

***CITY OF MONTICELLO, ILLINOIS***

***ANNUAL FINANCIAL REPORT***

***For the year ended December 31, 2016***

**May, Cocagne & King, P.C.**

---

Certified Public Accountants & Consultants

# CITY OF MONTICELLO, ILLINOIS

## CONTENTS

December 31, 2016

<hr/> <b>INDEPENDENT AUDITORS' REPORT</b> <hr/>		<b>1 and 2</b>
<b>Government-wide Financial Statements:</b>		
Statement of Net Position - Modified Cash Basis		3
Statement of Activities - Modified Cash Basis		4
<b>Fund Financial Statements:</b>		
Statement of Assets, Liabilities and Fund Balances - Modified Cash Basis - Governmental Funds		5
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 Funds		6
Statement of Revenues Received, Expenditures Disbursed and Changes in Fund Balances - Modified Cash Basis - - Governmental Funds		7
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 Funds		8
Statement of Net Position - Modified Cash Basis - Proprietary Funds		9
Statement of Revenues Received, Expenses Disbursed and Changes in Net Position - Modified Cash Basis - Proprietary Funds		10
Statement of Cash Flows - Modified Cash Basis - Proprietary Funds	11 and 12	
Statement of Net Position - Modified Cash Basis - Fiduciary Funds		13
Statement of Changes in Fiduciary Net Position - Modified Cash Basis - Fiduciary Funds		14
Notes to Financial Statements		15 - 38

**CITY OF MONTICELLO, ILLINOIS**

**CONTENTS (Continued)**

**December 31, 2016**

**Other Supplementary Information:**

<b>Budgetary Comparison Schedule - General Fund</b>	<b>39</b>
<b>Budgetary Comparison Schedule - Motor Fuel Tax Fund</b>	<b>40</b>
<b>Budgetary Comparison Schedule - Tax Increment Financing Fund</b>	<b>41</b>
<b>Budgetary Comparison Schedule - Waterworks Fund</b>	<b>42</b>
<b>Budgetary Comparison Schedule - Sewerage, Operation and Maintenance Plant Fund</b>	<b>43</b>
<b>Schedule of Changes in the Net Pension Liability and Related Ratios - Regular</b>	<b>44</b>
<b>Schedule of Changes in the Net Pension Liability and Related Ratios - SLEP</b>	<b>45</b>
<b>Schedule of Employer Contributions</b>	<b>46</b>
<b>Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2016 Contribution Rate</b>	<b>47</b>
<b>Schedule of Assessed Valuations and Taxes Extended and Collected</b>	<b>48</b>
<b>Schedule of Legal Debt Margin</b>	<b>49</b>
<b>Schedule of Construction in Progress and Capital Asset Additions</b>	<b>50</b>

---



# May, Cocagne & King, P.C.

Certified Public Accountants and Consultants

1353 E. MOUND ROAD, SUITE 300 DECATUR, ILLINOIS 62526-9344 217/875-2655 FAX 217/875-1660

ANDREW D. THOMAS  
HELGA J. TOWLER  
WILLIAM R. MOSS  
CATHERINE J. MANSUR  
STEVEN R. GROHNE  
MARK S. WOOD  
CHRISTIE K. STINSON  
CRAIG T. NEGANGARD  
DAVID S. BROWN

## 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 year ended December 31, 2016, 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.

### Auditors' 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.

Basis for Qualified Opinion

The City's financial statements do not disclose Governmental Accounting Standards Board Statement 45 *Accounting and Financial Reporting for Post-Employment Benefit Other Than Pensions*. The amount by which this disclosure would affect the financial statements is not reasonably determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, 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, 2016, and the respective changes in financial position - modified cash basis thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

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.

*May, Cragne + King, P.C.*

Decatur, Illinois  
June 16, 2017

**CITY OF MONTICELLO, ILLINOIS**

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

**December 31, 2016**

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Current Assets:			
Cash	\$ 2,210,178	272,409	2,482,587
Investments	7,143,496	563,197	7,706,693
Internal balances	709,048	(709,048)	
Total current assets	10,062,722	126,558	10,189,280
Capital Assets, net:			
Nondepreciable	2,264,598	1,101,792	3,366,390
Depreciable	8,311,392	1,674,041	9,985,433
TOTAL ASSETS	20,638,712	2,902,391	23,541,103
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Cash drawn in excess of available funds		153,469	153,469
Customer deposits		16,603	16,603
Current portion of unamortized bond premium	1,849		1,849
Other current liabilities	857		857
Due within one year:			
Long-term debt	415,777	23,706	439,483
Total current liabilities	418,483	193,778	612,261
Long-term Liabilities:			
Unamortized bond premium	12,786		12,786
Due in more than one year:			
Long-term debt	3,127,151	278,977	3,406,128
TOTAL LIABILITIES	3,558,420	472,755	4,031,175
<b><u>NET POSITION</u></b>			
Net investment in capital assets	7,033,062	2,473,150	9,506,212
Restricted for:			
Debt service	64,600		64,600
Road construction and improvements	6,556,326		6,556,326
Unrestricted	3,426,304	(43,514)	3,382,790
TOTAL NET POSITION	\$ 17,080,292	2,429,636	19,509,928

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
For the year ended December 31, 2016

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charge for Services	Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Functions/Programs</b>						
Governmental Activities:						
City administration	\$ 1,105,850	56,987		(1,048,863)		(1,048,863)
Public safety	1,092,806	39,193		(1,053,613)		(1,053,613)
Public works	1,893,149	313,521	14,262	(1,565,366)		(1,565,366)
Parks and recreation	539,501	180,236		(359,265)		(359,265)
Interest on long-term debt	192,222			(192,222)		(192,222)
<b>Total governmental activities</b>	<b>4,823,528</b>	<b>589,937</b>	<b>14,262</b>	<b>(4,219,329)</b>	<b>-</b>	<b>(4,219,329)</b>
Business-type activities:						
Water	504,182	657,627			153,445	153,445
Sewer	669,774	646,648			(23,126)	(23,126)
<b>Total business-type activities</b>	<b>1,173,956</b>	<b>1,304,275</b>	<b>-</b>	<b>-</b>	<b>130,319</b>	<b>130,319</b>
<b>Total government</b>	<b>\$ 5,997,484</b>	<b>1,894,212</b>	<b>14,262</b>	<b>(4,219,329)</b>	<b>130,319</b>	<b>(4,089,010)</b>
General revenues:						
Taxes:						
Property taxes				1,150,873		1,150,873
Sales taxes				1,068,185		1,068,185
Other local taxes				140,345		140,345
Illinois income tax				544,504		544,504
Motor fuel tax				178,088		178,088
Replacement tax				1,184,858		1,184,858
Investment income				49,359	471	49,830
Refundable tax credit				54,369		54,369
Miscellaneous income					(25,933)	(25,933)
<b>Total general revenues</b>				<b>4,370,581</b>	<b>(25,462)</b>	<b>4,345,119</b>
Change in net position				151,252	104,857	256,109
Net position, beginning				16,929,040	2,324,779	19,253,819
Net position, ending				<b>\$ 17,080,292</b>	<b>2,429,636</b>	<b>19,509,928</b>

