

CITY OF MONTICELLO, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

**CITY OF MONTICELLO, FLORIDA
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SEPTEMBER 30, 2019**

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INDEPENDENT AUDITORS' REPORT

To the Honorable City Council,
City of Monticello, Florida:

Report on the Financial Statements

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, Florida, as of and for the year ended September 30, 2019, 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 accounting principles generally accepted in the United States of America; this includes 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 fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the 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 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 obtained is sufficient and appropriate to provide a basis for our (1) unmodified audit opinion on the General Fund, and aggregate remaining fund information; and (2) qualified audit opinion on the governmental activities, business-type activities, and Water and Sewer Fund.

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Basis for Qualified Opinion on the Governmental Activities, Business-type Activities, and Water and Sewer Fund

As discussed in Note III. G. to the financial statements, the City has not received an actuarial valuation for its police pension fund and therefore has not adjusted the accounting records to reflect the current actuarial valuation for the respective pension funds as required in Statement No. 67 *Financial Reporting for Pension Plans* and Statement No. 68 *Accounting and Financial Reporting for Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for the net pension liability, and any associated deferred inflow and outflow related to the pension fund. This would increase liabilities, increase deferred inflows and outflows, decrease net position, and change the expenses in the governmental activities.

In addition, as discussed in Note III. G. to the financial statements, the City has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in the governmental activities, business-type activities, and the Water and Sewer Fund.

The amounts by which these departures would affect the deferred inflows, liabilities, deferred outflows, net position, and expenses of the governmental activities, business-type activities, and Water and Sewer Fund has not been determined.

Qualified Opinion on the Governmental Activities, Business-type Activities, and Water and Sewer Fund

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph on the governmental activities, business-type activities and Water and Sewer Fund, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, business-type activities, and Water and Sewer Fund of the City as of September 30, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the General Fund and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and the aggregate remaining fund information for the City, as of September 30, 2019, and the respective changes in financial position thereof, and where applicable cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, budgetary comparison information, and other pension information as listed in the table of contents presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial

statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express and opinion or provide any assurance.

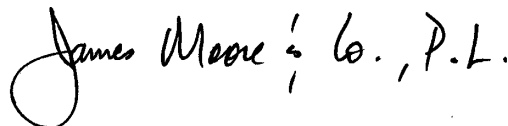
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Monticello, Florida's basic financial statements. The Schedule Required by State of Florida, Office of the Auditor General Rule 10.557(3)(n) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule Required by the State of Florida, Office of the Auditor General Rule 10.557(3)(n) is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures, including comparing and reconciling such information such information directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule Required by State of Florida, Office of the Auditor General Rule 10.557(3)(n) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2020, on our consideration of the City of Monticello, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Monticello, Florida's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida
May 13, 2020

City of Monticello, Florida
Management's Discussion and Analysis
September 30, 2019

As management of the City of Monticello, Florida, we offer readers of this narrative overview and analysis of the financial activities of the City of Monticello, Florida for the fiscal year ended September 30, 2019.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Monticello, Florida's basic financial statements. The City of Monticello, Florida's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Monticello, Florida's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Monticello, Florida's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Monticello, Florida is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Monticello, Florida that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Monticello, Florida include general government, public safety, transportation, physical environment, intergovernmental services, and culture and recreation. The business-type activities of the City of Monticello, Florida include a water and sewer operation.

The government-wide financial statements can be found on pages 11 – 12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Monticello, Florida, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Monticello, Florida can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

City of Monticello, Florida
Management's Discussion and Analysis
September 30, 2019

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Monticello, Florida maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund which is considered to be a major fund.

The City of Monticello, Florida adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 – 16 of this report.

Proprietary funds. The City of Monticello, Florida maintains a proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Monticello, Florida uses an enterprise fund to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer operations, which is considered to be a major fund.

The basic proprietary fund financial statements can be found on pages 17 – 19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Monticello, Florida's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 20 – 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22– 43 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Monticello, Florida's budgetary and pension information. Required supplementary information can be found on pages 44 – 49 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Monticello, Florida, assets exceeded liabilities by \$15,820,830 at the close of the most recent fiscal year.

City of Monticello, Florida
Management's Discussion and Analysis
September 30, 2019

By far the largest portion of the City of Monticello, Florida's net assets (95 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Monticello, Florida uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Monticello, Florida's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Monticello, Florida's Net Position **2019**

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 803,132	\$ 1,114,262	\$ 1,917,394
Net pension asset	283,475	-	283,475
Capital assets	2,692,954	17,967,304	20,660,258
Total assets	<u>3,779,561</u>	<u>19,081,566</u>	<u>22,861,127</u>
Deferred outflows	338,282	73,000	411,282
Long-term liabilities outstanding	-	5,582,290	5,582,290
Net pension liability	963,830	246,851	1,210,681
Other liabilities	104,775	363,853	468,628
Total liabilities	<u>1,068,605</u>	<u>6,192,994</u>	<u>7,261,599</u>
Deferred inflows	170,818	19,162	189,980
Net position:			
Net investment in capital assets	2,692,954	12,385,014	15,077,968
Restricted	457,788	124,779	582,567
Unrestricted	(272,322)	432,617	160,295
Total net position	<u>\$ 2,878,420</u>	<u>\$ 12,942,410</u>	<u>\$ 15,820,830</u>

