperation.
- Full access to books and records.

CITY OF CARBONDALE

OVERVIEW OF THE FY 2015 AUDIT - Continued

Management Judgments and Accounting Estimates

- The most sensitive estimates affecting the financial statements were:
 - The depreciable lives used to calculate depreciation.
 - Depreciation is based on estimated useful life of each asset.
 - Value of compensated absences
 - Value is based on historical information
 - Actuarial Assumptions and Methods Underlying OPEB Liability
 - Valuation based on actuarial value prepared by outside entity
- Based on the results of our audit procedures we have concluded that estimates are reasonably stated

Audit Complications and Significant Consultations

- None

Unusual Technical Issues and Disagreements with Management

- None

Audit Journal Entries

- Seventeen audit journals entries were made in order to close out fiscal year 2015. Five of these entries were provided by the client.
- There were no uncorrected misstatements

Certificate of Achievement

- The City of Carbondale was awarded a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended April 30, 2014. This was the Twenty-second consecutive year that the City has achieved this prestigious award.

Upcoming Pronouncements

- Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27.*



The Honorable Mayor and City Council
City of Carbondale, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, and discrete component unit, each major fund, and the aggregate remaining fund information of the City of Carbondale, Illinois for the year ended April 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards and OMB Circular A-133, 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 April 21, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

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 Carbondale are described in Note 1 to the financial statements. As described in Note 18 to the financial statements, the City changed accounting policies related to adopting Statement of Governmental Accounting Standards (GASB Statement) No. 65, *Items Previously Reported as Assets and Liabilities*, in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities. We noted no transactions entered into by the City 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 estimates affecting the City's financial statements were:

- Useful Life of Capital Assets - Management's estimate of the useful life of capital assets is based on the historical asset life information for City capital assets and industry standards, in order to determine the value and period of time over which individual capital assets are to be depreciated.
- Compensated Absences - Management's estimate of the liability for compensated absences is based on historical information regarding employees in order to determine the probability and amount of future payouts to employees for vested accumulated sick and vacation payouts.
- Actuarial Assumptions and Methods Underlying OPEB Liability - Management's acceptance of various actuarial assumptions and methods underlying the calculation of the City's OPEB liability is based on the actuarial valuation prepared by an outside actuary.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are 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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Attached are audit adjustments which were accepted and recorded by the City.

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 22, 2015.

Management Consultation 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's 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's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. We have issued a separate Client Advisory Letter dated October 22, 2015.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison information, the retirement plan schedule of funding progress and schedule of employer of contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements, budgetary comparison information, capital assets used in the operation of the governmental funds, and the schedule of expenditures of federal awards which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, 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 introductory and statistical sections, which accompany the financial statements but are not RSI. We did not perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Very truly yours,

Kerber, Eck & Braeckel LLP

Kerber, Eck & Braeckel, LLP

City of Carbondale
CJE/AJE
4/30/2015

AJE No.	Account Description	Account	Account Number	Balance Sheet		Income Statement	
				Debits	Credits	Debits	Credits
1	INTEREST ON INVESTMENT - CORPORATE	AJE 1	80-38006-401			22,113.95	
1	INTEREST ON INVESTMENT-GOVERNMENT B		80-38006-402				22,113.95
To reroute accrued interest to the correct revenue accounts for government bonds and corporate bonds for FY2015							
2	A/R-OTHER GOVT UNITS	CJE 1	01-10351-001	464,308.53			
2	ILLINOIS STATE INCOME TAX		01-30103-010				464,308.53
2	A/R-OTHER GOVT UNITS		01-10351-001	1,193.51			
2	OTHER GOVERNMENTAL UNITS		01-30103-080				1,193.51
2	A/R-OTHER GOVT UNITS		01-10351-001	487,324.85			
2	SALES TAX		01-30102-010				487,324.85
2	A/R-OTHER GOVT UNITS		01-10351-001	756,262.13			
2	HOME RULE SALES TAX		01-30102-005				756,262.13
2	FUND BALANCE-UNDESIGNATED		01-29999-000	83,992.69			
2	FUND BALANCE-DESIGNATED-CCHS		01-29909-165		83,992.69		
Set up A/R and Record revenue for home rule/sales/auto/Income taxes for April 2015							
3	DEPOSITS PAYABLE-MISCELLANEOUS	AJE 2	01-20705-012	24,390.30			
3	SIMPLIFIED TELECOMMUNICATIONS TAX		01-30102-020				24,390.30
To reverse accrual entry from prior year not reversed during FY15							
4	A/R-OTHER GOVT UNITS	AJE 3	70-10351-001	165,000.00			
4	CONST-INTERGOVERNMENTAL-GRANTS		70-37025-120				165,000.00
4	DEFERRED REVENUE-MISC		70-20905-003	55,000.00			
4	CONST-INTERGOVERNMENTAL-GRANTS		70-37025-120				55,000.00
4	DEFERRED REVENUE-MISC		70-20905-003	4,745.40			
4	CONST-INTERGOVERNMENTAL-GRANTS		70-37025-120				4,745.40
To correct deferred revenue for DCEO Grants for FY15 and record related accounts receivable							
5	REPAIRS & MAINT.-EQUIP.	CJE 2	11-41013-250			4,900.00	
5	ACCOUNTS PAYABLE VENDORS		11-20125-001		4,900.00		
5	REPAIRS & MAINT.-OTHER IMPROV.		01-40350-252			51.22	
5	I/P-MOTOR FUEL TAX FUND		01-20405-110			51.22	
5	I/R-GENERAL FUND		11-10401-010	51.22			
5	REPAIRS & MAINT.-OTHER IMPROV.		11-41013-252				51.22
5	REPAIRS & MAINT.-OTHER IMPROV.		01-40350-252			2.99	
5	I/P-MOTOR FUEL TAX FUND		01-20405-110			2.99	
5	I/R-GENERAL FUND		11-10401-010	2.99			
5	REPAIRS & MAINT.-OTHER IMPROV.		11-41013-252				2.99
Set up A/P for FY2015 and to transfer cost paid for by MFT funds that are not eligible to the general fund							
6	A/R-OTHER GOVT UNITS		01-10351-001	47,858.50			
6	USE TAX		01-30102-011				47,858.50
Local Use Tax							
7	ACCUM DEPR-MAJOR MOVE EQUIP	AJE 4	90-15303-890	13,059.00			
7	MAJOR MOVEABLE EQUIPMENT		90-15303-503		13,059.00		
To write off asset disposed in FY15 but not recorded on G/L							
8	A/R-MUNICIPAL MOTOR FUEL TAX	AJE 5	40-10351-020	65,002.31			
8	MUNICIPAL MOTOR FUEL TAX		40-34002-080				65,002.31
To correct JE#20802 - Move credit from A/R to Revenue							
9	DEFERRED REVENUE - CCHS LOAN	AJE 6	01-20905-165	46,274.23			
9	PROGRAM GRANTS		01-40425-440				46,274.23
To set up DR and reduce expenditure for CCHS overpayment in FY2015							

