

CITY OF MONTICELLO, ILLINOIS

ANNUAL FINANCIAL REPORT

For the year ended December 31, 2017

May, Cocagne & King, P.C.

Certified Public Accountants & Consultants

CITY OF MONTICELLO, ILLINOIS

CONTENTS

December 31, 2017

INDEPENDENT AUDITORS' REPORT **1 and 2**

Government-wide Financial Statements:

Statement of Net Position - Modified Cash Basis **3**

Statement of Activities - Modified Cash Basis **4**

Fund Financial Statements:

**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 Activities** **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
Activities** **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 - 33**

CITY OF MONTICELLO, ILLINOIS

CONTENTS (Continued)

December 31, 2017

Other Supplementary Information:

Budgetary Comparison Schedule - General Fund	34
Budgetary Comparison Schedule - Motor Fuel Tax Fund	35
Budgetary Comparison Schedule - Tax Increment Financing Fund	36
Budgetary Comparison Schedule - Waterworks Fund	37
Budgetary Comparison Schedule - Sewerage, Operation and Maintenance Plant Fund	38
Schedule of Assessed Valuations and Taxes Extended and Collected	39
Schedule of Legal Debt Margin	40
Schedule of Construction in Progress and Capital Asset Additions	41



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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 year ended December 31, 2017, 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

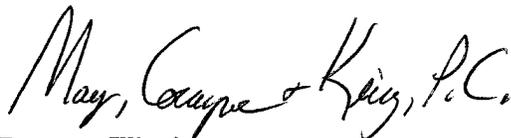
In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Monticello, Illinois, as of December 31, 2017, 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.



Decatur, Illinois
May 9, 2018

CITY OF MONTICELLO, ILLINOIS

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

December 31, 2017

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 2,284,654	623,786	2,908,440
Investments	7,029,752	477,508	7,507,260
Internal balances	909,798	(909,798)	
Other current assets	23,357		23,357
Total current assets	10,247,561	191,496	10,439,057
Capital Assets, net:			
Nondepreciable	2,250,165	5,400,779	7,650,944
Depreciable	8,249,690	2,100,513	10,350,203
TOTAL ASSETS	20,747,416	7,692,788	28,440,204
<u>LIABILITIES</u>			
Current Liabilities:			
Customer deposits		16,347	16,347
Current portion of unamortized bond premium	1,849		1,849
Other current liabilities	6,465		6,465
Due within one year:			
Long-term debt	420,431	126,740	547,171
Total current liabilities	428,745	143,087	571,832
Long-term Liabilities:			
Unamortized bond premium	10,938		10,938
Due in more than one year:			
Long-term debt	2,931,224	5,005,897	7,937,121
TOTAL LIABILITIES	3,370,907	5,148,984	8,519,891
<u>NET POSITION</u>			
Net investment in capital assets	7,148,200	2,368,655	9,516,855
Restricted for:			
Debt service	69,767		69,767
Road construction and improvements	6,289,463		6,289,463
Unrestricted	3,869,079	175,149	4,044,228
TOTAL NET POSITION	\$ 17,376,509	2,543,804	19,920,313

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the year ended December 31, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charge for Services	Grants and Contributions	Governmental Activities	Business-type Activities	
Functions/Programs						
Governmental Activities:						
City administration	\$ 1,161,804	109,703		(1,052,101)		(1,052,101)
Public safety	1,129,531	24,348		(1,105,183)		(1,105,183)
Public works	2,002,455	321,481		(1,680,974)		(1,680,974)
Parks and recreation	567,057	172,685		(394,372)		(394,372)
Interest on long-term debt	176,025			(176,025)		(176,025)
Total governmental activities	5,036,872	628,217	-	(4,408,655)	-	(4,408,655)
Business-type activities:						
Water	572,790	716,590			143,800	143,800
Sewer	727,984	835,890			107,906	107,906
Total business-type activities	1,300,774	1,552,480	-	-	251,706	251,706
Total government	\$ 6,337,646	2,180,697	-	(4,408,655)	251,706	(4,156,949)
General revenues:						
Taxes:						
Property taxes				1,151,545		1,151,545
Sales taxes				1,079,818		1,079,818
Other local taxes				172,122		172,122
Illinois income tax				571,655		571,655
Motor fuel tax				173,914		173,914
Replacement tax				1,251,262		1,251,262
Investment income				101,109	5,612	106,721
Refundable tax credit				60,297		60,297
Transfers				143,150	(143,150)	
Total general revenues				4,704,872	(137,538)	4,567,334
Change in net position				296,217	114,168	410,385
Net position, beginning				17,080,292	2,429,636	19,509,928
Net position, ending				\$ 17,376,509	2,543,804	19,920,313