2018

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 775,059	\$ 1,005,972	\$ 1,781,031
Net pension asset	222,021	-	222,021
Capital assets	2,815,506	18,481,454	21,296,960
Total assets	<u>3,812,586</u>	<u>19,487,426</u>	<u>23,300,012</u>
Deferred outflows	386,134	21,358	407,492
Long-term liabilities outstanding	-	5,749,920	5,749,920
Net pension liability	1,024,469	58,295	1,082,764
Other liabilities	122,590	545,871	668,461
Total liabilities	<u>1,147,059</u>	<u>6,354,086</u>	<u>7,501,145</u>
Deferred inflows	158,130	4,768	162,898
Net position:			
Net investment in capital assets	2,815,506	12,731,534	15,547,040
Restricted	340,492	148,785	489,277
Unrestricted	(262,467)	269,611	7,144
Total net position, as restated	<u>\$ 2,893,531</u>	<u>\$ 13,149,930</u>	<u>\$ 16,043,461</u>

City of Monticello, Florida
Management's Discussion and Analysis
September 30, 2019

An additional portion of the City of Monticello, Florida's net assets (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$127,280 may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Monticello, Florida is able to report positive balances in net position for its separate governmental and business-type activities.

Governmental activities. Governmental activities decreased the City of Monticello, Florida's net position by \$15,111.

Key elements of this decrease are as follows:

- Transfer of \$270,000 to the Water and Sewer Fund.

City of Monticello, Florida's Changes in Net Position

	2019		
	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 398,748	\$ 1,218,717	1,617,465
Capital grants and contributions	102,195	19,138	121,333
General revenues:			
Property taxes	630,097	-	630,097
Intergovernmental and other	1,270,265	10,366	1,280,631
Transfers	(273,961)	273,961	-
Total revenues	<u>2,127,344</u>	<u>1,522,182</u>	<u>3,649,526</u>
Expenses:			
General government	453,358	-	453,358
Public Safety	720,427	-	720,427
Physical environment	301,010	-	301,010
Transportation	633,747	-	633,747
Culture and recreation	33,913	-	33,913
Water and Sewer	-	1,729,702	1,729,702
Total expenses	<u>2,142,455</u>	<u>1,729,702</u>	<u>3,872,157</u>
Change in net position	(15,111)	(207,520)	(222,631)
Net position , beginning of year, as restated	2,893,531	13,149,930	16,043,461
Net position , end of year	<u>\$ 2,878,420</u>	<u>\$ 12,942,410</u>	<u>\$ 15,820,830</u>

**City of Monticello, Florida
Management's Discussion and Analysis
September 30, 2019**

City of Monticello, Florida's Changes in Net Position (Continued)

	2018		
	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 369,857	\$ 1,160,864	\$ 1,530,721
Operating grants and contributions	105,906	-	105,906
Capital grants and contributions	71,120	218,758	289,878
General revenues:			
Property taxes	612,899	-	612,899
Intergovernmental and other	1,162,804	4,724	1,167,528
Transfers	(27,352)	27,352	-
Total revenues	<u>2,295,234</u>	<u>1,411,698</u>	<u>3,706,932</u>
Expenses:			
General government	490,338	-	490,338
Public Safety	743,417	-	743,417
Physical environment	264,190	-	264,190
Transportation	678,809	-	678,809
Culture and recreation	32,526	-	32,526
Water and Sewer	-	1,498,883	1,498,883
Total expenses	<u>2,209,280</u>	<u>1,498,883</u>	<u>3,708,163</u>
Change in net position	85,954	(87,185)	(1,231)
Net position , beginning of year	<u>2,807,577</u>	<u>13,237,115</u>	<u>16,044,692</u>
Net position , end of year, as restated	<u><u>\$ 2,893,531</u></u>	<u><u>\$ 13,149,930</u></u>	<u><u>\$ 16,043,461</u></u>

Business-type activities. Business-type activities decreased the City of Monticello, Florida's net position by \$207,520.

Key elements of this decrease are as follows:

- Increase in allocation of pension expenses to the Business-type activities and an increase in operating supplies for Business-type activities.

City of Monticello, Florida
Management's Discussion and Analysis
September 30, 2019

Financial Analysis of the Government's Funds

As noted earlier, the City of Monticello, Florida uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund. The focus of the City of Monticello, Florida's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Monticello, Florida's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Monticello, Florida's governmental fund reported ending fund balance of \$787,502, an increase of \$34,909 in comparison with the prior year. Of this total amount, \$565,081 constitutes *unassigned fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City of Monticello, Florida. At the end of the current fiscal year, unassigned and total fund balance of the general fund was \$565,081 and \$787,502, respectively. As a measure of the general fund's liquidity, it may be useful to compare total unassigned fund balance to total fund expenditures. Unassigned fund balance represents 27 percent of total general fund expenditures.

Proprietary fund. The City of Monticello, Florida's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer fund at the end of the year amounted to \$432,617. The total decrease in net position for the fund was \$207,520. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Monticello, Florida's business-type activities.

General Fund Budgetary Highlights

There was no difference between the original budget and the final amended budget.

Capital Asset and Debt Administration

Capital assets. The City of Monticello, Florida's investment in capital assets for its governmental and business type activities as of September 30, 2019, amounts to \$20,660,258 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities and roads.

