

CITY OF MONTICELLO, ILLINOIS

ANNUAL FINANCIAL REPORT

For the twenty months ended December 31, 2014

May, Cocagne & King, P.C.

Certified Public Accountants & Consultants

CITY OF MONTICELLO, ILLINOIS

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December 31, 2014

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CITY OF MONTICELLO, ILLINOIS

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council
City of Monticello, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Monticello, Illinois as of and for the twenty months ended December 31, 2014, 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 an opinion 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. 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 opinion.

Opinions

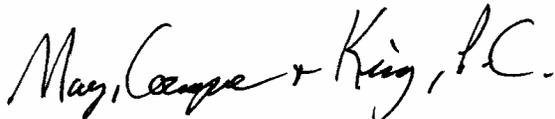
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Monticello, Illinois, as of December 31, 2014, and the respective changes in financial position - modified cash basis thereof for the twenty months 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monticello, Illinois' basic financial statements. The schedules presented in the other supplementary section as listed in the table of contents, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Decatur, Illinois
July 30, 2015

CITY OF MONTICELLO, ILLINOIS

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

December 31, 2014

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 1,897,263	84,029	1,981,292
Investments	1,578,854	532,466	2,111,320
Internal balances	339,583	(339,583)	
Total current assets	3,815,700	276,912	4,092,612
Capital Assets, net:			
Nondepreciable	2,249,261	570,223	2,819,484
Depreciable	8,539,692	1,815,132	10,354,824
TOTAL ASSETS	14,604,653	2,662,267	17,266,920
<u>LIABILITIES</u>			
Current Liabilities:			
Cash drawn in excess of available funds		50,856	50,856
Customer deposits		17,717	17,717
Current portion of unamortized bond premium	1,849		1,849
Due within one year:			
Long-term debt	351,519	22,420	373,939
Total current liabilities	353,368	90,993	444,361
Long-term Liabilities:			
Unamortized bond premium	16,484		16,484
Due in more than one year:			
Long-term debt	3,308,012	175,724	3,483,736
TOTAL LIABILITIES	3,677,864	266,717	3,944,581
<u>NET POSITION</u>			
Net investment in capital assets	7,111,089	2,187,211	9,298,300
Restricted for:			
Debt service	69,970		69,970
Road construction and improvements	513,529		513,529
Unrestricted	3,232,201	208,339	3,440,540
TOTAL NET POSITION	\$ 10,926,789	2,395,550	13,322,339

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the twenty months ended December 31, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charge for Services	Grants and Contributions	Governmental Activities	Business-type Activities	
Functions/Programs						
Governmental Activities:						
City administration	\$ 1,855,809	95,309		(1,760,500)		(1,760,500)
Public safety	1,765,097	55,829		(1,709,268)		(1,709,268)
Public works	2,574,005	146,715	455,370	(1,971,920)		(1,971,920)
Parks and recreation	981,003	340,322	64,475	(576,206)		(576,206)
Interest on long-term debt	346,456			(346,456)		(346,456)
Total governmental activities	7,522,370	638,175	519,845	(6,364,350)	-	(6,364,350)
Business-type activities:						
Water	1,037,072	1,028,296		(8,776)		(8,776)
Sewer	975,026	806,691		(168,335)		(168,335)
Total business-type activities	2,012,098	1,834,987	-	-	(177,111)	(177,111)
Total government	\$ 9,534,468	2,473,162	519,845	(6,364,350)	(177,111)	(6,541,461)
General revenues:						
Taxes:						
Property taxes				1,956,968		1,956,968
Sales taxes				1,851,428		1,851,428
Other local taxes				204,961		204,961
Illinois income tax				953,067		953,067
Motor fuel tax				303,352		303,352
Replacement tax				1,986,276		1,986,276
Investment income				6,478	1,451	7,929
Refundable tax credit				98,899		98,899
Miscellaneous income					6,854	6,854
Total general revenues				7,361,429	8,305	7,369,734
Change in net position				997,079	(168,806)	828,273
Net position, beginning				9,929,710	2,564,356	12,494,066
Net position, ending				\$ 10,926,789	2,395,550	13,322,339

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**

December 31, 2014

	General Fund	Special Revenue Funds			Total
		Tax Increment Financing Fund	Motor Fuel Tax Fund	Working Cash Fund	
<u>ASSETS</u>					
Cash	\$ 1,351,690	18,893	513,529	13,151	1,897,263
Investments	560,537	307,523		710,794	1,578,854
Due from other funds				345,583	345,583
TOTAL ASSETS	1,912,227	326,416	513,529	1,069,528	3,821,700
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Due to other funds	6,000				6,000
Total liabilities	6,000	-	-	-	6,000
Fund Balances:					
Restricted	47,269	22,701	513,529		583,499
Committed	552,483			327,610	880,093
Assigned		303,715		741,918	1,045,633
Unassigned	1,306,475				1,306,475
Total fund balances	1,906,227	326,416	513,529	1,069,528	3,815,700
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,912,227	326,416	513,529	1,069,528	3,821,700

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

**RECONCILIATION OF THE STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCES - MODIFIED
CASH BASIS - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS -
GOVERNMENTAL ACTIVITIES**