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

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

December 31, 2017

	General Fund	Special Revenue Funds			Total
		Tax Increment Financing Fund	Motor Fuel Tax Fund	Working Cash Fund	
<u>ASSETS</u>					
Cash	\$ 1,690,203	245,580	339,463	9,408	2,284,654
Investments	567,010	158,075	5,950,000	354,667	7,029,752
Due from other funds	234,815			709,381	944,196
Other current assets	23,357				23,357
TOTAL ASSETS	2,515,385	403,655	6,289,463	1,073,456	10,281,959
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Due to other funds	34,398				34,398
Other current liabilities	6,465				6,465
Total liabilities	40,863	-	-	-	40,863
Fund Balances:					
Restricted	47,566	22,201	6,289,463		6,359,230
Committed	1,004,600			330,764	1,335,364
Assigned		381,454		742,692	1,124,146
Unassigned	1,422,356				1,422,356
Total fund balances	2,474,522	403,655	6,289,463	1,073,456	10,241,096
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,515,385	403,655	6,289,463	1,073,456	10,281,959

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, 2017**

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	\$ 10,241,096
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	10,499,855
Unamortized premiums on bond issuance are not reported on fund financial statements	(12,787)
Long-term debt not reported on modified cash basis fund financial statements	<u>(3,351,655)</u>
Net position of governmental activities	<u><u>\$ 17,376,509</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 year ended December 31, 2017

	General Fund	Special Revenue Funds			Total
		Tax Increment Financing Fund	Motor Fuel Tax Fund	Working Cash Fund	
Revenues received:					
Property taxes	\$ 833,914	317,631			1,151,545
Sales taxes	1,079,818				1,079,818
Other local taxes	172,122				172,122
Illinois income tax	571,655				571,655
Motor fuel tax			173,914		173,914
Personal property replacement taxes	1,251,262				1,251,262
Franchise revenue	109,703				109,703
Police revenue	24,348				24,348
Miscellaneous revenue	321,481				321,481
Interest	7,361	574	90,474	2,700	101,109
Recreation revenue	172,685				172,685
Refundable tax credit	38,753	21,544			60,297
Total revenues received	4,583,102	339,749	264,388	2,700	5,189,939
Expenditures disbursed:					
Current:					
City administration	977,484	5,547			983,031
Public safety	1,060,140				1,060,140
Public works	1,269,174		531,251		1,800,425
Parks and recreation	384,558				384,558
Debt service:					
Principal	345,543	70,000			415,543
Interest	108,817	66,008			174,825
Bond issuance costs	700	500			1,200
Capital outlay	409,435	115,821			525,256
Total expenditures disbursed	4,555,851	257,876	531,251	-	5,344,978
Excess (deficiency) of revenues received received over (under) expenditures disbursed	27,251	81,873	(266,863)	2,700	(155,039)
Other financing sources (uses):					
Note payable proceeds	224,270				224,270
Transfers in (out)	102,000	8,000			110,000
Total other financing sources	326,270	8,000	-	-	334,270
Net change in fund balances	353,521	89,873	(266,863)	2,700	179,231
Fund balances, beginning	2,121,001	313,782	6,556,326	1,070,756	10,061,865
Fund balances, ending	\$ 2,474,522	403,655	6,289,463	1,073,456	10,241,096

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, 2017**

Net change in fund balances - governmental funds \$ 179,231

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	385,509
Depreciation expense	(494,795)
Remaining (undepreciated) basis on a Water Fund backhoe that was traded in on new General Fund backhoe	33,150

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:

Proceeds from long-term debt	(224,270)
Principal payments on long-term debt	415,543
Amortization of bond premium	<u>1,849</u>