Additional information on the City of Monticello, Florida's capital assets can be found in Note II. C. on pages 31-32 of this report

Long-term debt. At the end of the current fiscal year, the City of Monticello, Florida had debt outstanding of \$5,582,290.

**City of Monticello, Florida
Management's Discussion and Analysis
September 30, 2019**

City of Monticello, Florida's Long-term Outstanding Debt

	2019		
	Governmental activities	Business-type activities	Total
Revenue bonds	\$ —	\$ 5,569,348	\$ 5,569,348
Notes payable	—	12,942	12,942
Total	\$ —	\$ 5,582,290	\$ 5,582,290
	2018		
	Governmental activities	Business-type activities	Total
Revenue bonds	\$ —	\$ 5,724,336	\$ 5,724,336
Notes payable	10,979	25,584	36,563
Total	\$ 10,979	\$ 5,749,920	\$ 5,760,899

Additional information on the City of Monticello, Florida's long-term debt can be found in note II.E on pages 33 - 34 of this report.

Economic Factors and Next Year's Budgets and Rates

Changes in state budgets and legislation make financial forecasting difficult; however, past performances and trends, expected growth, and expected tax revenue projections, as well as anticipated operational and capital expenditures, are all factors in determining next year's budget.

All of these factors were considered in preparing the City of Monticello, Florida's budget for the 2019/2020 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Monticello, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Emily Anderson, City Clerk, 245 South Mulberry Street, Monticello, Florida 32344.

CITY OF MONTICELLO, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 127,713	\$ 410,627	\$ 538,340
Investments	170,781	312,934	483,715
Receivables, net	58,081	100,804	158,885
Due from other governments	185,659	-	185,659
Internal balances	19,704	(19,704)	-
Inventory	17,490	3,650	21,140
Prepays	48,108	30,107	78,215
Restricted assets:			
Cash and cash equivalents	-	136,138	136,138
Certificate of deposit	-	139,706	139,706
Investments	175,596	-	175,596
Net pension asset	283,475	-	283,475
Capital assets:			
Capital assets, not being depreciated	372,476	699,572	1,072,048
Other capital assets, net of depreciation	2,320,478	17,267,732	19,588,210
Total assets	<u>\$ 3,779,561</u>	<u>\$ 19,081,566</u>	<u>\$ 22,861,127</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 338,282</u>	<u>\$ 73,000</u>	<u>\$ 411,282</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 15,630	\$ 165,333	\$ 180,963
Customer deposits	-	136,138	136,138
Accrued interest payable	-	14,927	14,927
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	-	174,075	174,075
Compensated absences	48,954	21,097	70,051
Due in more than one year:			
Bonds and notes payable	-	5,408,215	5,408,215
Compensated absences	40,191	26,358	66,549
Net pension liability	963,830	246,851	1,210,681
Total liabilities	<u>\$ 1,068,605</u>	<u>\$ 6,192,994</u>	<u>\$ 7,261,599</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 170,818</u>	<u>\$ 19,162</u>	<u>\$ 189,980</u>
NET POSITION			
Net investment in capital assets	\$ 2,692,954	\$ 12,385,014	\$ 15,077,968
Restricted for:			
Debt service	-	124,779	124,779
Cemetery	106,602	-	106,602
Road construction	67,711	-	67,711
Pensions	283,475	-	283,475
Unrestricted	(272,322)	432,617	160,295
Total net position	<u>\$ 2,878,420</u>	<u>\$ 12,942,410</u>	<u>\$ 15,820,830</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF MONTICELLO, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 453,208	\$ 37,520	\$ -	\$ 83,286	\$ (332,402)	\$ -	\$ (332,402)
Public safety	720,427	34,215	-	-	(686,212)	-	(686,212)
Transportation	633,747	-	-	-	(633,747)	-	(633,747)
Physical environment	301,010	325,213	-	5,409	29,612	-	29,612
Culture and recreation	33,913	1,800	-	13,500	(18,613)	-	(18,613)
Interest on long-term debt	150	-	-	-	(150)	-	(150)
Total governmental activities	<u>2,142,455</u>	<u>398,748</u>	<u>-</u>	<u>102,195</u>	<u>(1,641,512)</u>	<u>-</u>	<u>(1,641,512)</u>
Business-type activities:							
Water and sewer	1,729,702	1,218,717	-	19,138	-	(491,847)	(491,847)
Total business-type activities	<u>1,729,702</u>	<u>1,218,717</u>	<u>-</u>	<u>19,138</u>	<u>-</u>	<u>(491,847)</u>	<u>(491,847)</u>
Total primary government	<u>\$ 3,872,157</u>	<u>\$ 1,617,465</u>	<u>\$ -</u>	<u>\$ 121,333</u>	<u>(1,641,512)</u>	<u>(491,847)</u>	<u>(2,133,359)</u>
General revenues:							
Property taxes					630,097	-	630,097
Other taxes, licenses and permits					417,246	-	417,246
Franchise and utility taxes					447,862	-	447,862
Intergovernmental					350,958	-	350,958
Investment earnings					8,402	10,366	18,768
Miscellaneous revenues					45,797	-	45,797
Transfers					(273,961)	273,961	-
Total general revenues and transfers					<u>1,626,401</u>	<u>284,327</u>	<u>1,910,728</u>
Change in net position					(15,111)	(207,520)	(222,631)
Net position - beginning of year, as restated					2,893,531	13,149,930	16,043,461
Net position - ending of year					<u>\$ 2,878,420</u>	<u>\$ 12,942,410</u>	<u>\$ 15,820,830</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF MONTICELLO, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2019**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 127,713
Investments	170,781
Receivables, net	58,081
Due from other governments	185,659
Due from other funds	19,704
Inventory	17,490
Prepaid items	48,108
Restricted investments	175,596
Total assets	\$ 803,132
LIABILITIES	
Accounts payable and accrued liabilities	\$ 15,630
Total liabilities	15,630
FUND BALANCES	
Nonspendable:	
Prepaid items	48,108
Restricted for:	
Cemetery	106,602
Road construction	67,711
Unassigned	565,081
Total fund balances	787,502
Total liabilities and fund balances	\$ 803,132