December 31, 2014

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance per statement of assets, liabilities and fund balances - modified cash basis	\$ 3,815,700
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	10,788,953
Unamortized premiums on bond issuance are not reported on fund financial statements	(18,333)
Long-term debt not reported on modified cash basis fund financial statements	<u>(3,659,531)</u>
Net position of governmental activities	<u><u>\$ 10,926,789</u></u>

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

**STATEMENT OF REVENUES RECEIVED, EXPENDITURES
DISBURSED AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
For the twenty months ended December 31, 2014**

	General Fund	Special Revenue Funds			Total
		Tax Increment Financing Fund	Motor Fuel Tax Fund	Working Cash Fund	
Revenues received:					
Property taxes	\$ 1,547,883	409,085			1,956,968
Sales taxes	1,851,428				1,851,428
Other local taxes	204,961				204,961
Illinois income tax	953,067				953,067
Motor fuel tax			303,352		303,352
Personal property replacement	1,986,276				1,986,276
Franchise revenue	95,309				95,309
Police revenue	55,829				55,829
Contributions	64,475				64,475
Miscellaneous revenue	146,715				146,715
Interest	2,977	500	769	2,232	6,478
Recreation revenue	340,322				340,322
Refundable tax credit	75,270	23,629			98,899
Total revenues received	7,324,512	433,214	304,121	2,232	8,064,079
Expenditures disbursed:					
Current:					
City administration	1,690,933	50,789			1,741,722
Public safety	1,652,240				1,652,240
Public works	1,763,306		246,984		2,010,290
Parks and recreation	653,081				653,081
Debt service:					
Principal	447,567	125,000			572,567
Interest	235,576	109,680			345,256
Bond issuance costs	700	500			1,200
Capital outlay	1,070,611	97,831			1,168,442
Total expenditures disbursed	7,514,014	383,800	246,984	-	8,144,798
Excess (deficiency) of revenues received over (under) expenditures disbursed	(189,502)	49,414	57,137	2,232	(80,719)
Other financing sources (uses):					
Note payable proceeds	160,000				160,000
Transfers in (out)	205,398	(205,398)			
Total other financing sources	365,398	(205,398)	-	-	160,000
Net change in fund balances	175,896	(155,984)	57,137	2,232	79,281
Fund balances, beginning	1,730,331	482,400	456,392	1,067,296	3,736,419
Fund balances, ending	\$ 1,906,227	326,416	513,529	1,069,528	3,815,700

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

**RECONCILIATION OF THE STATEMENT OF REVENUES RECEIVED,
EXPENDITURES DISBURSED AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS WITH THE STATEMENT
OF ACTIVITIES - MODIFIED CASH BASIS - GOVERNMENTAL ACTIVITIES**
For the twenty months ended December 31, 2014

Net change in fund balances - governmental funds	\$ 79,281
<p>Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues Received, Expenditures Disbursed and Changes in Fund Balances because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:</p>	
Cost of assets capitalized	828,439
Depreciation expense	(781,659)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>	
General capital asset contributions	455,370
<p>Proceeds from (repayments of) financing are a revenue (expenditure) in the governmental funds, but the proceeds increase (repayments reduce) long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:</p>	
Proceeds from long-term debt	(160,000)
Principal payments on loans	572,567
Amortization of bond premium	3,081
	<hr/>
Change in net position of governmental activities	<u>\$ 997,079</u>

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS -
PROPRIETARY FUNDS**

December 31, 2014

	Waterworks Fund	Water Escrow Fund	Sewerage Operation and Maintenance Plant Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 76,829	7,200		84,029
Investments	27,748	16,000	488,718	532,466
Capital Assets, net:				
Nondepreciable	26,369		543,854	570,223
Depreciable	680,898		1,134,234	1,815,132
TOTAL ASSETS	811,844	23,200	2,166,806	3,001,850
<u>LIABILITIES</u>				
Current Liabilities:				
Cash drawn in excess of available funds			50,856	50,856
Customer deposits		17,717		17,717
Due within one year:				
Long-term debt			22,420	22,420
Due to other funds			339,583	339,583
Total current liabilities	-	17,717	412,859	430,576
Due in more than one year:				
Long-term debt			175,724	175,724
TOTAL LIABILITIES	-	17,717	588,583	606,300
<u>NET POSITION</u>				
Net investment in capital assets	707,267		1,479,944	2,187,211
Unrestricted	104,577	5,483	98,279	208,339
TOTAL NET POSITION	\$ 811,844	5,483	1,578,223	2,395,550

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

**STATEMENT OF REVENUES RECEIVED, EXPENSES
DISBURSED AND CHANGES IN NET POSITION -
- MODIFIED CASH BASIS - PROPRIETARY FUNDS
For the twenty months ended December 31, 2014**

	Waterworks Fund	Water Escrow Fund	Sewerage Operation and Maintenance Plant Fund	Total
Operating revenues received	\$ 1,028,296		806,691	1,834,987
Operating expenses disbursed:				
Operations, other than employee benefits	458,422		408,644	867,066
Employee benefits	513,972		449,994	963,966
Depreciation	64,678		110,163	174,841
Total operating expenses disbursed	1,037,072	-	968,801	2,005,873
Excess (deficiency) of operating revenues received over (under) expenses disbursed	(8,776)	-	(162,110)	(170,886)
Non-operating revenues received (expenses disbursed):				
Investment earnings	112	88	1,251	1,451
Miscellaneous income			6,854	6,854
Interest expense			(6,225)	(6,225)
Change in net position	(8,664)	88	(160,230)	(168,806)
Total net position, beginning	820,508	5,395	1,738,453	2,564,356
Total net position, ending	\$ 811,844	5,483	1,578,223	2,395,550