Change in net position of governmental activities \$ 296,217

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

STATEMENT OF NET POSITION - MODIFIED CASH BASIS -
 PROPRIETARY FUNDS

December 31, 2017

	Waterworks Fund	Water Escrow Fund	Sewerage Operation and Maintenance Plant Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 368,236	5,737	249,813	623,786
Investments	27,806	16,000	433,702	477,508
Due from other funds	2,556	100	3,639	6,295
Capital Assets, net:				
Nondepreciable	26,369		5,374,410	5,400,779
Depreciable	1,218,232		882,281	2,100,513
TOTAL ASSETS	1,643,199	21,837	6,943,845	8,608,881
<u>LIABILITIES</u>				
Current Liabilities:				
Customer deposits		16,347		16,347
Due within one year:				
Long-term debt	102,363		23,706	126,069
Due to other funds			916,093	916,093
Total current liabilities	102,363	16,347	939,799	1,058,509
Due in more than one year:				
Long-term debt	446,297		4,560,271	5,006,568
TOTAL LIABILITIES	548,660	16,347	5,500,070	6,065,077
<u>NET POSITION</u>				
Net investment in capital assets	695,941		1,672,714	2,368,655
Unrestricted	398,598	5,490	(228,939)	175,149
TOTAL NET POSITION	\$ 1,094,539	5,490	1,443,775	2,543,804

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, 2017**

	Waterworks Fund	Water Escrow Fund	Sewerage Operation and Maintenance Plant Fund	Total
Operating revenues received	\$ 716,590		835,890	1,552,480
Operating expenses disbursed:				
Operations, other than employee benefits	263,355		219,227	482,582
Employee benefits	222,961		302,297	525,258
Depreciation	44,561		70,204	114,765
Capital improvements	41,913		131,862	173,775
Total operating expenses disbursed	572,790	-	723,590	1,296,380
Excess of operating revenues received over expenses disbursed	143,800	-	112,300	256,100
Non-operating revenues received (expenses disbursed):				
Investment earnings	748		4,864	5,612
Interest expense			(4,394)	(4,394)
Other financing sources (uses):				
Transfer out	(143,150)			(143,150)
Change in net position	1,398	-	112,770	114,168
Total net position, beginning	1,093,141	5,490	1,331,005	2,429,636
Total net position, ending	\$ 1,094,539	5,490	1,443,775	2,543,804

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS -
 PROPRIETARY FUNDS

For the year ended December 31, 2017

	Waterworks Fund	Water Escrow Fund	Sewerage Operation and Maintenance Plant Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 716,590	(346)	835,890	1,552,134
Payments to suppliers	(305,268)		(504,558)	(809,826)
Payments to employees	(222,961)		(302,297)	(525,258)
Net cash from operating activities	188,361	(346)	29,035	217,050
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from (to) other funds	(109,160)		200,000	90,840
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(556,618)		(4,300,997)	(4,857,615)
Principal proceeds of long-term debt	548,660		4,305,000	4,853,660
Principal paid on long-term debt			(23,705)	(23,705)
Capitalized debt interest, WWTP			(15,760)	(15,760)
Interest paid			(4,394)	(4,394)
Net cash from capital and related financing activities	(7,958)	-	(39,856)	(47,814)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	748		4,864	5,612
Proceeds from maturity of investments	32,500		468,000	500,500
Net cash from investing activities	33,248	-	472,864	506,112
Net increase (decrease) in cash and cash equivalents	104,491	(346)	662,043	766,188
Cash and cash equivalents, beginning of year	291,551	6,083	21,472	319,106
Cash and cash equivalents, end of year	\$ 396,042	5,737	683,515	1,085,294

(Continued)

CITY OF MONTICELLO, ILLINOIS

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS -
 PROPRIETARY FUNDS (Continued)
 For the year ended December 31, 2017

	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	\$ 143,800		112,300	256,100
Adjustments to reconcile excess (deficiency) of operating revenues received over (under) expenses disbursed to net cash from operating activities:				
Depreciation	44,561		70,204	114,765
Decrease in cash drawn in excess of available funds			(153,469)	(153,469)
Decrease in customer deposits		(346)		(346)
Net cash from operating activities	\$ 188,361	(346)	29,035	217,050

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

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

December 31, 2017

	Police Pension Fund
<hr/>	
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 1,111,352</u>
<u>NET POSITION</u>	
Held in trust for police pension benefits	<u>\$ 1,111,352</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, 2017

	Police Pension Fund
<hr/>	
Additions:	
Contributions:	
Employee	\$ 29,921
Employer	211,348
	<hr/>
Total contributions	241,269
Investment income	9,357
	<hr/>
Total additions	250,626
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Deductions:	
Fees	2,928
Disability payments	26,385
Retirement payments	97,021
Death benefit	31,679
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Total deductions	158,013
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Change in net position	92,613
Net position, beginning	1,018,739
	<hr/>
Net position, ending	<u>\$ 1,111,352</u>

See Notes to Financial Statements.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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, 2017

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, 2017

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, 2017

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, 2017 on December 12, 2016.