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF MONTICELLO, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

Fund balances - total governmental fund		\$	787,502
Amounts reported for governmental activities in the statement of activities are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			
Total governmental capital assets	4,764,738		
Less: accumulated depreciation	<u>(2,071,784)</u>		2,692,954
On the governmental fund statements, a net pension liability or asset is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.			
Net pension liability	(963,830)		
Net pension asset	283,475		
Deferred outflows related to pensions	338,282		
Deferred inflows related to pensions	<u>(170,818)</u>		(512,891)
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities, consist of the following:			
Compensated absences	<u>(89,145)</u>		(89,145)
Net position of governmental activities		<u>\$</u>	<u>2,878,420</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MONTICELLO, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General
Revenues	
Taxes, licenses and permits	\$ 1,724,526
Intergovernmental	223,832
Charges for services	398,748
Other	44,199
Total revenues	2,391,305
Expenditures	
Current:	
General government	461,541
Public safety	726,843
Transportation	583,804
Physical environment	285,617
Culture and recreation	13,501
Debt service:	
Principal	10,979
Interest	150
Total expenditures	2,082,435
Excess (deficiency) of revenues over expenditures	308,870
Other financing sources (uses)	
Transfers out	(273,961)
Net change in fund balance	34,909
Fund balance, beginning of year, as restated	752,593
Fund balance, end of year	\$ 787,502

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF MONTICELLO, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net change in fund balance - total governmental fund	\$	34,909
Differences in amounts reported for governmental activities in the statement of activities are:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital outlay expenditures		13,500
Depreciation expense		(139,635)
Loss on disposal of capital assets		(6,417)
Capital contribution		10,000
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:		
Principal repayment of general long-term debt		10,979
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the statement of activities are amounts required to be amortized in accordance with GASB Statement No. 68.		
Change in net pension liability and deferred inflows/outflows related to pensions		61,553
Change in net position of governmental activities	<u>\$</u>	<u>(15,111)</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF MONTICELLO, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2019**

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 410,627
Investments	312,934
Accounts receivable, net	100,804
Inventory	3,650
Prepaid items	30,107
Restricted assets:	
Cash and cash equivalents	136,138
Certificate of deposit	139,706
Total current assets	1,133,966
Noncurrent assets:	
Capital assets:	
Land	699,572
Infrastructure, machinery and equipment	23,879,355
Accumulated depreciation	(6,611,623)
Total capital assets, net	17,967,304
Total noncurrent assets	17,967,304
Total assets	\$ 19,101,270
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	\$ 73,000
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 165,333
Due to other funds	19,704
Compensated absences	21,097
Payable from restricted assets:	
Current maturities on long-term debt	174,075
Accrued interest payable	14,927
Deposits	136,138
Total current liabilities	531,274
Noncurrent liabilities:	
Bonds and notes payable, net	5,408,215
Compensated absences	26,358
Net pension liability	246,851
Total noncurrent liabilities	5,681,424
Total liabilities	\$ 6,212,698
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	\$ 19,162
NET POSITION	
Net investment in capital assets	\$ 12,385,014
Restricted for debt service	124,779
Unrestricted	432,617
Total net position	\$ 12,942,410

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MONTICELLO, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Water and Sewer Fund
Operating revenues	
Charges for services	\$ 1,218,717
Operating expenses	
Personnel	518,044
Professional	53,818
Utilities and communication	137,685
Repairs and maintenance	80,391
Operating	81,957
Gas and oil	18,682
Office supplies	344
Supplies and chemicals	126,315
Depreciation	527,244
Total operating expenses	1,544,480
Operating income (loss)	(325,763)
Nonoperating revenues (expenses)	
Interest income	10,366
Interest expense	(185,222)
Total nonoperating revenues (expenses)	(174,856)
Income (loss) before contributions and transfers	(500,619)
Capital grants	19,138
Transfers in	273,961
Change in net position	(207,520)
Net position, beginning of year	13,149,930
Net position, end of year	\$ 12,942,410