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

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

December 31, 2016

	General Fund	Special Revenue Funds			Total
		Tax Increment Financing Fund	Motor Fuel Tax Fund	Working Cash Fund	
<b><u>ASSETS</u></b>					
Cash	\$ 1,488,379	156,074	556,326	9,399	2,210,178
Investments	633,812	157,708	6,000,000	351,976	7,143,496
Due from other funds	12,842			709,381	722,223
<b>TOTAL ASSETS</b>	<b>2,135,033</b>	<b>313,782</b>	<b>6,556,326</b>	<b>1,070,756</b>	<b>10,075,897</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
Liabilities:					
Due to other funds	13,175				13,175
Other current liabilities	857				857
<b>Total liabilities</b>	<b>14,032</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,032</b>
Fund Balances:					
Restricted	41,932	22,668	6,556,326		6,620,926
Committed	818,693			328,102	1,146,795
Assigned		291,114		742,654	1,033,768
Unassigned	1,260,376				1,260,376
<b>Total fund balances</b>	<b>2,121,001</b>	<b>313,782</b>	<b>6,556,326</b>	<b>1,070,756</b>	<b>10,061,865</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,135,033</b>	<b>313,782</b>	<b>6,556,326</b>	<b>1,070,756</b>	<b>10,075,897</b>

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, 2016**

---

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	\$ 10,061,865
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	10,575,990
Unamortized premiums on bond issuance are not reported on fund financial statements	(14,635)
Long-term debt not reported on modified cash basis fund financial statements	<u>(3,542,928)</u>
Net position of governmental activities	<u>\$ 17,080,292</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 year ended December 31, 2016**

	General Fund	Special Revenue Funds			Total
		Tax Increment Financing Fund	Motor Fuel Tax Fund	Working Cash Fund	
<b>Revenues received:</b>					
Property taxes	\$ 831,145	319,728			1,150,873
Sales taxes	1,068,185				1,068,185
Other local taxes	140,345				140,345
Illinois income tax	544,504				544,504
Motor fuel tax			178,088		178,088
Personal property replacement taxes	1,184,858				1,184,858
Franchise revenue	56,987				56,987
Police revenue	39,193				39,193
Grant revenue	14,262				14,262
Miscellaneous revenue	313,521				313,521
Interest	1,030	159	47,580	590	49,359
Recreation revenue	180,236				180,236
Refundable tax credit	31,950	22,419			54,369
<b>Total revenues received</b>	<b>4,406,216</b>	<b>342,306</b>	<b>225,668</b>	<b>590</b>	<b>4,974,780</b>
<b>Expenditures disbursed:</b>					
<b>Current:</b>					
City administration	1,013,389	25,450			1,038,839
Public safety	1,018,399				1,018,399
Public works	1,227,799		218,877		1,446,676
Parks and recreation	369,069				369,069
<b>Debt service:</b>					
Principal	332,689	65,000			397,689
Interest	122,414	68,608			191,022
Bond issuance costs	700	500			1,200
Capital outlay	789,149	110,299			899,448
<b>Total expenditures disbursed</b>	<b>4,873,608</b>	<b>269,857</b>	<b>218,877</b>	<b>-</b>	<b>5,362,342</b>
Net change in fund balances	(467,392)	72,449	6,791	590	(387,562)
Fund balances, beginning	2,588,393	241,333	6,549,535	1,070,166	10,449,427
Fund balances, ending	\$ 2,121,001	313,782	6,556,326	1,070,756	10,061,865

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 year ended December 31, 2016**

---

Net change in fund balances - governmental funds \$ (387,562)

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:

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:

Cost of assets capitalized	670,322
Depreciation expense	(531,046)

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:

Principal payments on loans	397,689
Amortization of bond premium	1,849
	<hr/>

Change in net position of governmental activities	<u><u>\$ 151,252</u></u>
---	--------------------------

See Notes to Financial Statements.

**CITY OF MONTICELLO, ILLINOIS**

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

**December 31, 2016**

	Waterworks Fund	Water Escrow Fund	Sewerage Operation and Maintenance Plant Fund	Total
<b><u>ASSETS</u></b>				
Current Assets:				
Cash	\$ 263,774	6,083	2,552	272,409
Investments	60,277	16,000	486,920	563,197
Due from other funds	3,536	10	3,639	7,185
Capital Assets, net:				
Nondepreciable	44,140		1,057,652	1,101,792
Depreciable	721,554		952,487	1,674,041
	<hr/>			
TOTAL ASSETS	1,093,281	22,093	2,503,250	3,618,624
<hr/>				
<b><u>LIABILITIES</u></b>				
Current Liabilities:				
Cash drawn in excess of available funds			153,469	153,469
Customer deposits		16,603		16,603
Due within one year:				
Long-term debt			23,706	23,706
Due to other funds	140		716,093	716,233
	<hr/>			
Total current liabilities	140	16,603	893,268	910,011
<hr/>				
Due in more than one year:				
Long-term debt			278,977	278,977
	<hr/>			
TOTAL LIABILITIES	140	16,603	1,172,245	1,188,988
<hr/>				
<b><u>NET POSITION</u></b>				
Net investment in capital assets	765,694		1,707,456	2,473,150
Unrestricted	327,447	5,490	(376,451)	(43,514)
	<hr/>			
TOTAL NET POSITION	\$ 1,093,141	5,490	1,331,005	2,429,636
<hr/>				

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 year ended December 31, 2016**