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	\$ 368,236	5,737	249,813
Investments (money market accounts)	27,806		433,702
	<hr/>		<hr/>
Cash and cash equivalents	\$ 396,042	5,737	683,515
	<hr/>		<hr/>

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.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2017

Note 1 - Summary of Significant Accounting Policies, continued

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.

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, 2017, is \$ 9,142, \$ 203,168, \$ 4,287, and \$ 13,426, 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, 2017

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 is 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, 2017, the balance of these designated funds was \$ 477,988.

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, 2017

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, 2017

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 2016 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 2016 tax levies.

The following are the tax rates applicable to the various levies per \$ 100.00 of assessed valuation (2016 - \$ 115,863,830; 2015 - \$ 108,519,465):

	<u>Maximum</u>	<u>Actual</u>	
	<u>2016</u>	<u>2016</u>	<u>2015</u>
	<u>Levy</u>	<u>Levy</u>	<u>Levy</u>
General Corporate	.25000	0.21665	0.21186
IMRF		0.05082	0.04737
Police Protection	.15000	0.11565	0.11267
Insurance		0.07473	0.07154
Bond and Interest		0.18567	0.18621
Social Security		0.04257	0.03964
Police Pension		0.06986	0.07250
		0.75595	0.74179

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, 2017, \$ 11,760,689 of the City's bank balance of \$ 11,760,689, 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, 2017

Note 4 - Capital Assets

Capital asset activities for the year ended December 31, 2017, were as follows;

	Governmental Activities			Ending Balance
	Beginning Balance	Additions	Deletions	
Nondepreciable assets:				
Land	\$ 2,129,528			2,129,528
Construction in process	135,070		14,433	120,637
Total	2,264,598	-	14,433	2,250,165
Depreciable assets:				
Buildings	5,922,700			5,922,700
Vehicles	1,725,595			1,725,595
Land improvements	722,093			722,093
Equipment	1,635,211	433,093	145,044	1,923,260
Infrastructure	2,396,319			2,396,319
Total	12,401,918	433,093	145,044	12,689,967
Total capital assets	14,666,516	433,093	159,477	14,940,132
Less accumulated depreciation:				
Buildings	1,363,520	165,662		1,529,182
Vehicles	971,152	129,670		1,100,822
Land improvements	202,481	29,099		231,580
Equipment	1,268,920	97,786	145,044	1,221,662
Infrastructure	284,453	72,578		357,031
Total accumulated depreciation	4,090,526	494,795	145,044	4,440,277
Total governmental activities capital assets, net	\$ 10,575,990	(61,702)	14,433	10,499,855

Business-type Activities

Beginning Balance	Additions	Deletions	Ending Balance
194,981			194,981
906,811	4,316,757	17,771	5,205,797
1,101,792	4,316,757	17,771	5,400,778
1,592,175	574,388		2,166,563
46,109			46,109
876,198		98,400	777,798
830,253			830,253
3,344,735	574,388	98,400	3,820,723
4,446,527	4,891,145	116,171	9,221,501
1,051,360	31,094		1,082,454
14,978	6,441		21,419
492,793	59,837	65,250	487,380
111,563	17,393		128,956
1,670,694	114,765	65,250	1,720,209
2,775,833	4,776,380	50,921	7,501,292

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2017

Note 4 - Capital Assets, continued

Depreciation expense for the year ended December 31, 2017 was charged to the following:

Governmental activities:	
City administration	\$ 49,134
Public safety	69,391
Public works	195,723
Parks and recreation	180,547
Business-type activities:	
Water fund	44,561
Sewer fund	70,204
	<hr/>
Total depreciation expense	<u>\$ 609,560</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.

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, 2017

Note 5 - Pension Plan, continued

Benefits Provided, continued: 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.

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 2017 for Regular and SLEP was 8.86% and 27.49%, 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.

Pension Contributions Made: For the year ended December 31, 2017, the City made pension contributions of \$ 125,370 and \$ 20,297, respectively, for the Regular and SLEP plans.