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF MONTICELLO, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Water and Sewer Fund</u>
Cash flows from operating activities	
Cash received from customers and grants	\$ 1,208,705
Cash paid to suppliers	(448,986)
Cash paid to employees	(366,736)
Net cash provided by operating activities	<u>392,983</u>
Cash flows from noncapital and related financing activities	
Change in due to/from other funds	(181,684)
Transfer from other funds	273,961
Net cash provided by noncapital financing activities	<u>92,277</u>
Cash flows from capital and related financing activities	
Payments on long-term debt	(167,630)
Acquisition of capital assets	(13,094)
Capital contributions	19,138
Interest paid	(185,222)
Net cash used in capital and related financing activities	<u>(346,808)</u>
Cash flows from investing activities	
Interest received	10,366
Purchase of certificate of deposit	(139,706)
Purchases of investments	(40,302)
Net cash used in investing activities	<u>(169,642)</u>
Net change in cash and cash equivalents	<u>(31,190)</u>
Cash and cash equivalents , beginning of year (including \$300,012 reported in restricted cash and cash equivalents)	577,955
Cash and cash equivalents , end of year (including \$136,138 reported in restricted cash and cash equivalents)	<u>\$ 546,765</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	<u>\$ (325,763)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	527,244
Increase in accounts receivable	(10,349)
Decrease in inventory	34,850
Increase in prepaids	(3,677)
Increase in accounts payable and accrued liabilities	19,033
Increase in utility deposits	337
Increase in net pension liability	188,556
Increase in deferred outflows of resources	(51,642)
Increase in deferred inflows of resources	14,394
Total adjustments	<u>718,746</u>
Net cash provided by operating activities	<u>\$ 392,983</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF MONTICELLO, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2019**

	Police Officers' Pension Plan Trust Fund	Firefighters' Pension Plan Trust Fund
ASSETS		
Cash and cash equivalents	\$ 50,289	\$ 8,501
Investments, at fair value	2,276,682	949,091
Accrued interest	11	25
Total assets	2,326,982	957,617
LIABILITIES		
Accounts payable and accrued expenses	32,651	-
Total liabilities	32,651	-
NET POSITION		
Restricted for pensions	\$ 2,294,331	\$ 957,617

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF MONTICELLO, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Police Officers' Pension Plan Trust Fund	Firefighters' Pension Plan Trust Fund
	<u> </u>	<u> </u>
Additions		
Contributions:		
State of Florida and City	\$ 76,324	\$ 17,246
Plan members	24,550	329
Total contributions	<u>100,874</u>	<u>17,575</u>
Investment earnings:		
Interest	48,676	20,127
Net increase in the fair value of investments	77,239	30,109
Total investment earnings	<u>125,915</u>	<u>50,236</u>
Total additions	<u>226,789</u>	<u>67,811</u>
Deductions		
Benefit payments	103,558	17,362
Termination payments	4,146	-
Administrative expenses	12,657	20,200
Total deductions	<u>120,361</u>	<u>37,562</u>
Change in net position	<u>106,428</u>	<u>30,249</u>
Net position restricted for pensions		
Beginning of year	2,187,903	927,368
End of year	<u>\$ 2,294,331</u>	<u>\$ 957,617</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

I. Summary of Significant Accounting Policies:

A. Reporting entity

The City of Monticello, Florida (“City”), was created by Special Acts of 1921, Chapter 9026, Laws of Florida. The City operates under a council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services. As required by accounting principles generally accepted in the United States of America, these financial statements present the City only, since there are no entities for which the City is considered to be financially accountable.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

I. **Summary of Significant Accounting Policies:** (Continued)

C. **Measurement focus, basis of accounting, and financial statement presentation**
(Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the government's water and sewer distribution operations.

Additionally, the government reports the following fiduciary fund type:

Pension trust funds account for the activities of the Police Officers' and Firefighters' Pension Plans, which accumulate resources for pension benefit payments to qualified public safety employees.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

I. Summary of Significant Accounting Policies: (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation
(Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise funds are charges to customers for sales and services. The Government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance

1. *Deposits and Investments*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. State statutes authorize the City to invest in direct obligations of the U.S. Treasury, Local Government Surplus Funds Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, SEC registered money market funds with the highest credit quality rating and savings and CD accounts in state-certified public depositories.

Investments for the City are reported as fair value. The Local Government Surplus Fund Investment Pool ("Florida Prime") and the Fund B Surplus Funds Trust Fund (Fund B) operate in accordance with appropriate state laws and regulations. As a Florida Prime and Fund B Pool Participant, the City invests in pools of investments whereby, the City owns a share of the respective pool, not the underlying securities.

2. *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

I. Summary of Significant Accounting Policies: (Continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance
(Continued)

3. *Inventory and Prepaid Items*

All inventory is valued at cost using the first-in/first-out (FIFO) method. Inventory of the governmental fund is recorded as expenditure when consumed rather than when purchased.

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government wide and fund financial statements.

4. *Restricted Assets*

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. For financial reporting purposes, capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. For financial reporting purposes, infrastructure assets are defined by the government as assets with an initial, individual cost of more than \$15,000 (amount not rounded) acquired after September 30, 2003 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15 - 50
Public domain infrastructure	30 - 50
System infrastructure	7 - 50
Vehicles, furniture and equipment	5 - 40

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

I. **Summary of Significant Accounting Policies:** (Continued)

D. **Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance**
(Continued)

6. ***Compensated Absences***

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. ***Long-term Obligations***

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

8. ***Property Taxes***

Property taxes are billed and collected for the City by the County Tax Collector accounting to Florida Statute under the following calendar:

Lien Date:	January 1
Levy Date:	October 1
Due Date:	November 1
Delinquency Date:	April 1, of the following year

9. ***Net Position Flow Assumption***

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

I. **Summary of Significant Accounting Policies:** (Continued)

D. **Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance**
(Continued)

10. ***Fund Balance Flow Assumptions***

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. ***Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council (the "Council") has by resolution authorized the City Clerk to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

I. **Summary of Significant Accounting Policies:** (Continued)

D. **Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance**
(Continued)

11. ***Fund Balance Policies*** (Continued)

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council (the "Council") has by resolution authorized the City Clerk to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

12. ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

13. ***Deferred Inflows and Outflows of Resources***

Deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense) until that future time. Deferred inflows of resources represent the acquisition of net position that is applicable to a future reporting period and will not be recognized as an inflow of resources (revenue) until that future time. Deferred outflows have a positive effect on net position, similar to assets, while deferred inflows have a negative effect on net position, similar to liabilities. The City reports deferred outflows and inflows of resources related to pensions.