	Waterworks Fund	Water Escrow Fund	Sewerage Operation and Maintenance Plant Fund	Total
Operating revenues received	\$ 657,627		646,648	1,304,275
Operating expenses disbursed:				
Operations, other than employee benefits	235,246	42	209,897	445,185
Employee benefits	191,174		262,645	453,819
Depreciation	37,925		73,447	111,372
Capital improvements	39,795		118,655	158,450
Total operating expenses disbursed	504,140	42	664,644	1,168,826
Excess (deficiency) of operating revenues received over (under) expenses disbursed	153,487	(42)	(17,996)	135,449
Non-operating revenues received (expenses disbursed):				
Investment earnings	386	24	61	471
Miscellaneous income			25	25
Loss on disposal of capital assets			(25,958)	(25,958)
Interest expense			(5,130)	(5,130)
Change in net position	153,873	(18)	(48,998)	104,857
Total net position, beginning	939,268	5,508	1,380,003	2,324,779
Total net position, ending	\$ 1,093,141	5,490	1,331,005	2,429,636

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS -  
PROPRIETARY FUNDS

For the year ended December 31, 2016

	Waterworks Fund	Water Escrow Fund	Sewerage Operation and Maintenance Plant Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 657,627	(342)	646,648	1,303,933
Payments to suppliers	(275,041)		(355,934)	(630,975)
Payments to employees	(191,174)		(262,645)	(453,819)
<b>Net cash from operating activities</b>	<b>191,412</b>	<b>(342)</b>	<b>28,069</b>	<b>219,139</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers from (to) other funds	140	(10)	170,515	170,645
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(77,404)		(320,515)	(397,919)
Principal proceeds of long-term debt			150,000	150,000
Principal paid on long-term debt			(22,970)	(22,970)
Interest paid			(5,108)	(5,108)
<b>Net cash from capital and related financing activities</b>	<b>(77,404)</b>	<b>-</b>	<b>(198,593)</b>	<b>(275,997)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	386	24	61	471
Purchase of investments	(32,500)		(468,000)	(500,500)
<b>Net cash from investing activities</b>	<b>(32,114)</b>	<b>24</b>	<b>(467,939)</b>	<b>(500,029)</b>
Net increase (decrease) in cash and cash equivalents	82,034	(328)	(467,948)	(386,242)
Cash and cash equivalents, beginning of year	209,517	6,411	489,420	705,348
Cash and cash equivalents, end of year	\$ 291,551	6,083	21,472	319,106

(Continued)

**CITY OF MONTICELLO, ILLINOIS**

**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS -  
 PROPRIETARY FUNDS - Continued  
 For the year ended December 31, 2016**

	Waterworks Fund	Water Escrow Fund	Sewerage Operation and Maintenance Plant Fund	Total
<b>RECONCILIATION OF EXCESS (DEFICIENCY)            OF OPERATING REVENUES RECEIVED OVER            OVER (UNDER) EXPENSES DISBURSED</b>				
Excess (deficiency) of operating revenues received over (under) expenses disbursed	\$ 153,487	(42)	(17,996)	135,449
Adjustments to reconcile excess (deficiency) of operating revenues received over (under) expenses disbursed to net cash from operating activities				
Depreciation	37,925		73,447	111,372
Decrease in cash drawn in excess of available funds			(27,382)	(27,382)
Decrease in customer deposits		(300)		(300)
<b>Net cash from operating activities</b>	<b>\$ 191,412</b>	<b>(342)</b>	<b>28,069</b>	<b>219,139</b>

See Notes to Financial Statements.

**CITY OF MONTICELLO, ILLINOIS**

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

**December 31, 2016**

	Police Pension Fund
<hr/>	
<b><u>ASSETS</u></b>	
Cash and cash equivalents	<u>\$ 1,018,739</u>
<b><u>NET POSITION</u></b>	
Held in trust for police pension benefits	<u>\$ 1,018,739</u>

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

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

For the year ended December 31, 2016

	Police Pension Fund
<hr/>	
Additions:	
Contributions:	
Employee	\$ 24,892
Employer	191,159
	<hr/>
Total contributions	216,051
Investment income	1,906
	<hr/>
Total additions	217,957
	<hr/>
Deductions:	
Fees	2,896
Disability payments	26,385
Retirement payments	98,107
Death benefit	27,755
	<hr/>
Total deductions	155,143
	<hr/>
Change in net position	62,814
Net position, beginning	955,925
	<hr/>
Net position, ending	\$ 1,018,739
	<hr/> <hr/>

See Notes to Financial Statements.

## CITY OF MONTICELLO, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS

December 31, 2016

---

#### 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation.

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.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2016

---

**Note 1 - Summary of Significant Accounting Policies, continued**

**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.

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.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2016

---

**Note 1 - Summary of Significant Accounting Policies, continued**

**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.

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, as applied to the modified cash basis of accounting. 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.

**CITY OF MONTICELLO, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**December 31, 2016**

**Note 1 - Summary of Significant Accounting Policies, continued**

**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.
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 its budget for the year ended December 31, 2016 on December 14, 2015.

**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	\$ 263,774	6,083	2,552
Investments (money market accounts)	27,777		18,920
	<u>\$ 291,551</u>	<u>6,083</u>	<u>21,472</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.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2016

---

**Note 1 - Summary of Significant Accounting Policies, continued**

**Capital Assets, continued:** 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.

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, 2016, is \$ 11,857, \$ 203,948, \$ 3,564, and \$ 9,101, respectively.

**Deferred Outflows/Inflows of Resources:** In addition to assets, statements of financial position include 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, statements 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.

## CITY OF MONTICELLO, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2016

---

#### Note 1 - Summary of Significant Accounting Policies, continued

**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.

**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, 2016, the balance of these designated funds was \$ 473,170.

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

## CITY OF MONTICELLO, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2016

---

#### Note 1 - Summary of Significant Accounting Policies, continued

**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.

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.

**CITY OF MONTICELLO, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**December 31, 2016**

**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 2015 tax levy was passed by the Board on December 14, 2015. 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 2015 tax levies.