10	A/R-OTHER GOVT UNITS	CJE 4	01-10351-001	41,713.51			
10	SIMPLIFIED TELECOMMUNICATIONS TAX		01-30102-020			41,713.51	
To set up A/R and record revenue for telecommunications tax for April, 2015 received in FY2016							
11	REPAIRS & MAINT.-BLDG & STRUC.	AJE 7	95-49500-251			18,976.76	
11	REPAIRS & MAINT.-OTHER IMPROV.		95-49500-252			13,809.00	
11	BUILDINGS & STRUCTURES		95-49500-501		18,976.76		
11	LAND AND IMPROVEMENTS		95-49500-500		13,809.00		
11	LAND & IMPROVEMENTS		96-15003-500	6,233.00	6,233.00		
11	ACCUM. DEPRECIATION ON LAND & IMPRO		96-15003-890	6,233.00			
11	CONSTRUCTION IN PROGRESS		96-15993-990		161,617.18		
11	BUILDINGS		96-15103-501	161,617.18			
11	LAND & IMPROVEMENTS		96-15003-500	13,809.00			
11	BUILDINGS		96-15103-501	18,976.76			
11	INVEST IN F/A-LIBRARY FUND		96-29109-950		32,785.76		
To correct library fixed assets and CIP							
12	OTHER GOVERNMENTAL UNITS	AJE 8	01-30103-080			11,486.61	
12	ILLINOIS ESDA GRANT		01-30103-085			11,486.61	
To correct revenue account for EMS reimbursement for FY15							
13	A/R-PROPERTY TAXES	AJE 9	01-10351-010	174,907.00			
13	DEFERRED REV-PROPERTY TAXES		01-20905-010		174,907.00		
To increase accounts receivable and deferred revenue for 2014 levy to be collected in FY16							
14	DEFERRED REVENUE-GRANTS	AJE 10	95-20905-005	29,000.00			
14	DEFERRED REV-PROPERTY TAXES		95-20905-010		29,000.00		
To reclass deferred revenue of the Library							
15	OPERATING SUPPLIES & MATERIALS	AJE 11	23-42301-273			5,163.66	
15	CASH - ONB 1-133-676-98		23-10011-202		5,163.66		
To correct foreign fire insurance balances							
16	MUNICIPAL MOTOR FUEL TAX	AJE 12	40-34002-080			4,366.08	
16	A/R-MUNICIPAL MOTOR FUEL TAX		40-10351-020	4,366.08			
16	MUNICIPAL MOTOR FUEL TAX		40-34002-080			2,694.24	
16	A/R-MUNICIPAL MOTOR FUEL TAX		40-10351-020	2,694.24			
16	MUNICIPAL MOTOR FUEL TAX		40-34002-080			4,599.81	
16	A/R-MUNICIPAL MOTOR FUEL TAX		40-10351-020	4,599.81			
16	MUNICIPAL MOTOR FUEL TAX		40-34002-080			3,453.27	
16	A/R-MUNICIPAL MOTOR FUEL TAX		40-10351-020	3,453.27			
16	MUNICIPAL MOTOR FUEL TAX		40-34002-080			7.90	
16	A/R-MUNICIPAL MOTOR FUEL TAX		40-10351-020	7.90			
To reverse municipal motor fuel tax recorded for FY15 but was actually FY16 revenue							
17	DEBT SERV-DEF CHARGES 2013 GOB	CJE 5	70-14983-602		69,554.95		
17	RETAIN EARN-UNRESERVED		70-29509-000	76,510.44			
17	GENERAL OBLIGATION BOND INT.		70-47049-601			6,955.49	
17	RETAIN EARN-UNRESERVED		70-29509-000	4,250.00			
17	GENERAL OBLIGATION BOND INT.		70-47049-601			4,250.00	
To record prior period adjustment due to implementation of GASB 65.							
				2,741,482.55	596,388.75	91,625.49	2,236,719.29

CITY OF CARBONDALE, ILLINOIS
STATEMENT OF NET POSITION
APRIL 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Total
Assets:				
Current assets:				
Cash	\$ 8,225,856	\$ 11,977,955	\$ 20,203,811	\$ 527,656
Investments	-	7,719	7,719	2,115
Interest receivable on investments	-	3,323	3,323	-
Accounts receivable, net:				
Consumers	323,803	1,034,110	1,357,913	-
Business service and franchise tax	111,295	-	111,295	-
Assessments	-	39,682	39,682	-
Other governmental units and agencies	5,690,617	-	5,690,617	-
Property taxes	1,116,055	-	1,116,055	1,001,892
Other	45,446	29,093	74,539	50
Internal balance	606,000	(606,000)	-	-
Prepayments and other	775,249	566,694	1,341,943	-
Restricted assets:				
Cash	646,523	528,865	1,175,388	143,322
Investment	-	100,000	100,000	-
Total current assets	<u>17,540,844</u>	<u>13,681,441</u>	<u>31,222,285</u>	<u>1,675,035</u>
Noncurrent assets:				
Net pension asset	5,365	-	5,365	-
Land	4,508,632	-	4,508,632	150,000
Construction in progress	286,499	-	286,499	-
Other capital assets, net	<u>44,453,388</u>	<u>53,694,963</u>	<u>98,148,351</u>	<u>628,363</u>
Total noncurrent assets	<u>49,253,884</u>	<u>53,694,963</u>	<u>102,948,847</u>	<u>778,363</u>
Total Assets	<u>66,794,728</u>	<u>67,376,404</u>	<u>134,171,132</u>	<u>2,453,398</u>
Deferred Outflows of Resources:				
Deferred outflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 66,794,728</u>	<u>\$ 67,376,404</u>	<u>\$ 134,171,132</u>	<u>\$ 2,453,398</u>

CITY OF CARBONDALE, ILLINOIS
STATEMENT OF NET POSITION - CONTINUED
APRIL 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Total
Liabilities:				
Current liabilities:				
Accounts payable	\$ 776,184	\$ 1,172,631	\$ 1,948,815	\$ 185
Accrued payroll and related	1,023,562	-	1,023,562	5,377
Due to fiduciary funds	28,099	-	28,099	-
Due within one year				
General obligation bonds	1,808,636	653,868	2,462,504	-
Notes payable	171,208	373,255	544,463	-
Other deposits	5,485	38,866	44,351	-
Compensated absences - current	336,532	251,004	587,536	-
Liabilities payable from restricted assets:				
Consumer deposits	-	628,865	628,865	-
Total current liabilities	<u>4,149,706</u>	<u>3,118,489</u>	<u>7,268,195</u>	<u>5,562</u>
Noncurrent liabilities:				
General obligation bonds	15,334,639	6,503,149	21,837,788	-
Notes payable	735,512	3,603,842	4,339,354	-
Compensated absences	1,594,423	106,464	1,700,887	-
Net OPEB obligation	836,224	-	836,224	-
Net pension obligation	2,753,779	-	2,753,779	-
Total noncurrent liabilities	<u>21,254,577</u>	<u>10,213,455</u>	<u>31,468,032</u>	<u>-</u>
Total Liabilities	<u>25,404,283</u>	<u>13,331,944</u>	<u>38,736,227</u>	<u>5,562</u>
Deferred Inflows of Resources:				
Deferred revenue - other	116,523	179,797	296,320	-
Total deferred inflows of resources	<u>116,523</u>	<u>179,797</u>	<u>296,320</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 25,520,806</u>	<u>\$ 13,511,741</u>	<u>\$ 39,032,547</u>	<u>\$ 5,562</u>
Net Position:				
Net investment in capital assets	33,952,569	42,560,849	76,513,418	778,363
Restricted for:				
Public Safety	662,185	-	662,185	-
Grant funds	26,368	-	26,368	-
Debt Service	2,541,544	-	2,541,544	-
Economic development	236,043	-	236,043	-
Maintenance of roadways	1,343,558	-	1,343,558	-
Unrestricted (deficit)	<u>2,511,655</u>	<u>11,303,814</u>	<u>13,815,469</u>	<u>1,669,473</u>
Total Net Position	<u>\$ 41,273,922</u>	<u>\$ 53,864,663</u>	<u>\$ 95,138,585</u>	<u>\$ 2,447,836</u>