14. ***Pension Related Deferred Inflows and Outflows***

The difference between expected and actual experience with regard to economic or demographic factors and changes to assumptions in the measurement of total pension liability, and the differences between expected and actual earnings on pension plan investments, are reported as deferred inflows or outflows of resources, to be recognized in expense as disclosed in Note III G.

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

I. **Summary of Significant Accounting Policies:** (Continued)

E. **Revenues and Expenditures/Expenses**

1. ***Program revenues***

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

2. ***Proprietary funds operating and nonoperating revenues and expenses***

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund is charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. **Detailed Notes on All Funds:**

A. **Deposits and Investments**

Deposits. At year end, the carrying amount of the City's deposits was \$674,478 and the bank balance was \$734,252. Of the bank balance, \$734,252 was covered by Federal depository insurance or by collateral held by the City's custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Deposits Act Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

Investments. Investments in the Local Government Surplus Funds Trust ("PRIME Fund") held with the Florida State Board of Administration. This fund is structured as a "2a – 7 like" fund, which is carried at amortized cost. Amortized cost includes accrued income and is a method of calculating an investment's value by adjusting its acquisition cost for amortization of discount or premium over the period from purchase to maturity.

Thus, the balance in the fund is its fair value. A "2a – 7 like" fund is not registered with the SEC as an investment company, but never the less has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a – 7 of the Investment Company Act of 1940, which comprises the rules governing money market funds.

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

II. Detailed Notes on All Funds: (Continued)

A. Deposits and Investments (Continued)

Investments (Continued)

The foremost objective of the City’s investment policy is the safety of capital and liquidity of funds. Achieving an optimal rate of return is of secondary importance as compared to the safety and liquidity of funds. The City’s investment policy limits investments to those relatively low risk securities authorized in anticipation of earning a fair return relative to the risk being assumed. How the City manages credit risk, interest rate risk, and custodial credit risk is as follows:

Credit Risk: The City minimizes credit risk, the risk of loss due to failure of the security, by, limiting investments to authorized investments. The Local Government Surplus Funds Trust (“PRIME Fund”) is rated by Standards and Poors. The current rating is AAAM.

Interest Rate Risk: The City manages its exposure to declines in fair values of investments by investing operating funds primarily in shorter-term securities, Florida State Board of Administration Florida PRIME. The weighted average days to maturity of the Florida PRIME at September 30, 2019, was 37 days. Next interest rate reset dates for floating rate securities are used in the calculation of the weighted average days to maturity.

Custodial Credit Risk: Investments are subject to custodial credit risk if the securities are uninsured, not registered in the City’s name, and are held by the party that either sells to or buys for the City. No investments held at year end were subject to custodial credit risk. The Florida State Board of Administration Florida PRIME does not participate in security lending, but the City owns shares of the Florida PRIME and not the underlying investments.

As of September 30, 2019, the City had the following investments reported at fair values:

	Fair Market Value
Florida PRIME	\$ 659,311
Police Pension Fund	2,276,682
Fire Pension Fund	949,091
Total	\$ 3,885,084

Of the total fair value, \$175,596 is presented as restricted assets on the statement of net position and \$483,715 is unrestricted for the Florida PRIME investments on the Proprietary Fund Statement of Net Position. The Police and Fire pension investments are reported as entirely restricted in the Statement of Fiduciary Net Position.

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

II. Detailed Notes on All Funds: (Continued)

B. Receivables

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are:

	General	Water and Sewer	Total
Accounts	\$ 58,081	\$ 100,804	\$ 158,885
Intergovernmental	185,659	-	185,659
Gross Receivables	243,740	100,804	344,544
Less: allowance for uncollectibles	-	-	-
Net total receivables	<u>\$ 243,740</u>	<u>\$ 100,804</u>	<u>\$ 344,544</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 339,976	\$ -	\$ -	\$ 339,976
Construction in process	19,000	13,500	-	32,500
Total capital assets, not being depreciated	<u>358,976</u>	<u>13,500</u>	<u>-</u>	<u>372,476</u>
Capital assets, being depreciated:				
Buildings and improvements	2,477,638	-	-	2,477,638
Equipment, furniture, fixtures and vehicles	1,474,541	10,000	(35,000)	1,449,541
Infrastructure	465,083	-	-	465,083
Total capital assets, being depreciated	<u>4,417,262</u>	<u>10,000</u>	<u>(35,000)</u>	<u>4,392,262</u>
Less accumulated depreciation	<u>(1,960,732)</u>	<u>(139,635)</u>	<u>28,583</u>	<u>(2,071,784)</u>
Total capital assets, being depreciated, net	<u>2,456,530</u>	<u>129,635</u>	<u>(6,417)</u>	<u>2,320,478</u>
Governmental activities capital assets, net	<u>\$ 2,815,506</u>	<u>\$ 116,135</u>	<u>\$ (6,417)</u>	<u>\$ 2,692,954</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 699,572	\$ -	\$ -	\$ 699,572
Construction in process	-	-	-	-
Total capital assets, not being depreciated	<u>699,572</u>	<u>-</u>	<u>-</u>	<u>699,572</u>
Capital assets, being depreciated				
Equipment, buildings, utility systems and improvements	23,867,761	13,094	(1,500)	23,879,355
Less accumulated depreciation	<u>(6,085,879)</u>	<u>(527,244)</u>	<u>1,500</u>	<u>(6,611,623)</u>
Total capital assets, being depreciated, net	<u>17,781,882</u>	<u>514,150</u>	<u>-</u>	<u>17,267,732</u>
Business-type activities capital assets, net	<u>\$ 18,481,454</u>	<u>\$ 514,150</u>	<u>\$ -</u>	<u>\$ 17,967,304</u>