The following are the tax rates applicable to the various levies per \$ 100.00 of assessed valuation (2015 - \$ 108,519,465; 2014 - \$ 106,852,336):

	<u>Maximum</u>	<u>Actual</u>	
	<u>2015</u> <u>Levy</u>	<u>2015</u> <u>Levy</u>	<u>2014</u> <u>Levy</u>
General Corporate	<b>.2500</b>	<b>.21186</b>	.20508
IMRF		<b>.04737</b>	.04586
Police Protection	<b>.1500</b>	<b>.11267</b>	.10908
Insurance		<b>.07154</b>	.06926
Bond and Interest		<b>.18621</b>	.18467
Social Security		<b>.03964</b>	.03838
Police Pension		<b>.07250</b>	.07020
Total		<b><u>.74179</u></b>	<u>.72253</u>

**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, 2016, \$ 11,177,508 of the City's bank balance of \$ 11,177,508, was covered by FDIC insurance or collateralized by securities held by the pledging financial institution, and \$ -0- was exposed to custodial credit risk by being uninsured and uncollateralized.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2016

**Note 4 - Capital Assets**

Capital asset activities for the year ended December 31, 2016, were as follows:

	Governmental Activities			Ending Balance
	Beginning Balance	Additions	Deletions	
Nondepreciable assets:				
Land	\$ 2,129,528			2,129,528
Construction in process	125,432	9,638		135,070
<b>Total</b>	<b>2,254,960</b>	<b>9,638</b>	<b>-</b>	<b>2,264,598</b>
Depreciable assets:				
Buildings	5,927,499		(4,799)	5,922,700
Vehicles	1,256,769	660,685	(191,859)	1,725,595
Land improvements	722,093			722,093
Equipment	1,653,786		(18,575)	1,635,211
Infrastructure	2,396,319			2,396,319
<b>Total</b>	<b>11,956,466</b>	<b>660,685</b>	<b>(215,233)</b>	<b>12,401,918</b>
<b>Total capital assets</b>	<b>14,211,426</b>	<b>670,323</b>	<b>(215,233)</b>	<b>14,666,516</b>
Less accumulated depreciation:				
Buildings	1,202,657	165,662	(4,799)	1,363,520
Vehicles	1,012,313	150,698	(191,859)	971,152
Land improvements	173,382	29,099		202,481
Equipment	1,174,484	113,011	(18,575)	1,268,920
Infrastructure	211,876	72,577		284,453
<b>Total accumulated depreciation</b>	<b>3,774,712</b>	<b>531,047</b>	<b>(215,233)</b>	<b>4,090,526</b>
<b>Total governmental activities capital assets, net</b>	<b>\$ 10,436,714</b>	<b>139,276</b>	<b>-</b>	<b>10,575,990</b>

Business-type Activities			
Beginning Balance	Additions	Deletions	Ending Balance
194,981			194,981
623,731	338,286	(55,206)	906,811
818,712	338,286	(55,206)	1,101,792
1,592,175			1,592,175
13,905	32,204		46,109
965,198		(89,000)	876,198
747,618	82,635		830,253
3,318,896	114,839	(89,000)	3,344,735
4,137,608	453,125	(144,206)	4,446,527
1,022,181	29,179		1,051,360
13,905	1,073		14,978
491,283	64,552	(63,042)	492,793
94,997	16,566		111,563
1,622,366	111,370	(63,042)	1,670,694
2,515,242	341,755	(81,164)	2,775,833

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2016

---

**Note 4 - Capital Assets, continued**

Depreciation expense for the year ended December 31, 2016 was charged to the following:

Governmental activities:	
City administration	\$ 49,520
Public safety	73,038
Public works	236,207
Parks and recreation	172,282
Business-type activities:	
Water fund	37,926
Sewer fund	73,443
	<hr/>
Total depreciation expense	<u>\$ 642,416</u>

**Note 5 - Pension Plan**

**IMRF Plan Description:** The City of Monticello, Illinois' defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The City of Monticello, Illinois' plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this note. Details of all benefits are available from IMRF. 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. The report is available for download at [www.imrf.org](http://www.imrf.org).

**Benefits Provided:** IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2016

**Note 5 - Pension Plan, continued**

**Benefits Provided:** Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amounts.

**Employees Covered by Benefit Terms:** As of December 31, 2016, the following employees were covered by the benefit terms:

	Regular	SLEP
Retirees and beneficiaries currently receiving benefits	27	1
Inactive plan members entitled to but not yet receiving benefits	10	-
Active plan members	25	1
Total	62	2

**Contributions:** As set by statute, the City's Regular and SLEP plan members are required to contribute 4.50% and 7.50%, respectively, of their annual covered salary. 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 2016 for Regular and SLEP was 8.82% and 29.06%, respectively, of annual covered payroll. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**Net Pension Liability:** The City's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions:** The following are the methods and assumptions used to determine total pension liability at December 31, 2016:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)  
December 31, 2016

---

Note 5 - Pension Plan, continued

Actuarial Assumptions, continued:

- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the experience-based table of rates, specific to the type of eligibility condition, last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
- For **Non-Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class as of December 31, 2016 are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	5.25-8.15%
Cash Equivalents	1%	2.25%
Total	100%	

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)  
December 31, 2016

**Note 5 - Pension Plan, continued**

**Single Discount Rate:** A Single Discount Rate of 7.49% and 7.43% was used to measure the total pension liability for the Regular and SLEP plans, respectively. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.78%, and the resulting single discount rates are 7.49% and 7.43, respectively, for the Regular and SLEP plans.

**Changes in the Net Pension Liability**

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A)-(B)
<b><u>Regular:</u></b>			
<b>Balances at December 31, 2015</b>	\$ 7,834,676	7,368,201	466,475
<b>Changes for the year:</b>			
Service cost	147,920		147,920
Interest on the total pension liability	576,839		576,839
Changes of benefit terms	-		-
Differences between expected and actual experience of the total pension liability	186,089		186,089
Changes of assumptions	(9,447)		(9,447)
Contributions - employer		119,996	(119,996)
Contributions - employees		61,223	(61,223)
Net investment income		502,629	(502,629)
Benefit payments, including refunds of employee contributions	(414,358)	(414,358)	
Other (net transfers)		89,514	(89,514)
Net changes	487,043	359,004	128,039
<b>Balances at December 31, 2016</b>	\$ 8,321,719	7,727,205	594,514

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2016

Note 5 - Pension Plan, continued

Single Discount Rate, continued:

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A)-(B)
<b><u>SLEP:</u></b>			
<b>Balances at December 31, 2015</b>	\$ 480,667	293,928	186,739
<b>Changes for the year:</b>			
Service cost	14,189		14,189
Interest on the total pension liability	35,023		35,023
Changes of benefit terms	-		-
Differences between expected and actual experience of the total pension liability	4,685		4,685
Changes of assumptions	(3,793)		(3,793)
Contributions - employer		20,927	(20,927)
Contributions - employees		5,401	(5,401)
Net investment income		21,789	(21,789)
Benefit payments, including refunds of employee contributions	(32,773)	(32,773)	
Other (net transfers)		55,071	(55,071)
Net changes	17,331	70,415	(53,084)
<b>Balances at December 31, 2016</b>	\$ 497,998	364,343	133,655