CITY OF CARBONDALE, ILLINOIS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED APRIL 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit
		Service Charges, Permits, and Fees	Operating Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business-Type Activities		
Primary government:							
Governmental activities:							
General government	\$ (3,633,665)	\$ 793,653	\$ 236,175	\$ (2,603,837)	\$ -	\$ (2,603,837)	\$ -
Public safety	(13,484,095)	425,782	266,094	(12,792,219)	-	(12,792,219)	-
Community development	(4,263,573)	294,691	253,018	(3,715,864)	-	(3,715,864)	-
Public works	(4,594,909)	129,378	159,273	(4,306,258)	-	(4,306,258)	-
Interest on long term debt	(943,811)	-	-	(943,811)	-	(943,811)	-
Total governmental activities	<u>(26,920,053)</u>	<u>1,643,504</u>	<u>914,560</u>	<u>(24,361,989)</u>	<u>-</u>	<u>(24,361,989)</u>	<u>-</u>
Business-Type activities:							
Waterworks and Sewerage	(8,290,167)	10,335,514	-	-	2,045,347	2,045,347	-
Solid Waste	(868,871)	906,013	-	-	37,142	37,142	-
Parking	(233,764)	259,505	-	-	25,741	25,741	-
Rental Properties	(358,396)	155,300	-	-	(203,096)	(203,096)	-
Total Business-Type activities	<u>(9,751,198)</u>	<u>11,656,332</u>	<u>-</u>	<u>-</u>	<u>1,905,134</u>	<u>1,905,134</u>	<u>-</u>
Total Primary Government	<u>\$ (36,671,251)</u>	<u>\$ 13,299,836</u>	<u>\$ 914,560</u>	<u>(24,361,989)</u>	<u>1,905,134</u>	<u>(22,456,855)</u>	<u>-</u>
Component Unit:							
Public Library	\$ (1,086,004)	\$ 68,759	\$ 19,711	-	-	-	(997,534)
Total Component Unit	<u>\$ (1,086,004)</u>	<u>\$ 68,759</u>	<u>\$ 19,711</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(997,534)</u>
General Revenues:							
Taxes:							
General property taxes				1,302,804	-	1,302,804	993,029
Business franchise taxes and licenses				348,333	-	348,333	-
Motor fuel tax				1,268,242	-	1,268,242	-
Home rule tax				9,170,241	-	9,170,241	-
Local use tax				534,235	-	534,235	-
Telecommunication tax				529,373	-	529,373	-
Utility tax				1,598,037	-	1,598,037	-
Hotel/Motel tax				732,090	-	732,090	-
Games tax				90,417	-	90,417	-
Cable TV franchise tax				153,371	-	153,371	-
Replacement Taxes				252,855	-	252,855	47,141
Mobile home privileges tax				-	-	-	838
Investment earnings				202,644	68,001	270,645	2,945
Federal subsidies for Build America Bonds interest				151,603	-	151,603	-
Miscellaneous				64,847	1,106	65,953	-
Intergovernmental revenue - unrestricted				<u>8,617,126</u>	<u>1,142,454</u>	<u>9,759,580</u>	<u>32,378</u>
Total general revenues, intergovernmental revenue and transfers				<u>25,016,218</u>	<u>1,211,561</u>	<u>26,227,779</u>	<u>1,076,331</u>
Change in net position				654,229	3,116,695	3,770,924	78,797
Net position originally stated, beginning of year				40,915,441	50,828,728	91,744,169	2,369,039
Prior period adjustment				(295,748)	(80,760)	(376,508)	-
Net position as restated, beginning of year				<u>40,619,693</u>	<u>50,747,968</u>	<u>91,367,661</u>	<u>2,369,039</u>
Net position, end of year				<u>\$ 41,273,922</u>	<u>\$ 53,864,663</u>	<u>\$ 95,138,585</u>	<u>\$ 2,447,836</u>

CITY OF CARBONDALE, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
General property taxes	\$ 932,822	\$ 197,241	\$ 1,130,063
Sales, service and utility taxes	12,563,977	411,138	12,975,115
Intergovernmental revenue	9,820,882	911,179	10,732,061
Business franchise taxes and licenses	501,704	-	501,704
Fines	689,566	-	689,566
Use of money and property	155,320	47,324	202,644
Service charges, permits and fees	978,422	-	978,422
Federal subsidies for Build America Bonds interest	-	151,603	151,603
	<u>25,642,693</u>	<u>1,718,485</u>	<u>27,361,178</u>
Total Revenues			
Expenditures:			
Current:			
General government	2,247,951	-	2,247,951
Finance	962,287	-	962,287
Police	9,489,381	-	9,489,381
Fire	3,776,277	52,624	3,828,901
Development services	1,441,874	-	1,441,874
Public works	2,660,619	445,225	3,105,844
Community services	2,620,587	186,292	2,806,879
Capital outlays	212,069	833,958	1,046,027
Debt service			
Principal	-	1,610,000	1,610,000
Interest	-	903,715	903,715
Fiscal agent fees	-	3,835	3,835
Bond issuance costs	-	26,566	26,566
	<u>23,411,045</u>	<u>4,062,215</u>	<u>27,473,260</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures			
	<u>2,231,648</u>	<u>(2,343,730)</u>	<u>(112,082)</u>
Other Financing Sources (Uses):			
Transfers in	25,000	2,710,159	2,735,159
Transfers out	(1,956,289)	(778,870)	(2,735,159)
Issuance of bonds	-	1,500,000	1,500,000
Premium on issuance of bonds	-	18,921	18,921
GOB refunding	-	(1,405,000)	(1,405,000)
Insurance proceeds	29,713	-	29,713
	<u>(1,901,576)</u>	<u>2,045,210</u>	<u>143,634</u>
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCES	330,072	(298,520)	31,552
FUND BALANCES, BEGINNING OF YEAR	<u>7,728,796</u>	<u>4,803,405</u>	<u>12,532,201</u>
FUND BALANCES, END OF YEAR	<u>\$ 8,058,868</u>	<u>\$ 4,504,885</u>	<u>\$ 12,563,753</u>