Number of Employees Covered: For the year ended December 31, 2017, the plans covered the following employees:

	Regular	SLEP
Retirees and beneficiaries	26	1
Inactive, non-retired members	10	
Active members	28	1
	<hr/>	<hr/>
Total members	64	2

Net Pension Liability: The City's net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The net pension liabilities for Regular and SLEP at December 31, 2017 are as follows:

	Regular	SLEP
Total pension liability	\$ 8,266,857	507,431
Plan fiduciary net position	(8,626,384)	(432,458)
	<hr/>	<hr/>
Net pension liability (asset)	\$ (359,527)	74,973
	<hr/>	<hr/>
Percent funded	104.35%	85.22%

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2017

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 to 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.

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, 2017:

Certificate of deposit	\$ 923,320
Money market accounts	187,387
NOW account	<u>645</u>
Total	<u>\$ 1,111,352</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, 2016 has been received and is as follows:

Actuarial value of assets	\$ 1,111,219
Deferred asset (unfunded accrued liability)	2,043,235
Present value of service retirement annuities (8)	<u>(2,586,425)</u>
Accrued liabilities for active participants (5)	<u>\$ 568,029</u>
Percent funded	<u>35.22%</u>

Based on the above figures, the actuarially-determined employer contribution the City should make for 2017 to arrive at the annual requirements of the fund as prescribed by Section 3-125 of the Illinois Pension Code is \$ 154,888. For 2017, total City contributions were \$ 211,347.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2017

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).

Note 8 - Long-Term Liabilities

A summary of long-term liability activity for the year ended December 31, 2017 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt certificates	\$ 1,665,000		160,000	1,505,000	165,000
General obligation bonds	1,245,000		145,000	1,100,000	155,000
Notes payable	632,928	224,270	110,543	746,655	100,431
	<u>3,542,928</u>	<u>224,270</u>	<u>415,543</u>	<u>3,351,655</u>	<u>420,431</u>
Business-type activities:					
Notes payable	152,683	548,660	23,706	677,637	126,740
Wastewater system revenue bonds	150,000	4,305,000		4,455,000	
	<u>\$ 302,683</u>	<u>4,853,660</u>	<u>23,706</u>	<u>5,132,637</u>	<u>126,740</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.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2017

Note 8 - Long-Term Liabilities, 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 range 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 range 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 was paid off in 2017.

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.

On November 1, 2017, the City entered into a note payable with First Mid-Illinois Bank & Trust for the purchase of equipment. The note is payable in annual installments of \$ 48,623, including interest at 2.75%, due November 1, 2022. The note is unsecured.

PRINCIPAL AND INTEREST PAYMENTS IN SUBSEQUENT YEARS

Year	Debt Certificates		Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 165,000	83,248	155,000	57,718	100,431	23,798
2019	170,000	76,268	165,000	50,354	103,555	20,674
2020	175,000	67,533	175,000	42,352	106,730	17,500
2021	180,000	58,545	190,000	32,990	110,099	14,129
2022	80,000	49,298	200,000	22,826	113,527	10,701
2023-2027	435,000	176,776	215,000	11,824	212,313	14,503
2028-2030	300,000	39,650				
	<u>\$ 1,505,000</u>	<u>551,318</u>	<u>1,100,000</u>	<u>218,064</u>	<u>746,655</u>	<u>101,305</u>

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2017

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%. Total interest paid in 2017, which was capitalized, was \$ 15,760.

As of December 31, 2017, the City had drawn \$ 4,455,000 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.

On June 2, 2017, the City entered into a note payable with First Mid-Illinois Bank & Trust to finance its above ground tank rehabilitation project. The note is payable in annual installments of \$ 121,513, including interest at 3.50%, due June 1, 2022. The note is unsecured.

PRINCIPAL AND INTEREST PAYMENTS IN SUBSEQUENT YEARS

Year	Notes Payable		WWTP Bonds	
	Principal	Interest	Principal	Interest *
2018	\$ 126,740	22,801		
2019	130,960	18,580	255,000	
2020	135,336	14,204	260,000	
2021	139,940	9,600	270,000	
2022	144,661	4,880	275,000	
2023-27			1,455,000	
2028-32			1,605,000	
2033			335,000	
	<u>\$ 677,637</u>	<u>70,065</u>	<u>4,455,000</u>	

* Interest to be determined based on final debt balance and accrual.