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS -
 PROPRIETARY FUNDS

For the twenty months ended December 31, 2014

	Waterworks Fund	Water Escrow Fund	Sewerage Operation and Maintenance Plant Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,028,296	1,387	806,691	1,836,374
Payments to suppliers	(458,422)		(357,788)	(816,210)
Payments to employees	(513,972)		(449,994)	(963,966)
Net cash from operating activities	55,902	1,387	(1,091)	56,198
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	339,583	339,583
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets			(582,675)	(582,675)
Principal proceeds on notes payable			219,947	219,947
Principal paid on notes payable			(21,803)	(21,803)
Interest paid			(6,225)	(6,225)
Net cash from capital and related financing activities	-	-	(390,756)	(390,756)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	112	88	1,251	1,451
Net increase (decrease) in cash and cash equivalents	56,014	1,475	(51,013)	6,476
Cash and cash equivalents, beginning of year	48,563	5,725	539,731	594,019
Cash and cash equivalents, end of year	\$ 104,577	7,200	488,718	600,495

(Continued)

CITY OF MONTICELLO, ILLINOIS

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS -
 PROPRIETARY FUNDS - Continued
 For the twenty months ended December 31, 2014

	Waterworks Fund	Water Escrow Fund	Sewerage Operation and Maintenance Plant Fund	Total
RECONCILIATION OF EXCESS (DEFICIENCY) OF OPERATING REVENUES RECEIVED OVER OVER (UNDER) EXPENSES DISBURSED				
Excess (deficiency) of operating revenues received over (under) expenses disbursed	\$ (8,776)		(162,110)	(170,886)
Adjustments to reconcile excess (deficiency) of operating revenues received over (under) expenses disbursed to net cash from operating activities				
Depreciation	64,678		110,163	174,841
Increase in cash drawn in excess of available funds			50,856	50,856
Increase in customer deposits		1,387		1,387
Net cash from operating activities	\$ 55,902	1,387	(1,091)	56,198

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS -
FIDUCIARY FUNDS**

December 31, 2014

	Police Pension Fund
<hr/>	
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 848,668</u>
<u>NET POSITION</u>	
Held in trust for police pension benefits	<u>\$ 848,668</u>

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
- MODIFIED CASH BASIS - FIDUCIARY FUNDS

For the twenty months ended December 31, 2014

	Police Pension Fund
<hr/>	
Additions:	
Contributions:	
Employee	\$ 46,463
Employer	<u>328,196</u>
Total contributions	374,659
Investment income	<u>2,957</u>
Total additions	<u>377,616</u>
Deductions:	
Fees	277
Disability payments	44,652
Retirement payments	150,641
Death benefit	36,796
Other	<u>1,300</u>
Total deductions	<u>233,666</u>
Change in net position	143,950
Net position, beginning	<u>704,718</u>
Net position, ending	<u><u>\$ 848,668</u></u>

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

Note 1 - Summary of Significant Accounting Policies

Reporting Entity: The City of Monticello ("City") is the basic level of government which has financial accountability and control over all municipal activities related to the operations of the City of Monticello, Piatt County, Illinois. The City receives funding from local and state sources and must comply with the requirements of these funding sources. The City is not included in any other governmental "reporting entity" as defined by GASB, as the Mayor and Council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Principals Used to Determine the Scope of the Reporting Entity: The City of Monticello has developed criteria used in determining whether a governmental unit should be a part of its reporting entity. The criteria include, but are not limited to, whether the City exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service and special financial relationships.

Based on the above criteria, all governmental components associated with the City of Monticello are included herein.

Basis of Presentation: The City's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements: The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the City.

Fund Financial Statements: During the year, the City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information at this more detailed level. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column.

Fund Accounting: The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, cash receipts and disbursements. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2014

Note 1 - Summary of Significant Accounting Policies, continued

Fund Accounting, continued: The various funds are grouped, in the financial statements in this report, into fund categories as follows:

Governmental Funds: Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in other funds.

Tax Increment Financing Fund - The Tax Increment Financing Fund is used to account for receipt of property taxes allocated to tax increment financing districts that are restricted for specific purposes by law.

Motor Fuel Tax Fund - The Motor Fuel Tax Fund is used to account for the proceeds of specific revenue sources (other than special assessments, fiduciary, or major capital projects) that are legally restricted to expenses for the purpose of street maintenance and improvement.

Working Cash Fund - The Working Cash Fund is used to account for financial resources held by the City to be used for ordinary and necessary expenditures for all general and specific corporate purposes, including to provide financing for the acquisition, construction and installation of public improvements and infrastructure, and related facilities and costs.

Proprietary Funds: The Waterworks, Water Escrow and Sewerage Operation and Maintenance Plant Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds: Fiduciary funds are used to account for assets held by the City as a trustee for individuals, private organizations and/or other governmental units. The City reports the following fiduciary fund:

Police Pension Fund - The Pension Fund accumulates resources to provide pension benefit to qualified City employees.