CITY OF CARBONDALE, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Waterworks and Sewerage	Nonmajor Funds	Total	Group Health Insurance Fund
Operating Revenues:				
Charges for services	\$ 10,298,942	\$ 1,079,748	\$ 11,378,690	\$ -
Rentals	-	155,107	155,107	-
Fines	-	85,770	85,770	-
Employee contributions	-	-	-	344,100
Retiree contributions	-	-	-	169,121
City contributions	-	-	-	2,346,976
Total Operating Revenues	<u>10,298,942</u>	<u>1,320,625</u>	<u>11,619,567</u>	<u>2,860,197</u>
Operating Expenses:				
Personal services	3,126,642	695,910	3,822,552	-
Commodities	453,897	64,148	518,045	-
Contractual	1,741,820	133,515	1,875,335	2,334,900
Maintenance	597,794	323,220	921,014	-
Health insurance claims	-	-	-	469,360
Other charges	14,578	55,822	70,400	-
Depreciation	2,114,834	183,663	2,298,497	-
Total Operating Expenses	<u>8,049,565</u>	<u>1,456,278</u>	<u>9,505,843</u>	<u>2,804,260</u>
Operating Income (Loss)	<u>2,249,377</u>	<u>(135,653)</u>	<u>2,113,724</u>	<u>55,937</u>
Nonoperating Revenues (Expenses):				
Intergovernmental revenue	1,142,454	-	1,142,454	-
Use of money and property	66,593	1,601	68,194	743
Other interest expense	(246,529)	(6,715)	(253,244)	-
Insurance proceeds	36,572	-	36,572	-
Gain (loss) on sale of capital assets	(2,564)	-	(2,564)	-
Miscellaneous	-	1,106	1,106	-
Total Nonoperating Revenues (Expenses)	<u>996,526</u>	<u>(4,008)</u>	<u>992,518</u>	<u>743</u>
Change in net position	3,245,903	(139,661)	3,106,242	56,680
NET POSITION AS ORIGINALLY STATED, BEGINNING OF YEAR	<u>47,074,634</u>	<u>3,492,559</u>	<u>50,567,193</u>	<u>1,253,260</u>
Prior period adjustment	(80,760)	-	(80,760)	-
NET POSITION AS RESTATED, BEGINNING OF YEAR	<u>46,993,874</u>	<u>3,492,559</u>	<u>50,486,433</u>	<u>1,253,260</u>
NET POSITION, END OF YEAR	<u>\$ 50,239,777</u>	<u>\$ 3,352,898</u>	<u>\$ 53,592,675</u>	<u>\$ 1,309,940</u>

CITY OF CARBONDALE, ILLINOIS
FOR THE FISCAL YEAR ENDED APRIL 30, 2015

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

Net change in fund balances - total governmental funds		\$ 31,552
The change in net position reported for governmental activities in the statement of activities is different because:		
Capital outlays. This is the amount by which capital outlays \$1,046,027 exceeded depreciation (\$2,173,248) in the current period.		(1,127,221)
Change in compensated absences		37,028
Repayment on long-term debt	3,204,542	
Issuance of long-term debt	(1,500,000)	
Amortization of issuance costs and bond premium	<u>76,325</u>	
		1,780,867
Internal service fund		56,680
Internal service funds allocated to business-type activities		(10,453)
The net effect of the change in deferred revenues.		118,545
Change in pension assets/liability		<u>(232,769)</u>
Change in net position of governmental activities		<u>\$ 654,229</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION OF PROPRIETARY FUNDS
TO THE STATEMENT OF ACTIVITIES**

Net change in net position - total proprietary funds		\$ 53,592,675
Internal service funds allocated to business-type activities		<u>271,988</u>
Change in net position of business-type activities		<u>\$ 53,864,663</u>

CITY OF CARBONDALE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE FISCAL YEAR ENDED APRIL 30, 2015

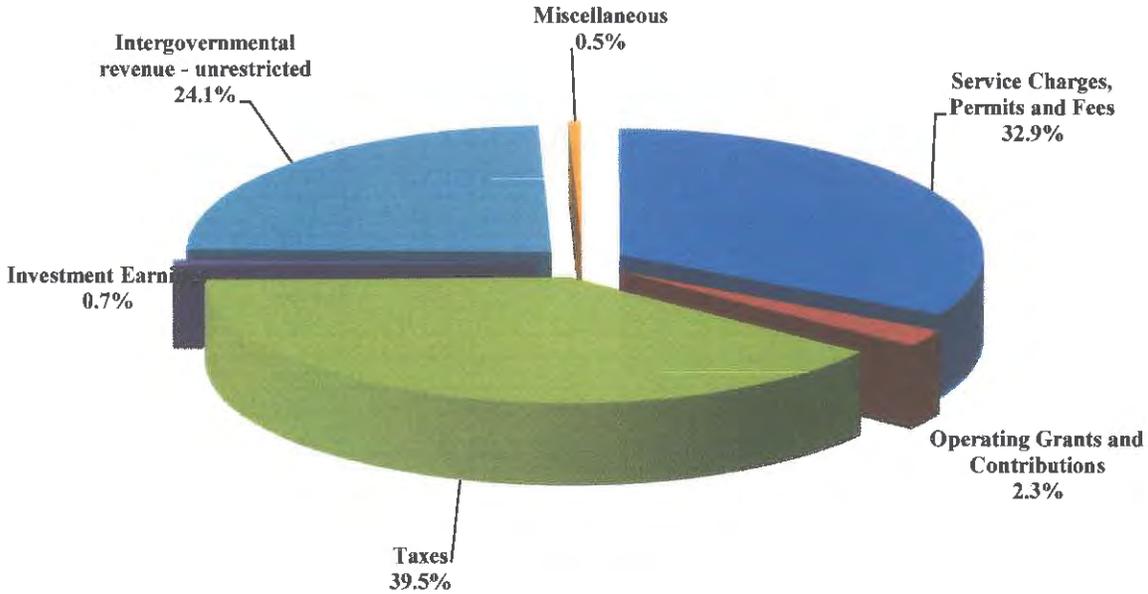
	<u>FY2015</u>	<u>FY2014</u>	Change Between Years Favorable (Unfavorable)
Revenues:			
General property taxes	\$ 932,822	\$ 847,161	\$ 85,661
Sales, service and utility taxes	12,563,977	11,553,977	1,010,000
Intergovernmental revenue	9,820,882	10,263,815	(442,933)
Business franchise taxes and licenses	501,704	499,491	2,213
Fines	689,566	711,327	(21,761)
Use of money and property	155,320	102,096	53,224
Service charges, permits and fees	<u>978,422</u>	<u>874,434</u>	<u>103,988</u>
 Total Revenues	 <u>25,642,693</u>	 <u>24,852,301</u>	 <u>790,392</u>
 Expenditures:			
General government	2,247,951	2,255,464	7,513
Finance	962,287	947,925	(14,362)
Police	9,489,381	9,263,350	(226,031)
Fire	3,776,277	3,569,286	(206,991)
Development services	1,441,874	1,818,464	376,590
Public works	2,660,619	2,753,987	93,368
Community services	2,620,587	2,608,380	(12,207)
Capital Outlays	<u>212,069</u>	<u>902,096</u>	<u>690,027</u>
 Total Expenditures	 <u>23,411,045</u>	 <u>24,118,952</u>	 <u>707,907</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>2,231,648</u>	 <u>733,349</u>	 <u>1,498,299</u>
 Other Financing Sources (Uses):			
Transfers in	25,000	25,000	-
Transfers out	(1,956,289)	(1,434,447)	(521,842)
Loan proceeds	-	412,315	(412,315)
Insurance proceeds	<u>29,713</u>	<u>20,098</u>	<u>9,615</u>
 Total Other Financing Sources (Uses)	 <u>(1,901,576)</u>	 <u>(977,034)</u>	 <u>(924,542)</u>
 NET CHANGE IN FUND BALANCES	 330,072	 (243,685)	 573,757
 FUND BALANCES, BEGINNING OF YEAR	 <u>7,728,796</u>	 <u>7,972,481</u>	 <u>(243,685)</u>
 FUND BALANCES, END OF YEAR	 <u>\$ 8,058,868</u>	 <u>\$ 7,728,796</u>	 <u>\$ 330,072</u>

CITY OF CARBONDALE, ILLINOIS
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
WATER AND SEWER FUND
FOR THE FISCAL YEAR ENDED APRIL 30, 2015