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2017

Note 9 - Required Individual Fund Disclosures

At December 31, 2017, 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	880	
Due from Sewerage Fund	212,712	
Due to Sewerage Fund		3,639
Due to Waterworks Fund		3,536
Waterworks Fund:		
Due from General Fund	3,536	
Due to General Fund		880
Due to Water Escrow Fund		100
Sewerage Fund:		
Due from General Fund	3,639	
Due to General Fund		212,712
Due to Working Cash Fund		703,381
Working Cash Fund:		
Due from General Fund	6,000	
Due from Sewerage Fund	703,381	
Water Escrow Fund:		
Due from Waterworks Fund	100	
	<u>\$ 930,248</u>	<u>930,248</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 \$ 212,712 is costs related to the Viobin San/Sewer replacement project that were paid out of the General Fund of \$ 12,712 plus a 2017 advance of \$ 200,000 from the General Fund to the Sewerage Fund. The \$ 880 is meter expenses paid by the General Fund and not repaid in 2017. The \$ 100 is amounts for the Water Escrow Fund paid into the Waterworks Fund but not remitted by December 31, 2017. 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, 2017

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	\$ 965,737	300,000	1,265,737
Prior earnings	34,379	28,102	62,481
Current period earnings	4,484	2,662	7,146
Current period expenditures	-	-	-
Committed balances, December 31, 2017	<u>\$ 1,004,600</u>	<u>330,764</u>	<u>1,335,364</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	\$ 37,979			37,979
Debt sinking fund compliance	9,587	22,201		31,788
Allotted funds to be used for road and bridge construction and improvements			6,289,463	6,289,463
Restricted fund balance	<u>\$ 47,566</u>	<u>22,201</u>	<u>6,289,463</u>	<u>6,359,230</u>

CITY OF MONTICELLO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2017

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, 2017 were \$ 20,220, 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, 2017 were \$ 16,992.

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. This project was in progress at December 31, 2017.

Note 13 - Subsequent Events

The City has evaluated events occurring after the statement of net position date through May 9, 2018, 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.

CITY OF MONTICELLO, ILLINOIS

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2017

	Budget - Original and Final	Actual	Variance
Revenues received:			
Property taxes	\$ 834,486	833,914	(572)
Sales taxes	1,000,000	1,079,818	79,818
Other local taxes	227,500	172,122	(55,378)
Illinois income tax	550,000	571,655	21,655
Personal property replacement taxes	1,200,000	1,251,262	51,262
Franchise revenue	112,925	109,703	(3,222)
Police revenue	30,000	24,348	(5,652)
Miscellaneous revenue	95,500	321,481	225,981
Interest	1,500	7,361	5,861
Recreation revenue	198,500	172,685	(25,815)
Refundable tax credit	28,151	38,753	10,602
Total revenues received	<u>4,278,562</u>	<u>4,583,102</u>	<u>304,540</u>
Expenditures disbursed:			
Current:			
City administration	1,200,503	977,484	223,019
Public safety	1,405,853	1,060,140	345,713
Public works	1,435,289	1,269,174	166,115
Parks and recreation	458,625	384,558	74,067
Debt service:			
Principal	258,500	345,543	(87,043)
Interest	96,908	108,817	(11,909)
Bond issuance costs		700	(700)
Capital improvements	457,600	409,435	48,165
Total expenditures disbursed	<u>5,313,278</u>	<u>4,555,851</u>	<u>757,427</u>
Excess (deficiency) of revenues received over (under) expenditures disbursed	<u>(1,034,716)</u>	<u>27,251</u>	<u>1,061,967</u>
Other financing sources (uses):			
Note payable proceeds		224,270	224,270
Transfer in (out)	109,025	102,000	(7,025)
Total other financing sources (uses)	<u>109,025</u>	<u>326,270</u>	<u>217,245</u>
Net change in fund balance	<u>\$ (925,691)</u>	<u>353,521</u>	<u>1,279,212</u>
Fund balance, beginning		<u>2,121,001</u>	
Fund balance, ending		<u>\$ 2,474,522</u>	