Measurement Focus:

Government-wide Financial Statements: The government-wide financial statements are prepared using a flow of economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2014

Note 1 - Summary of Significant Accounting Policies, continued

Measurement Focus, continued:

Fund Financial Statements: All governmental funds are accounted for using a flow of current financial resources measurement focus, as applied to the modified cash basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Basis of Accounting: In the government-wide Statement of Net Position and the Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenses when they result from cash transactions with a provision for depreciation in the government-wide statements, and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgets and Budgetary Accounting: The City follows these procedures in establishing its budgetary data:

1. City budget officer submits a tentative City budget to the City Council. Open Committee Meeting discussions are held on the annual budget.
2. The Council typically approves the City budget before the beginning of the fiscal year.
3. The Appropriation Ordinance is based on the annual budget. A notice of public hearing for the Appropriation Ordinance is published not less than 10 days prior to such hearing, and a copy of the tentative appropriation ordinance is made available for public inspection. Public hearing is conducted to obtain taxpayer comments.
4. The City certificates of levy are filed with the County Clerk on or before the second Tuesday in December.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014

Note 1 - Summary of Significant Accounting Policies, continued

Budgets and Budgetary Accounting, continued:

5. Budgets for the General Fund, Waterworks Fund, Sanitation Fund, Tax Increment Fund and Motor Fuel Tax Fund are adopted consistently on the cash basis which is not in accordance with U.S. generally accepted accounting principles (GAAP). No budgets were prepared for the Working Cash Fund and Water Escrow Fund this year.
6. The City approved two budgets related to the twenty months being reported. The first was to cover the twelve months ended April 30, 2014. However, subsequent to passing that budget, the City approved changing its fiscal year end to December 31. The City did not amend its budget for that period from twelve to eight months. The City later approved its budget for the twelve months ended December 31, 2014.

Cash and Cash Equivalents: For purposes of the statement of cash flows - modified cash basis for proprietary funds, the City considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

	Waterworks Fund	Water Escrow Fund	Sewerage Operation and Maintenance Plant Fund
Statement of Net Position - Modified Cash Basis amounts:			
Cash	\$ 76,829	7,200	
Investments (money market accounts)	27,748		488,718
Cash and cash equivalents	<u>\$ 104,577</u>	<u>7,200</u>	<u>488,718</u>

Investments: Investments consist of money market accounts and certificates of deposit with maturities of three months or more and are stated at cost, without provision for accrued interest.

Capital Assets: General capital assets are capital assets which are associated with and generally arise from governmental activities and result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets purchased or acquired with an original cost of \$ 25,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at their fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The City, which qualifies as a phase 3 government under GASB Statement No. 34, elected not to retroactively report infrastructure assets. However, any infrastructure assets acquired or constructed after July 1, 2003 with an original cost of \$ 100,000 or more will be capitalized.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014

Note 1 - Summary of Significant Accounting Policies, continued

Capital Assets, continued: All capital assets are depreciated, except for land and construction in process. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings	30 - 50 years
Machinery and equipment	5 - 15 years
Infrastructure	50 years

Accumulated Unpaid Vacation, Sick-pay, and Other Employee Benefit Amounts: Accumulated unpaid vacation, sick-pay, and other employee benefit amounts are recognized when the checks are written, in accordance with the cash basis of accounting. The total unpaid vacation pay, sick-pay, personal leave, and comp time accumulated at December 31, 2014, is \$ 18,006, \$ 234,778, \$ 4,932, and \$ 12,846, respectively.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any of this type of item.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City does not have any of this type of item.

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 other governmental units and became a member of the Illinois Municipal League Risk Management Association (IMLRMA), a public entity risk pool currently operating as a common risk management and insurance program for member governmental units. The City pays an annual premium to IMLRMA for its general insurance coverage.

IMLRMA is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$ 8,000,000 for each insured event. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Use of Estimates: Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2014

Note 1 - Summary of Significant Accounting Policies, continued

Net Position: Net position are classified into three components - (1) net investment in capital assets, (2) restricted, and (3) unrestricted. These classifications are defined as follows:

- Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.
- Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - This category represents net position of the entity, not restricted for any project or other purpose.
 - In 2007, the City council approved a motion setting aside funds within the Sewerage Operation and Maintenance Plant Fund for future capital expenditures. It also committed all interest earned on these amounts. As of December 31, 2014, the balance of these designated funds was \$ 472,446.

When both restricted and unrestricted net position are available, restricted resources are used only after the unrestricted resources are depleted.

Fund Equity: Beginning with fiscal year 2012, the City implemented GASB Statement No, 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The following classifications describe the relative nature, extent and strength of the spending constraints placed on the City's fund balances:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact (such as perpetual trusts).
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2014

Note 1 - Summary of Significant Accounting Policies, continued

Fund Equity, continued: The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service or for other purposes).

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Note 2 - Property Tax Rates

The City's property tax is levied each year on all taxable real property located in the City on or before the last Tuesday in December. The 2012 tax levy was passed by the Board on December 10, 2012. The 2013 tax levy was passed by the Board on December 9, 2013. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments on June 1 and September 1. The City receives significant distributions of tax receipts approximately one month after these due dates. These financial statements include property tax revenues collected from the 2012 and 2013 tax levies.