	<u>FY2015</u>	<u>FY2014</u>	Change Between Years Favorable (Unfavorable)
Operating Revenues:			
Charges for services	\$ 10,298,942	\$ 9,741,497	\$ 557,445
 Total Operating Revenues	 <u>10,298,942</u>	 <u>9,741,497</u>	 <u>557,445</u>
Operating Expenses:			
Personal services	3,126,642	3,111,600	(15,042)
Commodities	453,897	455,936	2,039
Contractual	1,741,820	1,484,834	(256,986)
Maintenance	597,794	624,963	27,169
Other charges	14,578	15,075	497
Depreciation	<u>2,114,834</u>	<u>2,006,780</u>	<u>(108,054)</u>
 Total Operating Expenses	 <u>8,049,565</u>	 <u>7,699,188</u>	 <u>(350,377)</u>
 Operating Income (Loss)	 <u>2,249,377</u>	 <u>2,042,309</u>	 <u>207,068</u>
Nonoperating Revenues (Expenses)			
Intergovernmental revenue	1,142,454	255	1,142,199
Use of money and property	66,593	67,067	(474)
Interest expense	(246,529)	(233,669)	(12,860)
Insurance proceeds	36,572	18,607	17,965
Gain (loss) on sale of capital asset	<u>(2,564)</u>	<u>-</u>	<u>(2,564)</u>
 Total Nonoperating Revenues (Expenses)	 <u>996,526</u>	 <u>(147,740)</u>	 <u>1,144,266</u>
 CHANGE IN NET POSITION	 3,245,903	 1,894,569	 1,351,334
NET POSITION AS ORIGINALLY STATED, BEGINNING OF YEAR	47,074,634	45,180,065	1,894,569
 Prior period adjustment	 <u>(80,760)</u>	 <u>-</u>	 <u>(80,760)</u>
NET POSITION AS RESTATED, BEGINNING OF YEAR	<u>46,993,874</u>	<u>45,180,065</u>	<u>1,813,809</u>
NET POSITION, END OF YEAR	<u>\$ 50,239,777</u>	<u>\$ 47,074,634</u>	<u>\$ 3,165,143</u>