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate:** The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.49%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower (6.50%)	Current (7.50%)	1% Higher (8.50%)
Regular:			
Net Pension Liability	\$ 1,616,711	594,514	(246,073)

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2016

Note 5 - Pension Plan, continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate, continued:

	1% Lower (6.50%)	Current (7.50%)	1% Higher (8.50%)
SLEP:			
Net Pension Liability	\$ 191,829	133,655	85,086

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions:** For the year ended December 31, 2016, the City recognized pension expense of \$ 129,569 and \$ 22,706, respectively, for the Regular and SLEP plans. At December 31, 2016, the City did not report deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Regular:		
Differences between expected and actual experience	\$ 217,734	
Changes of assumptions	5,448	7,487
Net difference between projected and actual earnings on pension plan investments	347,099	
Total deferred amounts to be recognized in pension expense in future periods	570,281	7,487
SLEP:		
Differences between expected and actual experience	32,056	
Changes of assumptions	321	3,076
Net difference between projected and actual earnings on pension plan investments	13,109	
Total deferred amounts to be recognized in pension expense in future periods	\$ 45,486	3,076

**CITY OF MONTICELLO, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**December 31, 2016**

**Note 5 - Pension Plan, continued**

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions, continued:**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending December 31	Regular	SLEP
	Net Deferred Outflows of Resources	Net Deferred Outflows of Resources
2017	\$ 175,107	13,170
2018	175,107	13,170
2019	173,618	13,171
2020	38,962	2,852
2021	-	47
Thereafter	-	-
Total	<u>\$ 562,794</u>	<u>42,410</u>

**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 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 been provided the City of Monticello as of the report date for the year ended December 31, 2016. The employee contributions to the fund are 9.91% of the police officer's salary.

**CITY OF MONTICELLO, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**December 31, 2016**

---

**Note 6 - Police Pension Fund, continued**

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, 2016:

Certificate of deposit	\$ 914,309
Money market accounts	103,591
NOW account	<u>839</u>
Total	<u>\$ 1,018,739</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, 2015 has been received and is as follows:

Actuarial value of assets	\$ 1,041,660
Deferred asset (unfunded accrued liability)	2,017,382
Present value of service retirement annuities (7)	<u>(2,577,498)</u>
Accrued liabilities for active participants (6)	<u>\$ 481,544</u>

Based on the above figures, the actuarially-determined employer contribution the City should make for 2016 to arrive at the annual requirements of the fund as prescribed by Section 3-125 of the Illinois Pension Code is \$ 157,417. For 2016, total City contributions were \$ 191,159.

**Note 7 - 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, 2016**

**Note 8 - Long-Term Liabilities**

A summary of long-term liability activity for the year ended December 31, 2016 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt certificates	\$ 1,820,000		(155,000)	1,665,000	160,000
General obligation bonds	1,380,000		(135,000)	1,245,000	145,000
Notes payable	740,617		(107,689)	632,928	110,777
	<u>3,940,617</u>	-	<u>(397,689)</u>	<u>3,542,928</u>	<u>415,777</u>
Business-type activities:					
Notes payable	\$ 175,654		(22,971)	152,683	23,706
Wastewater system revenue bonds		150,000		150,000	
	<u>\$ 175,654</u>	<u>150,000</u>	<u>(22,971)</u>	<u>302,683</u>	<u>23,706</u>

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.

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%.

**CITY OF MONTICELLO, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2016**

---

**Note 8 - Long-Term Liabilities, continued**

GENERAL OBLIGATION DEBT, continued

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 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.

On April 23, 2015, the City entered into a note payable with First Mid-Illinois Bank & Trust for the purchase of a fire truck. The note is payable in annual installments of \$ 75,605, including interest at 3.375%, due April 23, 2025. The note is unsecured.

PRINCIPAL AND INTEREST PAYMENTS IN SUBSEQUENT YEARS

Year	Debt Certificates		Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 160,000	90,007	145,000	64,098	110,777	20,929
2018	165,000	83,248	155,000	57,718	57,975	17,631
2019	170,000	76,268	165,000	50,354	59,931	15,674
2020	175,000	67,533	175,000	42,352	61,917	13,689
2021	180,000	58,545	190,000	32,990	64,044	11,561
2022-2026	420,000	200,874	415,000	34,650	278,284	23,903
2027-2030	395,000	64,850				
	<u>\$ 1,665,000</u>	<u>641,325</u>	<u>1,245,000</u>	<u>282,162</u>	<u>632,928</u>	<u>103,387</u>

**CITY OF MONTICELLO, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**December 31, 2016**

---

**Note 8 - Long-Term Liabilities, continued**

**Business-Type Activities:**

REVENUE BONDS

In December 2016, the City issued \$ 9,000,000 of Series 2016A and \$ 5,285,000 of Series 2016B wastewater system revenue bonds (WWTP Bonds) through the U.S. Department of Agriculture - Rural Development. Advances will be drawn when necessary to finance the construction of a new wastewater treatment plant.

Interest accrues on advances drawn through May 1, 2019, the date that principal and interest payments begin. Both bond series mature on May 1, 2056. The interest rate on both bond series is 1.875%.

As of December 31, 2016, the City had drawn \$ 150,000 of advances on the bonds. With payments being deferred until May 1, 2019, this amount has been included in long-term debt on the statement of net position - modified cash basis - proprietary funds.

Debt service on these revenue bonds are payable solely through the net revenue of the activities of the Sewer Fund.

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.