The following are the tax rates applicable to the various levies per \$ 100.00 of assessed valuation (\$ 105,903,485 - 2013; \$ 106,298,925 - 2012):

	<u>Maximum</u>	<u>Actual</u>	
	<u>2013</u>	<u>2013</u>	<u>2012</u>
	<u>Levy</u>	<u>Levy</u>	<u>Levy</u>
General Corporate	.2500	.2043	.2036
IMRF		.0397	.0396
Police Protection	.1500	.1082	.1078
Insurance		.0628	.0640
Bond and Interest		.0643	.1797
Social Security		.0382	.0381
Police Pension		.1859	.0626
		.7034	.6954
Total		.7034	.6954

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2014

Note 3 - Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2014, \$ 4,357,991 of the City's bank balance of \$ 5,107,991, was collateralized by securities held by the pledging financial institution and \$ -0- was exposed to custodial credit risk by being uninsured and uncollateralized.

Note 4 - Capital Assets

Capital asset activities for the year ended December 31, 2014, were as follows;

	Governmental Activities			Ending Balance
	Beginning Balance	Additions	Deletions	
Nondepreciable assets:				
Land	\$ 1,968,392	161,136		2,129,528
Construction in process	38,578	106,155	25,000	119,733
Total	2,006,970	267,291	25,000	2,249,261
Depreciable assets:				
Buildings	5,927,499			5,927,499
Vehicles	1,143,404	237,770	124,405	1,256,769
Land improvements	722,093			722,093
Equipment	1,516,693	157,243	20,150	1,653,786
Infrastructure	1,594,392	646,505		2,240,897
Total	10,904,081	1,041,518	144,555	11,801,044
Total capital assets	12,911,051	1,308,809	169,555	14,050,305
Less accumulated depreciation:				
Buildings	749,420	283,656		1,033,076
Vehicles	895,615	133,429	124,405	904,639
Land improvements	95,784	48,499		144,283
Equipment	818,133	240,260	20,150	1,038,243
Infrastructure	65,296	75,815		141,111
Total accumulated depreciation	2,624,248	781,659	144,555	3,261,352
Total governmental activities capital assets, net	\$ 10,286,803	527,150	25,000	10,788,953

Business-type Activities			
Beginning Balance	Additions	Deletions	Ending Balance
194,981			194,981
35,659	339,583		375,242
230,640	339,583	-	570,223
1,592,175			1,592,175
13,905			13,905
715,251	249,947		965,198
747,618			747,618
3,068,949	249,947	-	3,318,896
3,299,589	589,530	-	3,889,119
944,368	48,634		993,002
9,038	4,635		13,673
322,493	95,339		417,832
53,024	26,233		79,257
1,328,923	174,841	-	1,503,764
1,970,666	414,689	-	2,385,355

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014

Note 4 - Capital Assets, continued

Depreciation expense for the twenty months ended December 31, 2014 was charged to the following:

Governmental activities:	
City administration	\$ 82,107
Public safety	64,736
Public works	356,793
Parks and recreation	278,023
Business-type activities:	
Water fund	64,678
Sewer fund	<u>110,163</u>
Total depreciation expense	<u>\$ 956,500</u>

Note 5 - Pension Plan

Plan Description. The employer'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 employer 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 on-line at www.imrf.org.

The City has two separate plans with IMRF. One plan covers Regular plan members (REG), and the other covers the Sheriff's Law Enforcement Personnel (SLEP).

Funding Policy. As set by statute, City Regular plan members are required to contribute 4.50% of their annual covered salary (7.50% SLEP). The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2014 was 10.09% for REG and 27.24% for SLEP. The employer 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 is set by statute.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2014

Note 5 - Pension Plan, continued

Annual Pension Cost. The required contribution for calendar year 2014 was \$ 136,840 for REG and \$ 16,744 for SLEP.

Three-Year Trend Information - Regular			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/14	\$ 136,840	100%	\$ -
12/31/13	143,151	100%	-
12/31/12	123,533	100%	-

Three-Year Trend Information - SLEP			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/14	\$ 16,744	100%	\$ -
12/31/13	12,400	100%	-
12/31/12	18,463	100%	-

The required contributions for 2014 were determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2012, included (a) 7.5% 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% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial values of City plan assets were 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 employer plans' unfunded actuarial accrued liabilities at December 31, 2012 are being amortized as a level percentage of projected payroll on an open 29-year basis.

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the Regular plan was 93.24 percent funded (0.00 percent - SLEP). The actuarial accrued liability for benefits was \$ 3,871,545 for Regular (\$ 34,914 - SLEP) and the actuarial value of assets was \$ 3,609,832 for the Regular plan (\$167,698 - SLEP), resulting in an underfunded actuarial accrued liability (UAAL) of \$ 261,713 for Regular (\$ 202,612 - SLEP). The covered payroll for calendar year 2014 (annual payroll of active employees covered by the plan) was \$ 1,356,191 for Regular (\$ 61,468 - SLEP), and the ratio of the UAAL to the covered payroll was 19 percent for Regular and 330% for SLEP.