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

II. Detailed Notes on All Funds: (Continued)

C. Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 19,384
Public safety	21,003
Physical environment	15,393
Culture and recreation	33,912
Transportation	49,943
Total	<u>\$ 139,635</u>
Business-type activities:	
Water and Sewer	<u>\$ 527,244</u>

D. Interfund Receivables, Payables and Transfers

The composition of interfund transfers for the year ended September 30, 2019 is as follows:

Transfer from the General Fund to the Water and Sewer Fund for operating expenditures in excess of available funds	<u>\$ 273,961</u>
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The composition of interfund balances as of September 30, 2019, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	<u>\$ 19,704</u>

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

II. Detailed Notes on All Funds: (Continued)

E. Long-term Debt

Business-type Activities:

Revenue Bonds

The government also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Amounts outstanding at the end of the current fiscal year related to these issues in prior years totaled \$5,569,348.

Water and sewer revenue bonds outstanding at September 30, 2019 are comprised of the following:

\$2,337,200 1990 Revenue Bond, payable in annual installments of \$22,200 to \$132,000, through September 1, 2030, plus interest at 5.0%, collateralized by net revenues of the sewer system.	\$ 1,235,000
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\$4,715,000 2013 Revenue Bond, payable in annual installments of \$201,555 starting September 1, 2016 (first two years interest only), through September 1, 2053, plus interest at 2.75%, collateralized by net revenues of the sewer system.	4,495,481
	5,569,348
Less current amount	161,133
	\$ 5,408,215

Note Payable

\$50,000 Equipment Loan, payable in annual installments of \$12,942, through November 12, 2019, including interest at 2.34%, collateralized by net revenues of the sewer system.	\$ 12,942
Less current amount	12,942
	\$ —

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

II. **Detailed Notes on All Funds:** (Continued)

E. **Long-term Debt** (Continued)

Debt service requirements to maturity for are as follows:

Year Ending September 30,	Principal	Interest
2020	\$ 174,075	\$ 179,428
2021	167,337	172,868
2022	174,601	166,354
2023	180,927	159,528
2024	188,318	152,437
2025 – 2029	1,057,812	644,664
2030 – 2034	687,244	459,132
2035 – 2039	635,904	371,872
2040 – 2044	728,284	279,492
2045 – 2049	834,084	173,692
2050 – 2053	753,704	52,516
	<u>\$ 5,582,290</u>	<u>\$ 2,811,982</u>

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
Note payable	\$ 10,979	\$ –	\$ (10,979)	\$ –	\$ –
Compensated absences	89,145	48,954	(48,954)	89,145	48,954
Governmental activity long-term liabilities	<u>\$ 100,124</u>	<u>\$ 48,954</u>	<u>\$ (59,933)</u>	<u>\$ 89,145</u>	<u>\$ 48,954</u>
Business-type activities:					
Revenue bonds	\$ 5,724,336	\$ –	\$ (154,988)	\$ 5,569,348	\$ 161,133
Note payable	25,584	–	(12,642)	12,942	12,942
Compensated absences	45,491	23,061	(21,097)	47,455	21,097
Business-type activity long-term liabilities	<u>\$ 5,795,411</u>	<u>\$ 23,061</u>	<u>\$ (188,727)</u>	<u>\$ 5,629,745</u>	<u>\$ 195,172</u>

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

III. **Other Information:** (Continued)

A. **Contingent Liabilities** (Continued)

Grant Programs—Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects amounts, if any, to be immaterial.

B. **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; and natural disasters for which the City carries commercial insurance.

C. **Investments held in Trust**

The investments, as of September 30, 2019, held in trust for employee retirement plans, are as follows:

Firefighter Pension Fund

	<u>Cost</u>	<u>Fair Value</u>
Mutual Fund – fixed income	\$ 352,223	\$ 359,403
Mutual Fund – equities	501,597	589,688
Total investments	<u>\$ 853,820</u>	<u>\$ 949,091</u>

Police Officers' Pension Fund

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds – fixed income	\$ 876,040	\$ 876,040
Mutual funds – equities	1,400,642	1,400,642
Total investments	<u>\$ 2,276,682</u>	<u>\$ 2,276,682</u>

Credit Risk: The City's policies are designed to maximize investment earnings while protecting the security of the principal and providing adequate liquidity, in accordance with applicable state laws.

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

III. **Other Information:** (Continued)

C. **Investments held in Trust** (Continued)

Interest Rate Risk: In accordance with the investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities meet ongoing debt service requirements.