PRINCIPAL AND INTEREST PAYMENTS IN SUBSEQUENT YEARS

Year	Notes Payable		WWTP Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 23,706	4,321		Accrued
2018	24,377	3,650		Accrued
2019	25,067	2,960	150,000	Accrued
2020	25,770	2,257		
2021	26,506	1,521		
2022	27,257	771		
	<u>\$ 152,683</u>	<u>15,480</u>	<u>150,000</u>	<u>Accrued</u>

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)  
December 31, 2016

**Note 9 - Required Individual Fund Disclosures**

At December 31, 2016, interfund receivables and payables consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund:		
Due to Working Cash Fund	\$	6,000
Due from Waterworks Fund	130	
Due from Sewerage Fund	12,712	
Due to Sewerage Fund		3,639
Due to Waterworks Fund		3,536
Waterworks Fund:		
Due to General Fund		130
Due to Water Escrow Fund		10
Due from General Fund	3,536	
Sewerage Fund:		
Due to Working Cash Fund		703,381
Due to General Fund		12,712
Due from General Fund	3,639	
Working Cash Fund:		
Due to General Fund		
Due from General Fund	6,000	
Due from Sewerage Fund	703,381	
Water Escrow Fund:		
Due from Waterworks Fund	10	
	<u>\$ 729,408</u>	<u>729,408</u>

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 \$ 703,381 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. The \$ 12,712 are costs related to the Viobin San/Sewer replacement project that were paid out of the General Fund. The \$ 130 is meter expenses paid by the General Fund and not repaid in 2016. The \$ 10 is amounts for the Water Escrow Fund paid into the Waterworks Fund but not remitted by December 31, 2016. The remaining amounts are payroll related.

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.

**CITY OF MONTICELLO, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**December 31, 2016**

**Note 10 - 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.

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	\$ 809,314	300,000	1,109,314
Prior earnings	34,342	28,102	62,444
Current period earnings	37		37
Current period expenditures	(25,000)		(25,000)
Committed balances, December 31, 2016	<u>\$ 818,693</u>	<u>328,102</u>	<u>1,146,795</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	\$ 32,432			32,432
Debt sinking fund compliance	9,500	22,668		32,168
Allotted funds to be used for road construction and improvements			512,326	512,326
Jurisdictional transfer of funds to be used for bridge improvements			6,044,000	6,044,000
Restricted fund balance	<u>\$ 41,932</u>	<u>22,668</u>	<u>6,556,326</u>	<u>6,620,926</u>

**CITY OF MONTICELLO, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**December 31, 2016**

---

**Note 11 - 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 (3) for the year ended December 31, 2016 were \$ 21,250, 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 year ended December 31, 2016 were \$ 15,744.

**Note 12 - Commitments**

In 2016, the City committed to replacing its wastewater treatment plant (WWTP.) In connection with this, the City issued bonds totaling \$ 14,285,000 (see Note 8.) Also, the City has entered into multiple agreements regarding the construction of the facility including an engineering agreement of just over \$ 1.2 million and a construction contract of just under \$ 13 million.

The City also entered into contracts for its Nick's Park replacement project of just over \$ 225,000 and for the replacement of the water tank and other improvements of \$ 548,000.

Finally, subsequent to year-end, the City entered into a separation agreement with an employee which included a severance package totaling \$ 55,532 to be paid as a part of his resignation.

**Note 13 - Donated Asset**

In 2016, the City was deeded the former 1<sup>st</sup> Mid-Illinois Bank building on The Square in Monticello. As of February 8, 2017, the City Council has this property for sale and plans to sell it with the proceeds from the sale being used to assist local businesses.

**Note 14 - Subsequent Events**

The City has evaluated events occurring after the statement of financial position date through June 16, 2017, 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

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2016

	Budget - Original and Final	Actual	Variance
Revenues received:			
Property taxes	\$ 789,032	831,145	42,113
Sales taxes	1,100,000	1,068,185	(31,815)
Other local taxes	127,500	140,345	12,845
Illinois income tax	550,000	544,504	(5,496)
Personal property replacement taxes	1,200,000	1,184,858	(15,142)
Franchise revenue	60,000	56,987	(3,013)
Police revenue	30,000	39,193	9,193
Grant revenue	15,000	14,262	(738)
Miscellaneous revenue	94,500	313,521	219,021
Interest	1,500	1,030	(470)
Recreation revenue	227,825	180,236	(47,589)
Refundable tax credit	31,316	31,950	634
Total revenues received	<u>4,226,673</u>	<u>4,406,216</u>	<u>179,543</u>
Expenditures disbursed:			
Current:			
City administration	1,121,683	1,013,389	108,294
Public safety	1,347,402	1,018,399	329,003
Public works	1,159,403	1,227,799	(68,396)
Parks and recreation	425,643	369,069	56,574
Debt service:			
Principal	225,000	332,689	(107,689)
Interest	97,998	122,414	(24,416)
Bond issuance costs		700	(700)
Capital improvements	331,000	789,149	(458,149)
Total expenditures disbursed	<u>4,708,129</u>	<u>4,873,608</u>	<u>(165,479)</u>
Excess (deficiency) of revenues received over (under) expenditures disbursed	<u>(481,456)</u>	<u>(467,392)</u>	<u>14,064</u>
Other financing sources (uses):			
Transfer in (out)	<u>109,025</u>		<u>(109,025)</u>
Total other financing sources (uses)	<u>109,025</u>	<u>-</u>	<u>(109,025)</u>
Net change in fund balance	<u>\$ (372,431)</u>	<u>(467,392)</u>	<u>(94,961)</u>
Fund balance, beginning		<u>2,588,393</u>	
Fund balance, ending		<u>\$ 2,121,001</u>	

CITY OF MONTICELLO, ILLINOIS

BUDGETARY COMPARISON SCHEDULE -  
MOTOR FUEL TAX FUND

For the year ended December 31, 2016

	Budget - Original and Final	Actual	Variance
Revenues received:			
Motor fuel tax	\$ 266,000	178,088	(87,912)
Interest income	6,500	47,580	41,080
Total revenues received	<u>272,500</u>	<u>225,668</u>	<u>(46,832)</u>
Expenditures disbursed:			
Motor fuel tax projects	<u>637,000</u>	<u>218,877</u>	<u>418,123</u>
Total expenditures disbursed	<u>637,000</u>	<u>218,877</u>	<u>418,123</u>
Excess (deficiency) of revenues received over (under) expenditures disbursed	<u>(364,500)</u>	<u>6,791</u>	<u>371,291</u>
Net change in fund balance	<u>\$ (364,500)</u>	<u>6,791</u>	<u>371,291</u>
Fund balance, beginning		<u>6,549,535</u>	
Fund balance, ending		<u>\$ 6,556,326</u>	