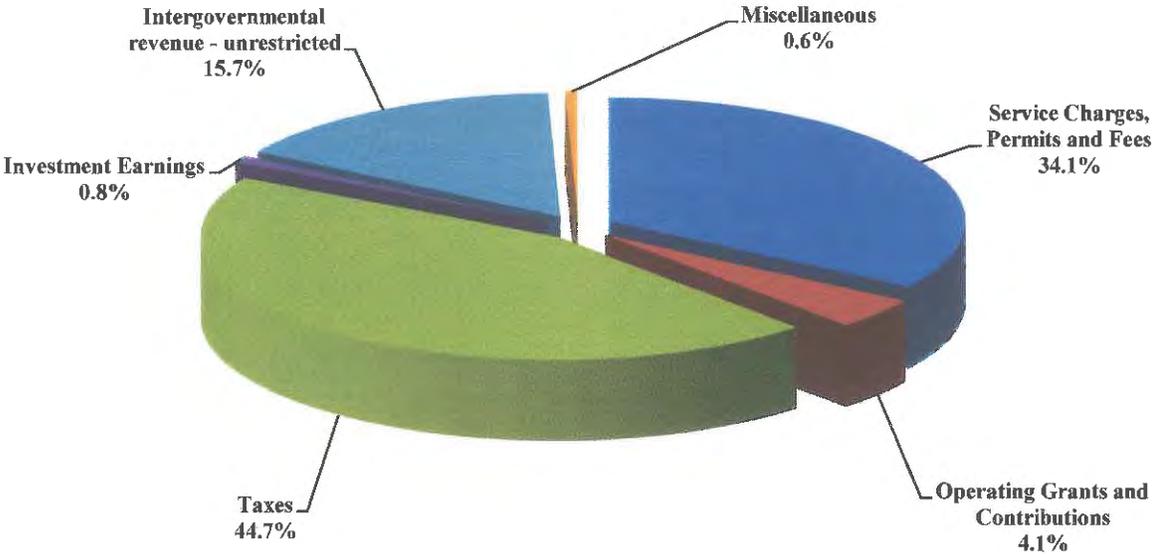
CITY OF CARBONDALE

Government Wide Revenues -2015

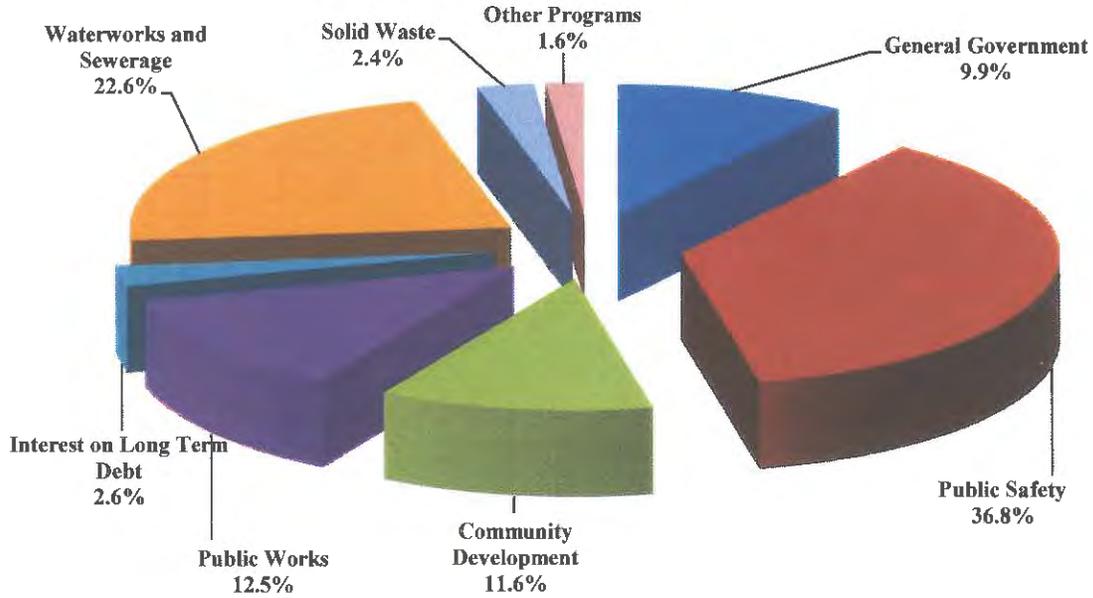


CITY OF CARBONDALE

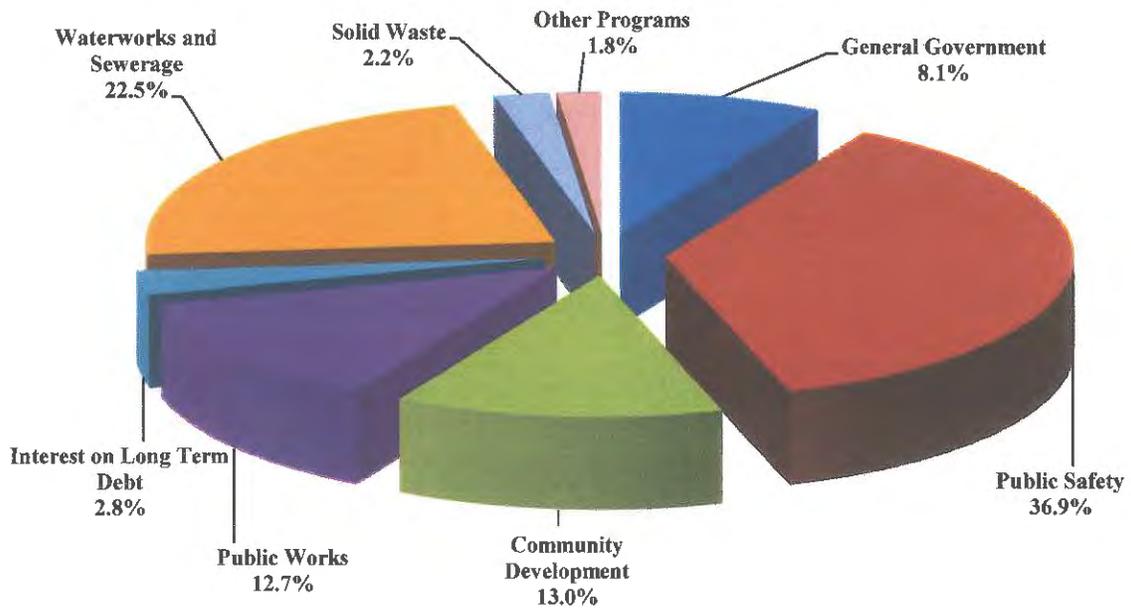
Government Wide Revenues -2014



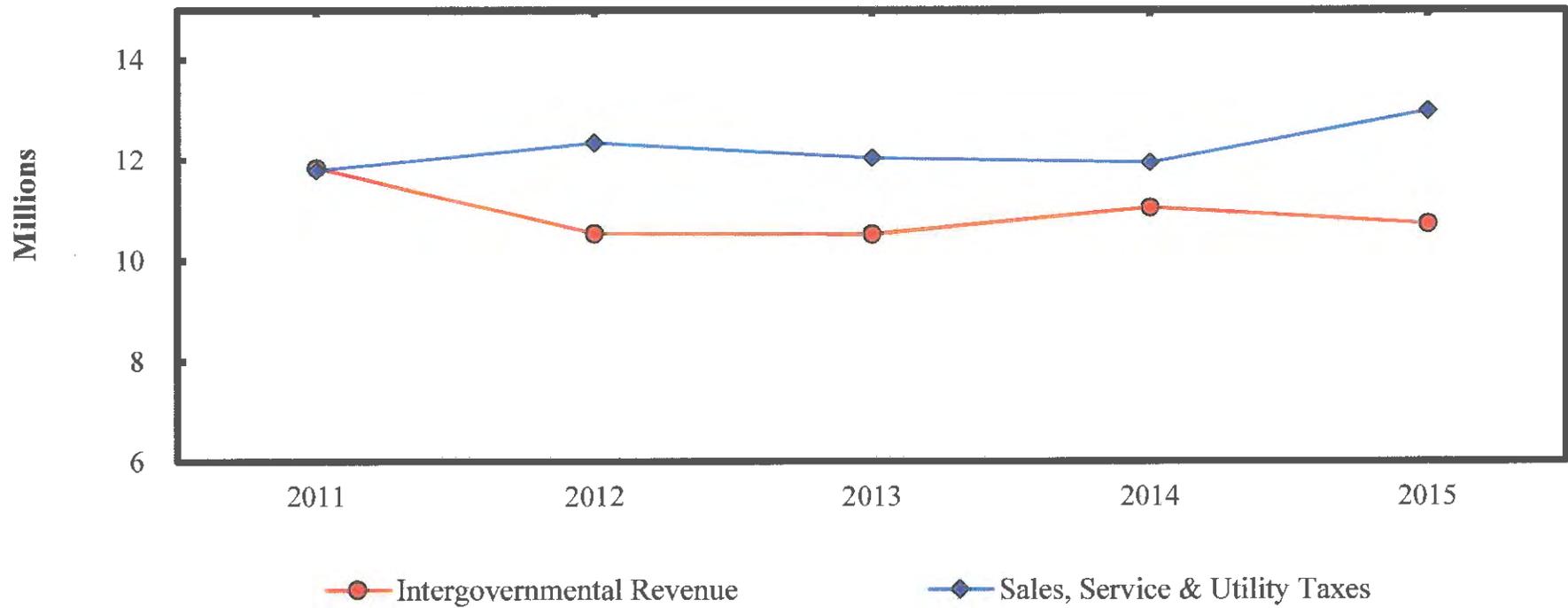
CITY OF CARBONDALE Government Wide Expenses - 2015