The schedules of funding progress, presented as other 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 MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2014

Note 6 - Police Pension Fund

The City of Monticello created and established a police pension fund by ordinance on April 12, 1999, in accordance with Article 3 of the Illinois Pension Code for the purpose of providing pension benefits to all full-time police officers entitled to participate in the benefits of the pension fund, as provided by Article 3 of the Illinois Pension Code and the Board of Trustees of the Pension Fund.

Subsequent to fiscal year end, the State of Illinois Department of Insurance performs actuarial calculations on the fund and computes the amount the City is to provide to fund this pension fund for the next year. The amount provided to fund this pension fund includes the employer's portion of the normal cost, and the amount necessary to amortize the unfunded accrued liabilities over a specified number of years. The results, actuarial assumptions and other pertinent disclosure information have not been provided the City of Monticello as of the report date for the year ended December 31, 2014. The employee contributions to the fund are 9.91% of the police officer's salary.

Funds for the City of Monticello Police Pension Fund have been invested in a certificate of deposit, various money market accounts, and a NOW checking account at Central Illinois Bank and First Mid-Illinois Bank & Trust summarized as follows as of December 31, 2014:

Certificate of deposit	\$ 309,714
Money market accounts	537,965
NOW account	<u>989</u>
Total	<u>\$ 848,668</u>

The results, actuarial assumptions and other pertinent disclosure information provided by the State of Illinois Department of Insurance for the year ended December 31, 2014 has been received and is as follows:

Actuarial value of assets	\$ 926,151
Deferred asset (unfunded accrued liability)	1,998,707
Present value of service retirement annuities (7)	<u>(2,578,212)</u>
Accrued liabilities for active participants (6)	<u>\$ 346,646</u>

Based on the above figures, the actuarially-determined employer contribution the City should make for 2015 to arrive at the annual requirements of the fund as prescribed by Section 3-125 of the Illinois Pension Code is \$ 145,017 (2014 - \$ 174,157). For 2014, total City contributions were \$ 192,621.

Note 7 - Commitments and Contingencies

The City has pending litigation arising in the ordinary course of its operations. The City and its attorney believe that the ultimate liability, if any, in connection with these matters will not have a material effect on the City's financial condition or results of operations. In addition, certain matters may fall under the City's risk management coverage (see Note 1).

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2014

Note 8 - Grants

On June 27, 2006, the City entered into a grant agreement with the Illinois Department of Transportation for the study, design, and construction of a farm/truck route through the City of Monticello. This project was later renamed as the Transportation Improvement Project. Total anticipated costs were \$ 1,132,000, of which the City was to pay 20% and IDOT pay 80% of grant-related costs. The City was responsible for any related but non-grant costs. As of December 31, 2014, this project and related grant were complete. In total, the City received grant revenue of \$ 1,053,227, including \$ 455,370 recognized in the current year. Total costs on the project were \$ 1,467,020, including \$ 534,296 recognized in the current year.

Note 9 - Long-Term Liabilities

A summary of long-term liability activity for the twenty months ended December 31, 2014 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt certificates	\$ 2,265,000		(295,000)	1,970,000	150,000
General obligation bonds	1,735,000		(230,000)	1,505,000	125,000
Notes payable	72,097	160,000	(47,566)	184,531	76,519
	<u>\$ 4,072,097</u>	<u>160,000</u>	<u>(572,566)</u>	<u>3,659,531</u>	<u>351,519</u>
Business-type activities:					
Notes payable	\$ -	219,947	(21,803)	198,144	22,420

Additional detailed information on long-term liabilities follows:

Governmental Activities:

GENERAL OBLIGATION DEBT

During the 2011 fiscal year, the City issued \$ 1,550,000 of general obligation (limited tax) debt certificates, Series 2010, the proceeds of which were used to help finance the construction of an approximate 550,000 gallon elevated water tower.

Interest payments on the Series 2010 debt certificate began May 1, 2011, and principal payments began November 1, 2011. The debt certificate matures on November 1, 2030. Interest rates payable on the debt certificate ranges from 2.25% to 6.50%.

During the 2010 fiscal year, the City issued \$ 1,075,000 of general obligation (limited tax) debt certificates, Series 2009, and \$ 2,000,000 of general obligation bonds, Series 2009, the proceeds of which were used to help finance the construction of a new pool and bath house.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014

Note 9 - Long-Term Liabilities, continued

Governmental Activities, continued:

GENERAL OBLIGATION DEBT, continued

Interest payments on the Series 2009 debt certificates began on June 1, 2010, and principal payments began on December 1, 2010. The debt certificates mature on December 1, 2021. Interest rates payable on the debt certificates ranges from 2.35% to 5.20%.

Principal and interest payments on the Series 2009 bonds began on December 1, 2010. The bonds mature on December 1, 2023. Interest rates payable on the bonds ranges from 2.35% to 5.50%.

The debt certificates and the bonds have been issued as Build America Bonds (BAB) as provided for under the American Recovery and Reinvestment Act of 2009 (ARRA.) As such, the City is eligible to receive a refundable tax credit equal to 35% of the total coupon interest payments made.

NOTES PAYABLE

On September 18, 2012, the City entered into a note payable with First Mid-Illinois Bank & Trust for the purchase of a 2012 International dump truck. The note is payable in annual installments of \$ 25,187, including interest at 2.675%, due July 1, 2015. The note is unsecured.