CITY OF MONTICELLO, ILLINOIS

**BUDGETARY COMPARISON SCHEDULE -  
TAX INCREMENT FINANCING FUND  
For the year ended December 31, 2016**

	Budget - Original and Final	Actual	Variance
Revenues received:			
TIF District revenue	\$ 280,000	319,728	39,728
Interest income	125	159	34
Refundable tax credit	21,508	22,419	911
Total revenues received	<u>301,633</u>	<u>342,306</u>	<u>40,673</u>
Expenditures disbursed:			
Current:			
City administration	35,000	25,450	9,550
Debt service:			
Interest	67,308	68,608	(1,300)
Principal	65,000	65,000	
Bond issuance costs		500	(500)
Capital improvement	121,500	110,299	11,201
Total expenditures disbursed	<u>288,808</u>	<u>269,857</u>	<u>18,951</u>
Excess of revenues received over expenditures disbursed	<u>12,825</u>	<u>72,449</u>	<u>59,624</u>
Other financing sources (uses):			
Transfers out	<u>(109,025)</u>		<u>109,025</u>
Total other financing sources (uses)	<u>(109,025)</u>	<u>-</u>	<u>109,025</u>
Net change in fund balance	<u>\$ (96,200)</u>	<u>72,449</u>	<u>168,649</u>
Fund balance, beginning		<u>241,333</u>	
Fund balance, ending		<u>\$ 313,782</u>	

CITY OF MONTICELLO, ILLINOIS

BUDGETARY COMPARISON SCHEDULE -  
WATERWORKS FUND

For the year ended December 31, 2016

	Budget - Original and Final	Actual	Variance
Operating revenues received	\$ 657,000	657,627	627
Operating expenditures disbursed:			
Operations, other than payroll and employee benefits	275,000	235,246	39,754
Payroll and employee benefits	197,893	191,174	6,719
Depreciation		37,925	(37,925)
Capital improvements *	663,500	39,795	623,705
Total operating expenditures disbursed	1,136,393	504,140	632,253
Excess (deficiency) of operating revenues received over (under) expenditures disbursed	(479,393)	153,487	632,880
Non-operating revenues received (expenditures disbursed):			
Investment earnings	100	386	286
Other financing sources (uses):			
Note payable proceeds	480,000		(480,000)
Change in net position	\$ 707	153,873	153,166
Net position, beginning		939,268	
Net position, ending		\$ 1,093,141	

\* Budget amount represents all capital improvements for the fiscal year. The actual amount shows the sum of all improvements less those capitalized. Capital improvements plus capitalized expenditures totaled \$ 117,199.

**CITY OF MONTICELLO, ILLINOIS**

**BUDGETARY COMPARISON SCHEDULE -  
SEWERAGE, OPERATION AND MAINTENANCE PLANT FUND  
For the year ended December 31, 2016**

	Budget - Original and Final	Actual	Variance
Operating revenues received	\$ 748,000	646,648	(101,352)
Operating expenditures disbursed:			
Operations, other than payroll and employee benefits	429,600	209,897	219,703
Payroll and employee benefits	290,634	262,645	27,989
Depreciation		73,447	(73,447)
Capital improvements *	4,500	118,655	(114,155)
Total operating expenditures disbursed	<u>724,734</u>	<u>664,644</u>	<u>60,090</u>
Excess (deficiency) of operating revenues received over (under) expenditures disbursed	23,266	(17,996)	(41,262)
Non-operating revenues received (expenses disbursed):			
Investment earnings	500	61	(439)
Miscellaneous income		25	25
Loss on disposal of capital assets		(25,958)	(25,958)
Interest expense		(5,130)	(5,130)
Change in net position	<u>\$ 23,766</u>	<u>(48,998)</u>	<u>(72,764)</u>
Net position, beginning		<u>1,380,003</u>	
Net position, ending		<u>\$ 1,331,005</u>	

\* Budget amount represents all capital improvements for the fiscal year. The actual amount shows the sum of all improvements less those capitalized. Capital improvements plus capitalized expenditures totaled \$ 439,170.

**CITY OF MONTICELLO, ILLINOIS**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY  
AND RELATED RATIOS - REGULAR**

**Last two calendar years**

	<b>2016</b>	<b>2015</b>
<b>Total Pension Liability:</b>		
Service cost	\$ 147,920	153,719
Interest on the total pension liability	576,839	544,866
Benefit changes	-	-
Differences between expected and actual experience	186,089	118,011
Assumption changes	(9,447)	9,152
Benefit payments and refunds	(414,358)	(358,181)
<b>Net Change in Total Pension Liability</b>	<b>487,043</b>	<b>467,567</b>
<b>Total Pension Liability - Beginning</b>	<b>7,834,676</b>	<b>7,367,109</b>
<b>Total Pension Liability - Ending (A)</b>	<b>\$ 8,321,719</b>	<b>7,834,676</b>
<b>Plan Fiduciary Net Position:</b>		
Employer contributions	\$ 119,996	130,814
Employee contributions	61,223	63,365
Pension plan net investment income	502,629	37,083
Benefit payments and refunds	(414,358)	(358,181)
Other	89,514	(3,517)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>359,004</b>	<b>(130,436)</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>7,368,201</b>	<b>7,498,637</b>
<b>Plan Fiduciary Net Position - Ending (B)</b>	<b>\$ 7,727,205</b>	<b>7,368,201</b>
<b>Net Position Liability - Ending (A)-(B)</b>	<b>\$ 594,514</b>	<b>466,475</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>92.86%</b>	<b>94.05%</b>
<b>Covered Valuation Payroll</b>	<b>\$ 1,360,489</b>	<b>1,408,122</b>
<b>Net Pension Liability as a Percentage of Covered Valuation Payroll</b>	<b>43.70%</b>	<b>33.13%</b>

**Notes to Schedule:** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF MONTICELLO, ILLINOIS

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY  
AND RELATED RATIOS - SLEP

Last two calendar years

	2016	2015
<b>Total Pension Liability:</b>		
Service cost	\$ 14,189	13,039
Interest on the total pension liability	35,023	30,746
Benefit changes	-	-
Differences between expected and actual experience	4,685	45,601
Assumption changes	(3,793)	517
Benefit payments and refunds	(32,773)	(31,928)
<b>Net Change in Total Pension Liability</b>	<b>17,331</b>	<b>57,975</b>
<b>Total Pension Liability - Beginning</b>	<b>480,667</b>	<b>422,692</b>
<b>Total Pension Liability - Ending (A)</b>	<b>\$ 497,998</b>	<b>480,667</b>
<b>Plan Fiduciary Net Position:</b>		
Employer contributions	\$ 20,927	22,627
Employee contributions	5,401	5,135
Pension plan net investment income	21,789	1,234
Benefit payments and refunds	(32,773)	(31,928)
Other	55,071	47,959
<b>Net Change in Plan Fiduciary Net Position</b>	<b>70,415</b>	<b>45,027</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>293,928</b>	<b>248,901</b>
<b>Plan Fiduciary Net Position - Ending (B)</b>	<b>\$ 364,343</b>	<b>293,928</b>
<b>Net Position Liability - Ending (A)-(B)</b>	<b>\$ 133,655</b>	<b>186,739</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>73.16%</b>	<b>61.15%</b>
<b>Covered Valuation Payroll</b>	<b>\$ 72,012</b>	<b>68,468</b>
<b>Net Pension Liability as a Percentage of Covered Valuation Payroll</b>	<b>185.60%</b>	<b>272.74%</b>