CITY OF CARBONDALE Government Wide Expenses - 2014

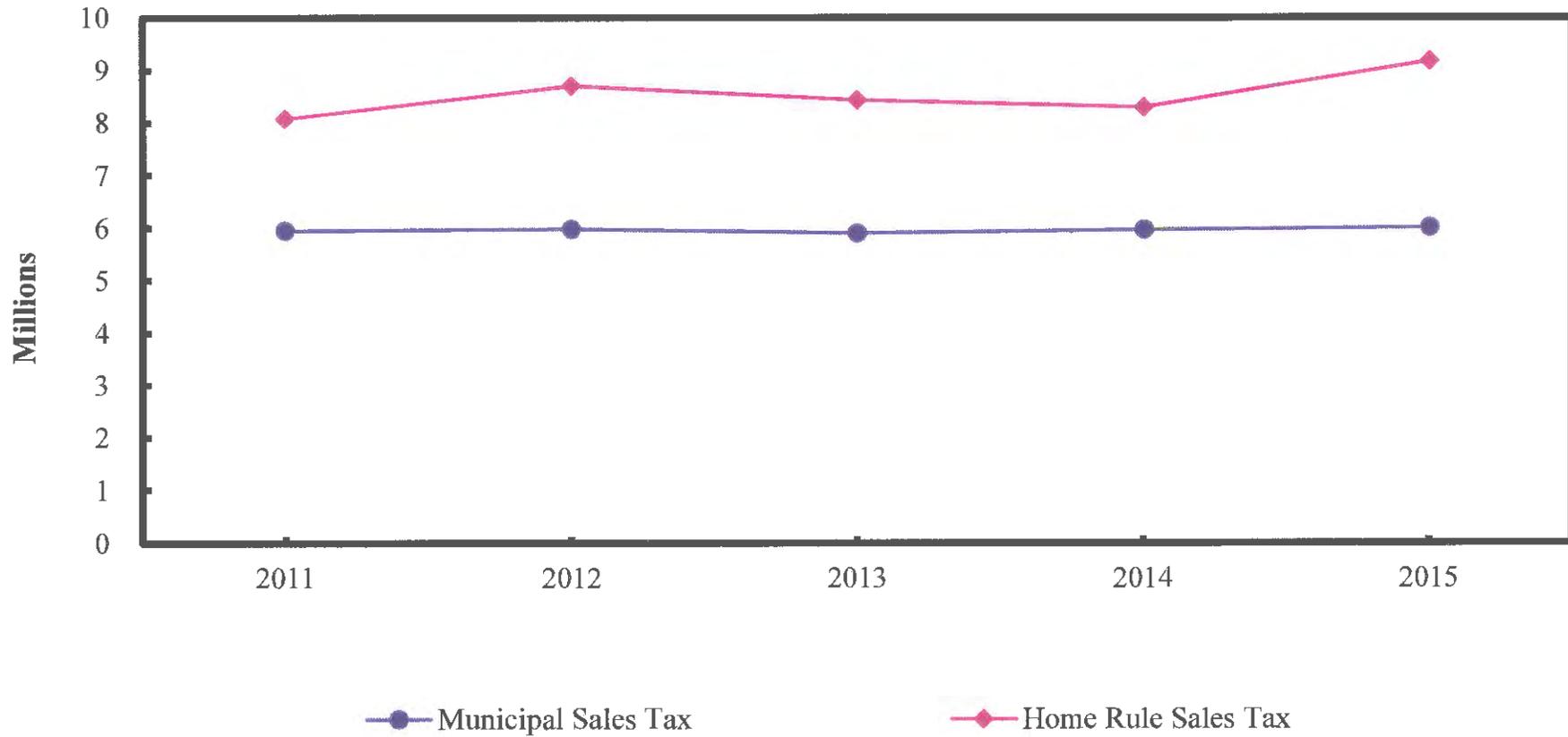


CITY OF CARBONDALE Governmental Funds Revenue

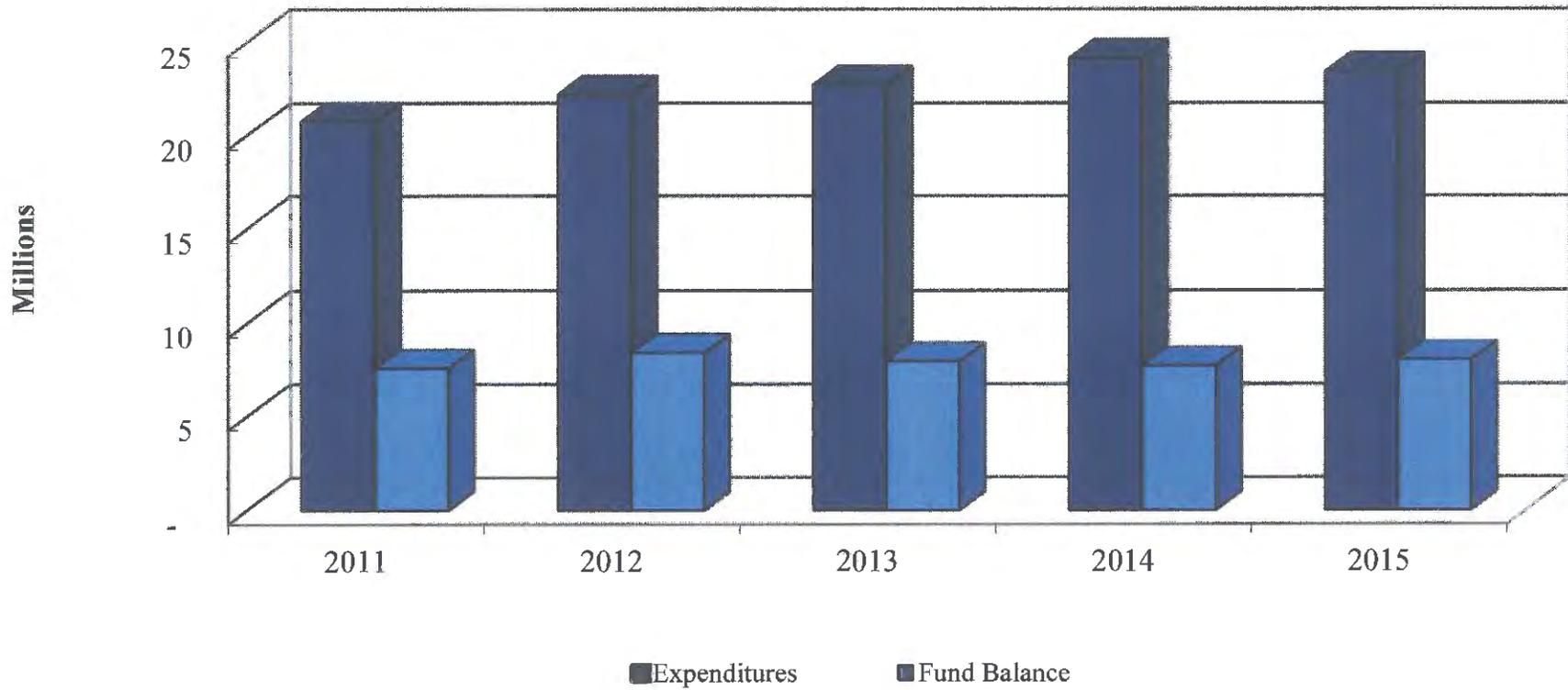


CITY OF CARBONDALE

Sales Tax



CITY OF CARBONDALE General Fund



CITY OF CARBONDALE

PENSION

Governmental Accounting Standards Board (GASB) Statement No.68, *Accounting and Financial Reporting for Pension; an amendment of GASB Statement No. 27*. This Statement establishes standards for measure and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope.

The above pronouncement will require the Net Pension Liability of the City's IMRF, Police and Firemen's pension plans to be reported on the City's government wide and proprietary financial statements. The new pronouncement will be implemented in fiscal year 2016.

The estimated Net Pension Liability of the pensions is as follows:

		<u>Unfunded Percent</u>
IMRF	\$ 4,500,000	31%
Police	26,000,000	50%
Firemen's	<u>12,500,000</u>	41%
	<u>\$ 43,000,000</u>	

The following is additional information regarding the annual funding status of the pension plans:

IMRF

	<u>Total Employee and Employer Contributions</u>	<u>Annual Benefits Paid</u>	<u>Contribution as a Percent of Annual Benefits Paid</u>
2015	\$ 1,100,832	\$ 1,117,586	99%
2014	\$ 1,069,503	\$ 1,151,858	93%
2013	\$ 949,420	\$ 1,100,489	86%

Police

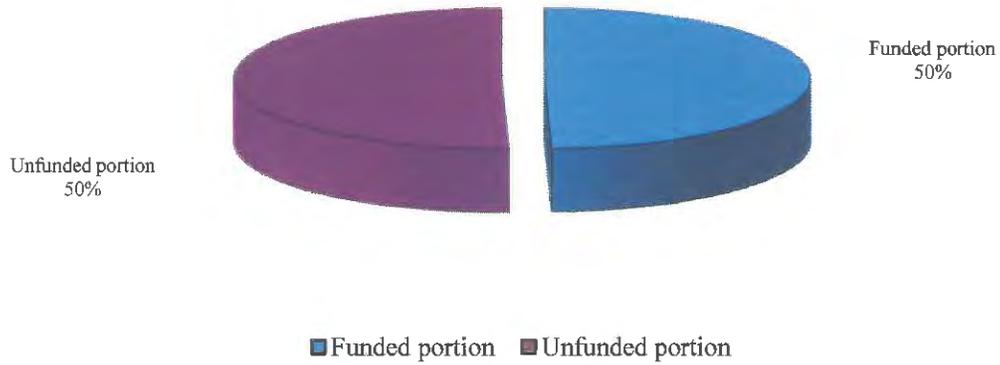
	<u>Total Employee and Employer Contributions</u>	<u>Annual Benefits Paid</u>	<u>Contribution as a Percent of Annual Benefits Paid</u>
2015	\$ 2,426,986	\$ 2,311,707	105%
2014	\$ 2,341,497	\$ 2,310,401	101%
2013	\$ 1,879,102	\$ 1,966,153	96%

Firemen's

	<u>Total Employee and Employer Contributions</u>	<u>Annual Benefits Paid</u>	<u>Contribution as a Percent of Annual Benefits Paid</u>
2015	\$ 947,284	\$ 1,456,431	65%
2014	\$ 901,167	\$ 1,336,055	67%
2013	\$ 936,636	\$ 1,257,939	74%