On June 20, 2014, the City entered into a note payable with First Mid-Illinois Bank & Trust for the purchase of two police squad cars and a dump truck. The note is payable in annual installments of \$ 56,100, including interest at 2.57%, due June 20, 2017. The note is unsecured.

PRINCIPAL AND INTEREST PAYMENTS IN SUBSEQUENT YEARS

Year	Debt Certificates		Bonds		Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 150,000	102,143	125,000	74,600	76,519	4,768
2016	155,000	96,568	135,000	70,038	53,317	2,784
2017	160,000	90,007	145,000	64,098	54,695	1,406
2018	165,000	83,248	155,000	57,718		
2019	170,000	76,268	165,000	50,354		
2020-2024	600,000	260,652	780,000	109,992		
2025-2029	465,000	124,325				
2030-2031	105,000	6,825				
	<u>\$ 1,970,000</u>	<u>840,036</u>	<u>1,505,000</u>	<u>426,800</u>	<u>184,531</u>	<u>8,958</u>

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014

Note 9 - Long-Term Liabilities, continued

Business-Type Activities:

NOTES PAYABLE

On June 10, 2013, the City entered into a note payable with First Mid-Illinois Bank & Trust for the purchase of a new jet vactor machine. The note is payable in annual installments of \$ 28,027, including interest at 2.83%, due June 10, 2022. The note is unsecured.

Year	Note Payable	
	Principal	Interest
2015	\$ 22,420	5,607
2016	23,041	4,987
2017	23,706	4,321
2018	24,377	3,650
2019	25,067	2,960
2020	25,770	2,257
2021	26,506	1,521
2022	27,257	771
	<u>\$ 198,144</u>	<u>26,074</u>

Note 10 - Required Individual Fund Disclosures

At December 31, 2014, interfund receivables and payables consisted of the following:

	Interfund Receivables	Interfund Payables
General Fund:		
Due to Working Cash Fund	\$	6,000
Sewerage Fund:		
Due to Working Cash Fund		339,583
Working Cash Fund:		
Due from General Fund	6,000	
Due from Sewerage Fund	339,583	
	<u>\$ 345,583</u>	<u>345,583</u>

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014

Note 10 - Required Individual Fund Disclosures, continued

The \$ 6,000 interfund amounts represent the initial \$ 1,000 deposit made to open the City's accounts payable checking account during the 2007 fiscal year, plus a \$ 5,000 deposit made for the HRA during fiscal year 2012. The \$ 339,583 amounts represent expenses paid by the Working Cash Fund on behalf of the Sewerage Fund for engineering and planning costs for a new Waste Water Treatment Plant. The City intends to repay this interfund loan with EPA loan proceeds once the project approval process is complete.

Balances due among the governmental activities are eliminated on the government-wide Statement of Net Position. Balances due to the enterprise funds from the governmental activities are reported on the Statement of Net Position as internal balances.

Interfund Transfers

Operating transfers in/out to other funds consists of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
TIF Fund	\$	205,398
General Fund	205,398	
	<u>\$ 205,398</u>	<u>205,398</u>

The \$ 205,398 of transfers represent interest (\$ 35,398) and principal (\$ 170,000) payments made out of the TIF Fund on the Series 2009 general obligation (limited tax) debt certificates.

Note 11 - Fund Balances

Committed Fund Balance: In 2007, the City Council approved a motion committing funds for future capital expenditures. It also committed all interest earned on these amounts. During the 2013-14 reporting period, the City Council approved committing video gaming revenue to support Habitat for Humanity and parks and playground repair, maintenance and replacement. They also approved committing \$ 100,000 of general funds per year from 2014 to 2017 for future recreation grants. Any farming revenues generated from the recreation park land will also be committed for this purpose.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014

Note 11 - Fund Balances, continued

Committed Fund Balance, continued: Below is a summary of committed amounts, current and prior year committed earnings, current and prior year expenditures, and ending committed balances.

	General Fund	Working Cash Fund	Total
Board committed amounts	\$ 543,791	300,000	843,791
Prior earnings	32,572	25,977	58,549
Current period earnings	1,120	1,633	2,753
Current period expenditures	(25,000)		(25,000)
Committed balances, December 31, 2014	<u>\$ 552,483</u>	<u>327,610</u>	<u>880,093</u>

Restricted Fund Balances:

	General Fund	Tax Increment Financing Fund	Motor Fuel Tax Fund	Total
Restricted for:				
Levied funds to be used for bond principal and interest repayment	\$ 37,608			37,608
Debt sinking fund compliance	9,661	22,701		32,362
Levied funds to be used for road construction and improvements			513,529	513,529
Restricted fund balance	<u>\$ 47,269</u>	<u>22,701</u>	<u>513,529</u>	<u>583,499</u>

Note 12 - Other Post-Employment Benefits Plan

The City has an ordinance under which it covers post-employment insurance continuation benefits for those who qualify. If a full-time employee retires with at least 15 years of IMRF qualified service with the City, and such retired employee immediately receives his or her IMRF pension, then the City will pay on behalf of such retired employee the full expense of employee-only continued health insurance for the lesser of the period of five years, or until such retired employee reaches the age of Medicare eligibility. Total premiums paid for qualifying retirees (4) for the twenty months ended December 31, 2014 were \$ 27,459, all of which were paid by the City.