**Notes to Schedule:** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF MONTICELLO, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

December 31, 2016

Regular:

Calendar Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contributions as a Percentage Of Covered Valuation Payroll
2015	\$ 130,815	130,814	1	1,408,122	9.29%
<b>2016</b>	<b>119,995</b>	<b>119,996</b>	<b>(1)</b>	<b>1,360,489</b>	<b>8.82%</b>

SLEP:

Calendar Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contributions as a Percentage Of Covered Valuation Payroll
2015	\$ 22,629	22,627	2	68,468	33.05%
<b>2016</b>	<b>20,927</b>	<b>20,927</b>	<b>-</b>	<b>72,012</b>	<b>29.06%</b>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF MONTICELLO, ILLINOIS

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED  
IN THE CALCULATION OF THE 2016 CONTRIBUTION RATE\*  
December 31, 2016

---

*Valuation Date:*

*Notes*

Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine 2016 Contribution Rates:**

<i>Actuarial Cost Method:</i>	Aggregate Entry Age Normal
<i>Amortization Method:</i>	Level Percentage of Payroll, Closed
<i>Remaining Amortization Period:</i>	Non-taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 27-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 22 years for most employers (two employers were financed over 31 years).
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	3.5%
<i>Price Inflation:</i>	2.75%, approximate; No explicit price inflation assumption is used in this valuation.
<i>Salary Increases:</i>	3.75% or 14.50%, including inflation
<i>Investment Rate of Return:</i>	7.50%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
<i>Mortality:</i>	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

***Other Information:***

*Notes:* There were no benefit changes during the year.

\* Based on Valuation Assumptions used in the December 31, 2014, actuarial valuation

**CITY OF MONTICELLO, ILLINOIS**

**SCHEDULE OF ASSESSED VALUATIONS AND TAXES  
EXTENDED AND COLLECTED**

**December 31, 2016**

	<b>Tax Year</b>			
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Equalized assessed valuation	<b>\$ 108,519,465</b>	106,852,336	105,903,485	106,298,925
<b>Tax Rates:</b>				
General Corporate Fund	<b>0.21186</b>	0.20508	0.2043	0.2036
IMRF	<b>0.04737</b>	0.04586	0.0397	0.0396
Police Protection Fund	<b>0.11267</b>	0.10908	0.1082	0.1078
Insurance	<b>0.07154</b>	0.06926	0.0628	0.0640
Bond and Interest	<b>0.18621</b>	0.18467	0.0643	0.1797
Social Security	<b>0.03964</b>	0.03838	0.0382	0.0381
Police Pension	<b>0.07250</b>	0.07020	0.1859	0.0626
Total	<b>0.74179</b>	0.72253	0.7034	0.6954
<b>Tax Extensions:</b>				
General Corporate Fund	<b>\$ 229,909</b>	219,133	216,361	216,425
IMRF	<b>51,406</b>	49,002	42,044	42,094
Police Protection Fund	<b>122,269</b>	116,555	114,588	114,590
Insurance	<b>77,635</b>	74,006	68,096	68,031
Bond and Interest	<b>202,074</b>	197,324	196,875	191,019
Social Security	<b>43,017</b>	41,010	40,455	40,500
Police Pension	<b>78,677</b>	75,010	66,507	66,543
Total	<b>804,987</b>	772,040	744,926	739,202
<b>Collections:</b>				
General Corporate Fund	<b>229,439</b>	219,143	215,860	213,345
IMRF	<b>51,419</b>	49,004	42,044	42,094
Police Protection Fund	<b>122,301</b>	116,561	114,588	114,590
Insurance	<b>77,655</b>	74,010	68,096	68,031
Bond and Interest	<b>202,128</b>	197,334	196,875	191,019
Social Security	<b>43,028</b>	41,012	40,455	40,500
Police Pension	<b>78,698</b>	75,014	66,507	66,543
Total	<b>\$ 804,668</b>	772,078	744,425	736,122
Percent of extensions collected	<b>99.96%</b>	100.00%	99.93%	99.58%

Note: The above collections do not include tax increment financing and special service revenues received for the periods which amounted to \$ 319,727 and \$ 26,478 for the 2015 tax year, respectively.

**CITY OF MONTICELLO, ILLINOIS**

**SCHEDULE OF LEGAL DEBT MARGIN**

**December 31, 2016**

---

Assessed valuation - 2015 tax year	<u>\$ 108,519,465</u>
Statutory debt limitation (8.625% of assessed valuation)	<u>9,359,804</u>
Total debt:	
Sewer note payable	152,683
Wastewater system revenue bonds (advances to date)	150,000
General obligation debt certificates	1,665,000
General obligation bonds	1,245,000
Note payable	<u>632,928</u>
Total outstanding debt	3,845,611
Less debt not applicable to debt margin	<u>(302,683)</u>
Total applicable debt	<u>3,542,928</u>
Legal debt margin	<u>\$ 5,816,876</u>

**CITY OF MONTICELLO, ILLINOIS**

**SCHEDULE OF CONSTRUCTION IN PROGRESS AND  
CAPITAL ASSET ADDITIONS  
Year ended December 31, 2016**

---

Construction in progress:	
Above Ground Tank Rehab	\$ 17,771
Nick's Park Replacement	9,637
WWTP Costs	<u>320,515</u>
Construction in progress at December 31, 2016	347,923
Capital asset additions:	
2016 Ford Interceptor Sedan AWD Squad Car	30,023
Bucket Truck	18,000
Pierce Dash CF Pumper Truck	612,662
Rt. 47, Appletree, Bridge St Looping *	82,636
2017 Transit Utility Truck	<u>32,204</u>
Total capital asset additions	<u>\$ 1,123,448</u>

\* - Includes \$ 55,206 of costs shown as construction in progress in prior years.