CITY OF MONTICELLO, ILLINOIS

**BUDGETARY COMPARISON SCHEDULE -
MOTOR FUEL TAX FUND**

For the year ended December 31, 2017

	Budget - Original and Final	Actual	Variance
Revenues received:			
Motor fuel tax	\$ 150,000	173,914	23,914
Interest income	50,000	90,474	40,474
Total revenues received	<u>200,000</u>	<u>264,388</u>	<u>64,388</u>
Expenditures disbursed:			
Motor fuel tax projects	<u>2,596,000</u>	531,251	2,064,749
Total expenditures disbursed	<u>2,596,000</u>	<u>531,251</u>	<u>2,064,749</u>
Excess (deficiency) of revenues received over (under) expenditures disbursed	<u>(2,396,000)</u>	<u>(266,863)</u>	<u>2,129,137</u>
Net change in fund balance	<u><u>\$(2,396,000)</u></u>	<u>(266,863)</u>	<u><u>2,129,137</u></u>
Fund balance, beginning		<u>6,556,326</u>	
Fund balance, ending		<u><u>\$ 6,289,463</u></u>	

CITY OF MONTICELLO, ILLINOIS

**BUDGETARY COMPARISON SCHEDULE -
TAX INCREMENT FINANCING FUND
For the year ended December 31, 2017**

	Budget - Original and Final	Actual	Variance
Revenues received:			
TIF District revenue	\$ 280,000	317,631	37,631
Interest income	125	574	449
Refundable tax credit	20,645	21,544	899
Total revenues received	<u>300,770</u>	<u>339,749</u>	<u>38,979</u>
Expenditures disbursed:			
Current:			
City administration	48,950	5,547	43,403
Debt service:			
Interest	68,538	66,008	2,530
Principal	77,000	70,000	7,000
Bond issuance costs		500	(500)
Capital improvement	139,260	115,821	23,439
Total expenditures disbursed	<u>333,748</u>	<u>257,876</u>	<u>75,872</u>
Excess (deficiency) of revenues received over (under) expenditures disbursed	<u>(32,978)</u>	<u>81,873</u>	<u>114,851</u>
Other financing sources (uses):			
Transfers in	110,000	110,000	
Transfers out	(119,928)	(102,000)	17,928
Total other financing sources (uses)	<u>(9,928)</u>	<u>8,000</u>	<u>17,928</u>
Net change in fund balance	<u>\$ (42,906)</u>	<u>89,873</u>	<u>132,779</u>
Fund balance, beginning		<u>313,782</u>	
Fund balance, ending		<u>\$ 403,655</u>	

CITY OF MONTICELLO, ILLINOIS

BUDGETARY COMPARISON SCHEDULE -
WATERWORKS FUND

For the year ended December 31, 2017

	Budget - Original and Final	Actual	Variance
Operating revenues received	\$ 657,000	716,590	59,590
Operating expenditures disbursed:			
Operations, other than payroll and employee benefits	326,260	263,355	62,905
Payroll and employee benefits	248,213	222,961	25,252
Depreciation		44,561	(44,561)
Capital improvements *	55,000	41,913	13,087
Total operating expenditures disbursed	629,473	572,790	56,683
Excess of operating revenues received over expenditures disbursed	27,527	143,800	116,273
Non-operating revenues received (expenditures disbursed):			
Investment earnings	125	748	623
Other financing sources (uses):			
Transfers in (out)	(121,000)	(143,150)	(22,150)
Change in net position	\$ (93,348)	1,398	94,746
Net position, beginning		1,093,141	
Net position, ending		\$ 1,094,539	

* Budget amount represents all capital improvements for the fiscal year less \$ 110,000 amount budgeted to pay the 2017 water tower bond payment. That amount is shown on the transfers line. Also, the amount does not include \$605,000 budgeted for the above ground storage tank rehab project.

CITY OF MONTICELLO, ILLINOIS

**BUDGETARY COMPARISON SCHEDULE -
SEWERAGE, OPERATION AND MAINTENANCE PLANT FUND
For the year ended December 31, 2017**

	Budget - Original and Final	Actual	Variance
Operating revenues received	\$ 737,000	835,890	98,890
Operating expenditures disbursed:			
Operations, other than payroll and employee benefits **	331,100	219,227	111,873
Payroll and employee benefits	337,080	302,297	34,783
Depreciation		70,204	(70,204)
Capital improvements *	179,410	131,862	47,548
Total operating expenditures disbursed	<u>847,590</u>	<u>723,590</u>	<u>124,000</u>
Excess (deficiency) of operating revenues received over (under) expenditures disbursed	(110,590)	112,300	222,890
Non-operating revenues received (expenses disbursed):			
Investment earnings	250	4,864	4,614
Interest expense	<u>(70,833)</u>	<u>(4,394)</u>	<u>66,439</u>
Change in net position	<u>\$ (181,173)</u>	112,770	<u>293,943</u>
Net position, beginning		<u>1,331,005</u>	
Net position, ending		<u>\$ 1,443,775</u>	

* Budget amount represents capital improvements for the year less the amount budgeted for interest expense on the WWTP construction loan. That amount is being shown instead on the interest expense line. Also, the amount shown does not include budgeted costs of \$ 5,500,000 on the new WWTP.