The City is also paying health insurance benefits for a former police officer injured in the line of duty as required by Illinois Statute 820 ILCS 320/10. Under this statute, the City is required to pay health insurance premiums for the former officer and his spouse for the remainder of their lives (with benefits from any other source reducing the benefit). Total premiums paid for the twenty months ended December 31, 2014 were \$ 22,896.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2014

Note 13 - Subsequent Events

The City has evaluated events occurring after the statement of financial position date through July 30, 2015, in order to determine their potential for recognition or disclosure in the financial statements. The latter date is the same date the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

CITY OF MONTICELLO, ILLINOIS

**SCHEDULE OF FUNDING PROGRESS -
ILLINOIS MUNICIPAL RETIREMENT FUND
December 31, 2014**

Other Supplementary Information Schedule of Funding Progress - Regular						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL(UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/14	\$ 3,609,832	3,871,545	261,713	93.24%	1,356,191	19.30%
12/31/13	3,322,044	3,560,105	238,061	93.31%	1,365,945	17.43%
12/31/12	3,421,358	3,815,414	394,056	89.67%	1,254,139	31.42%

On a market value basis, the actuarial value of assets as of December 31, 2014 was \$ 4,296,096. On a market basis, the funded ratio would be 110.97%.

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

Other Supplementary Information Schedule of Funding Progress - SLEP						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL(UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/14	\$ (167,698)	34,914	202,612	0.00%	61,468	329.62%
12/31/13	(171,383)	16,489	187,872	0.00%	57,675	325.74%
12/31/12	(183,482)	13,343	196,825	0.00%	89,454	220.03%

On a market value basis, the actuarial value of assets as of December 31, 2014 was \$(144,392). On a market basis, the funded ratio would be 0.00%.

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

CITY OF MONTICELLO, ILLINOIS

SCHEDULE OF ASSESSED VALUATIONS AND TAXES
EXTENDED AND COLLECTED

December 31, 2014

	Tax Year		
	2013	2012	2011
Equalized assessed valuation	\$ 105,903,485	106,298,925	106,043,711
Tax Rates:			
General Corporate Fund	0.2043	0.2036	0.2041
IMRF	0.0397	0.0396	0.0414
Police Protection Fund	0.1082	0.1078	0.1081
Insurance	0.0628	0.0640	0.0649
Bond and Interest	0.0643	0.1797	0.1785
Social Security	0.0382	0.0381	0.0406
Police Pension	0.1859	0.0626	0.0679
Total	0.7034	0.6954	0.7055
Tax Extensions:			
General Corporate Fund	216,361	216,425	216,435
IMRF	42,044	42,094	43,902
Police Protection Fund	114,588	114,590	114,633
Insurance	68,096	68,031	68,823
Bond and Interest	196,875	191,019	189,288
Social Security	40,455	40,500	43,054
Police Pension	66,507	66,543	72,004
Total	\$ 744,926	739,202	748,139
Collections:			
General Corporate Fund	215,860	213,345	215,424
IMRF	42,044	42,094	43,902
Police Protection Fund	114,588	114,590	114,633
Insurance	68,096	68,031	68,822
Bond and Interest	196,875	191,019	189,288
Social Security	40,455	40,500	43,054
Police Pension	66,507	66,543	72,004
Total	\$ 744,425	736,122	747,127
Percent of extensions collected	99.93%	99.58%	99.86%

Note: The above collections do not include tax increment financing and special service revenues received for the periods which amounted to \$ 204,575 and \$ 253,863 for the 2013 and 2012 tax years, respectively.

CITY OF MONTICELLO, ILLINOIS

SCHEDULE OF LEGAL DEBT MARGIN

December 31, 2014

Assessed valuation - 2013 tax year	<u>\$ 105,903,485</u>
Statutory debt limitation (8.625% of assessed valuation)	<u>9,134,176</u>
Total debt:	
Sewer note payable	198,144
General obligation debt certificdates	1,970,000
General obligation bonds	1,505,000
Note payable	<u>184,531</u>
Total oustanding debt	3,857,675
Less debt not applicable to debt margin	<u>(382,675)</u>
Total applicable debt	<u>3,475,000</u>
Legal debt margin	<u>\$ 5,659,176</u>

CITY OF MONTICELLO, ILLINOIS

**SCHEDULE OF CONSTRUCTION IN PROGRESS AND
CAPITAL ASSET ADDITIONS**

December 31, 2014

Construction in progress:

Outdoor Rec Facility	\$ 106,155
WWTP Capacity Study-Eng Fees-Other	<u>339,583</u>

Construction in progress at December 31, 2014 445,738

Capital asset additions:

Jet Vactor	249,947
Fiber Optics Project	57,343
2014 Ford SUV	25,580
Transportation Improvement Project	588,944
Bike Trail West Phase 2	21,111
Dog Park Fence	36,450
Property Adjacent to Firehouse	89,332
2015 Ford F350 SD Reg Cab DRW	30,695
2015 Int'l Dump Truck	115,684
2014 Ford Taurus 4D Sedan AWD	24,320
2015 Ford Taurus 4D Sedan AWD	24,320
2012 Dodge 8 Ram 1500 S	17,171
John Deere 700H Crawler Tractor	74,900
Permanent Easement - Bike Trail West	<u>71,804</u>

Total capital asset additions \$ 1,427,601