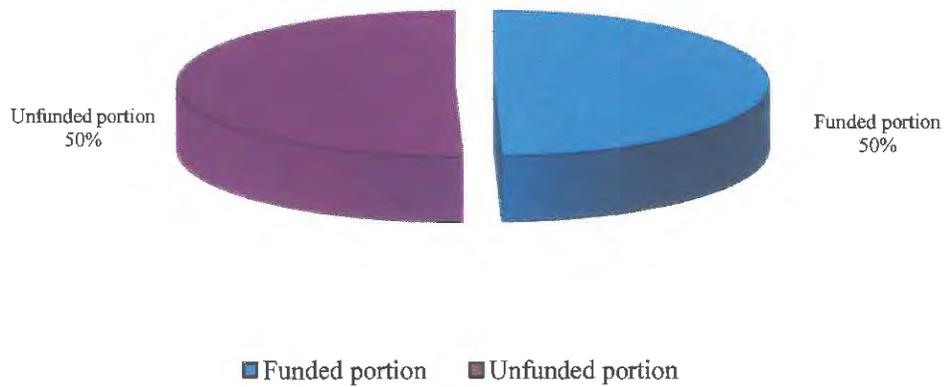
CITY OF CARBONDALE

Police Pension Fund 2015

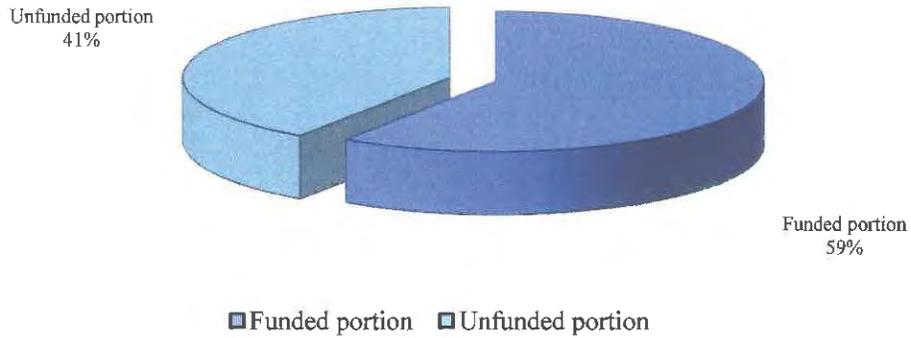


CITY OF CARBONDALE

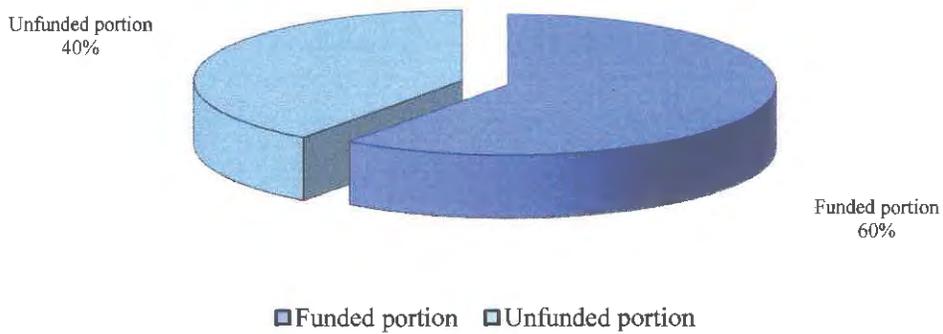
Police Pension Fund 2014



CITY OF CARBONDALE Firemen's Pension Fund 2015



CITY OF CARBONDALE Firemen's Pension Fund 2014



CITY OF CARBONDALE, ILLINOIS

Client Advisory Letter

April 30, 2015



CPAs and
Management Consultants

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To The Honorable Mayor and City Council
City of Carbondale, Illinois

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, discrete component unit, each major fund, and the aggregate remaining fund information of the City of Carbondale, Illinois as of and for the year ended April 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. In addition, we identified the following deficiencies in internal control that we consider to be an administrative matter pertinent to operations.

Other Locations

Belleville, IL • Litchfield, IL • Springfield, IL • Cape Girardeau, MO • St. Louis, MO • Milwaukee, WI • Columbia, IL

CITY OF CARBONDALE, ILLINOIS
Comments and Recommendations
April 30, 2015

OTHER MATTERS

Audit Adjustments

During the course of an audit engagement, an auditor will propose adjustments of financial statement amounts. Management evaluates our proposals and records those adjustments, which, in their judgment, are required to prevent the financial statements from being misstated. Areas in which adjustments were proposed and recorded in fiscal year 2015 are as follows:

City Government

- Interest Revenue - To reclassify interest revenue in the Firemen's Pension
- Deposits Payable - To correct prior year accrual not reversed in FY15
- Fixed Assets - Recorded fixed asset additions and deletion not recorded on the General Ledger
- Tax Revenue - To record motor fuel tax revenue in the proper fiscal year
- Grant Revenue - To record grant revenue in proper fiscal year and reclassification of accounts
- Cash - Correct foreign fire insurance fund cash balance

Component Unit

- Fixed Assets of Component Unit - To record fixed asset additions and completed CIP projects

Adjustments to Customer Accounts

During the audit it was noted that certain employees in the revenue office can record and approve adjustments to customer accounts. Management requires an independent review of the adjustments prior to posting; however this review is not documented. Also, there are no controls in the accounting software that would prohibit unapproved adjustments to customer accounts.

We recommend management implement a formal review and documentation process for adjustments and customer account adjustments be reconciled to the accounts receivable on a regular basis.

Accounting System Access

As noted in prior years, finance personnel have had full access to the City's accounting system and the ability to initiate and approve journal entries. If an individual has control over an entire transaction, there is a possibility errors and irregularities can be concealed in the course of performing day to day activities.

Management has and will continue to strengthen limited access within accounting system. Management believes they have other compensating controls that mitigate this internal control weakness such as; multiple reviews by separate individuals are performed at both detailed and high-level variances to note any discrepancies or unusual transactions.

CITY OF CARBONDALE, ILLINOIS
Comments and Recommendations
April 30, 2015

Inventory Tracking and Valuation

As noted in prior year, inventory at the Water Department experienced a large variance (shrinkage) of approximately \$9,000 between the amount recorded in the general ledger and the year-end physical inventory count. While this variance is smaller than in prior year, there has been no change in procedures or software at the water treatment plant.

In addition, the physical inventory count was performed a full month after year end. A timely physical inventory count is important to ensure that the inventory reported at year end is accurate.

Management is aware of this issue and indicated that the variance is most likely due to outdated inventory software used at the water treatment plant that does not track inventory accurately. The City is currently in the final stages of purchasing a new accounting software package, this would include updated modules for all the city's functions including inventory.

Tax Increment Financing Reimbursements

As noted in prior year, one reimbursement in the Tax Increment Financing Districts was incorrectly calculated. This was due to a decrease in the value of a parcel which was improperly applied to the reimbursement calculation.

It is our understanding that Management has corrected the problem subsequent to year end.

Fixed Assets

During our review of the component unit it was noted that several fixed asset additions including the completion of CIP projects were not recorded as fixed assets. Accounting standards require fixed assets be recorded and depreciation tracked for items that exceed the City's capitalization threshold.

It is our understanding that Management has corrected the problem subsequent to year end.

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

Kurba, Eck + Brauer ^{LLP}

Carbondale, Illinois
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