** This amount has been reduced by \$ 30,910 which is the budgeted payment on the jet vac loan. The allocated principal portion of the current-year payment of \$ 26,077 is not included above, and the interest portion of \$ 4,833 is included on the interest expense line.

CITY OF MONTICELLO, ILLINOIS

SCHEDULE OF ASSESSED VALUATIONS AND TAXES
EXTENDED AND COLLECTED

December 31, 2017

	Tax Year			
	2016	2015	2014	2013
Equalized assessed valuation	\$ 115,863,830	108,519,465	106,852,336	105,903,485
Tax Rates:				
General Corporate Fund	0.21665	0.21186	0.20508	0.2043
IMRF	0.05082	0.04737	0.04586	0.0397
Police Protection Fund	0.11565	0.11267	0.10908	0.1082
Insurance	0.07473	0.07154	0.06926	0.0628
Bond and Interest	0.18567	0.18621	0.18467	0.0643
Social Security	0.04257	0.03964	0.03838	0.0382
Police Pension	0.06986	0.07250	0.07020	0.1859
Total	0.75595	0.74179	0.72253	0.7034
Tax Extensions:				
General Corporate Fund	\$ 240,268	229,909	219,133	216,361
IMRF	56,360	51,406	49,002	42,044
Police Protection Fund	128,257	122,269	116,555	114,588
Insurance	82,877	77,635	74,006	68,096
Bond and Interest	205,911	202,074	197,324	196,875
Social Security	47,211	43,017	41,010	40,455
Police Pension	77,476	78,677	75,010	66,507
Total	838,360	804,987	772,040	744,926
Collections:				
General Corporate Fund	239,126	229,439	219,143	215,860
IMRF	56,092	51,419	49,004	42,044
Police Protection Fund	127,648	122,301	116,561	114,588
Insurance	82,483	77,655	74,010	68,096
Bond and Interest	204,931	202,128	197,334	196,875
Social Security	46,986	43,028	41,012	40,455
Police Pension	77,108	78,698	75,014	66,507
Total	\$ 834,374	804,668	772,078	744,425
Percent of extensions collected	99.52%	99.96%	100.00%	99.93%

Note: The above collections do not include tax increment financing revenues received for the periods which amounted to \$ 317,631 for the 2016 tax year.

CITY OF MONTICELLO, ILLINOIS

SCHEDULE OF LEGAL DEBT MARGIN
December 31, 2017

Assessed valuation - 2016 tax year	<u>\$ 115,863,830</u>
Statutory debt limitation (8.625% of assessed valuation)	<u>9,993,255</u>
Total debt:	
Sewer note payable	128,977
Wastewater system revenue bonds (advances to date)	4,455,000
General obligation debt certificates	1,505,000
General obligation bonds	1,100,000
Note payable	<u>1,295,315</u>
Total outstanding debt	8,484,292
Less debt not applicable to debt margin	<u>(4,583,977)</u>
Total applicable debt	<u>3,900,315</u>
Legal debt margin	<u>\$ 6,092,940</u>

CITY OF MONTICELLO, ILLINOIS

SCHEDULE OF CONSTRUCTION IN PROGRESS AND
CAPITAL ASSET ADDITIONS
Year ended December 31, 2017

Construction in progress:	
Outdoor Rec Facility Costs	\$ 120,637
WWTP Costs	<u>5,205,798</u>
Construction in progress at December 31, 2017	5,326,435
Capital asset additions:	
Nick's Park Equipment and Related Costs *	309,943
2015 John Deere 544K Backhoe **	123,150
Above Ground Storage Tank Rehab ***	<u>574,388</u>
Total capital asset additions in 2017	<u>\$ 6,333,916</u>

- * Includes \$ 14,437 of costs shown as construction in progress in prior years.
** Includes \$ 90,000 paid and \$ 33,150 of remaining basis on the traded-in asset.
*** Includes \$ 17,771 of costs shown as construction in progress in prior years.