Custodial Credit Risk: Investments are subject to custodial credit risk if the securities are uninsured, not registered in the City's name, and are held by the party that either sells to or buys for the City. All City securities were held in the City's name; therefore, no investments held at year end were subject to custodial credit risk.

D. **Restatement of Net Position**

During the audit of the financial statements for the year ended September 30, 2019 and subsequent to the issuance of the financial statements for the period ended September 30, 2018, beginning net position for September 30, 2018 was restated to add \$62,350 of intergovernmental receivables that were not included in fiscal year 2018.

E. **Subsequent Event**

The City has evaluated events and transactions for potential recognition or disclosure in the financial statements through May 13, 2020, the date which the financial statements were available to be issued.

Subsequent to September 30, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries, including governments, are experiencing disruption to operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any federal or state government actions to mitigate them. Accordingly, while city management cannot quantify the financial and other impact to the City as of May 13, 2020, city management believes that a material impact on the City's financial position and results of future operations is reasonably possible.

F. **Commitment**

The City has entered into a contract related to an ongoing building project at a City park. Future commitments related to this contract are approximately \$56,000.

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

III. **Other Information:** (Continued)

G. Employee Retirement Plans

The City maintains two separate single-employer pension plans, (Firefighters' Pension Plan and Police Officers' Pension Plan) which are included as pension trust funds in the City's financial reporting entity. The City's single-employer pension plans do not issue stand-alone financial statements.

The City has not received an actuarial valuation and therefore has not implemented the provisions of GASB Statement No. 67 Financial Reporting for Pension Plans and Statement No. 68 Accounting and Financial Reporting for Pensions. Statements No. 67 and 68 establishes standards for the measurement, recognition, and display of pension expense/expenditures and related liabilities, note disclosures, and required supplementary information.

The City also participates in the Florida Retirement System (FRS), which encompasses the FRS Pension and the Retiree Health Insurance Subsidy (HIS) cost-sharing, multiple-employer defined benefit plans, whose assets are not reported in the City's financial statements. FRS offers eligible employees the ability to participate in an alternative defined contribution plan, the Investment Plan. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website at www.dms.myflorida.com/workforce_operations/retirement/publications

FRS Pension Plan

Plan Description and Administration

The entity participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the entity's full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the entity are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes.

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

III. **Other Information:** (Continued)

G. **Employee Retirement Plans** (Continued)

Plan Description and Administration (Continued)

To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

**CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

III. Other Information: (Continued)

G. Employee Retirement Plans (Continued)

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

Contributions

The entity participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2019, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2019	After June 30, 2019
Regular Class	8.26%	8.47%
Senior Management	24.06%	25.41%
Special Risk	24.50%	25.48%
Drop – Applicable to members above	14.03%	14.60%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll

For the plan year ended June 30, 2019, actual contributions made for employees participating in FRS and HIS were as follows:

Entity Contributions – FRS	\$ 65,288
Entity Contributions – HIS	16,516
Employee Contributions – FRS	29,849

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

III. **Other Information:** (Continued)

G. **Employee Retirement Plans** (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At September 30, 2019, the entity reported a net pension liability related to FRS and HIS as follows:

Plan	Net Pension Liability
FRS	\$ 725,130
HIS	332,804
Total	<u>\$ 1,057,934</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The entity's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2019 and June 30, 2018, the entity's proportionate share of the FRS and HIS net pension liabilities were as follows:

Plan	2019	2018
FRS	0.002105577%	0.002072531%
HIS	0.002974384%	0.002888854%

For the plan year ended September 30, 2019, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 172,788
HIS	27,863
Total	<u>\$ 200,651</u>

Deferred outflows/inflows related to pensions:

At September 30, 2019 deferred outflows of resources and deferred inflows of resources related to pensions were recorded from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 43,010	\$ (450)	\$ 4,042	\$ (408)
Changes of assumptions	186,245	-	38,536	(27,201)
Net different between projected and actual investment earnings	-	(40,118)	215	-
Change in proportionate share	6,069	(11,862)	13,483	(2,084)
Contributions subsequent to measurement date	17,342	-	3,916	-
	<u>\$ 252,666</u>	<u>\$ (52,430)</u>	<u>\$ 60,192</u>	<u>\$ (29,693)</u>

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

III. **Other Information:** (Continued)

G. **Employee Retirement Plans** (Continued)

FRS Pension Plan (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions (Continued)

The above amounts for deferred outflows of resources for contributions related to pensions resulting from employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2019	\$ 55,123
2020	55,683
2021	54,331
2022	26,981
2023	10,951
Thereafter	6,408
Total	<u>\$ 209,477</u>

Actuarial assumptions:

The actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2019 for the period July 1, 2003, through June 30, 2018. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.90%. This rate decreased from the prior year rate, which was 7.00%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.50% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 3.87%. Mortality assumptions for both plans were based on the PUB2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

III. **Other Information:** (Continued)

G. **Employee Retirement Plans** (Continued)

FRS Pension Plan (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions (Continued)

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2019, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.3%
Fixed income	18.0%	4.1%
Global equities	54.0%	8.0%
Real estate	10.0%	6.7%
Private equity	11.0%	11.2%
Strategic investments	6.0%	5.9%
Total	<u>100.0%</u>	

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the entity calculated using the current discount rates, as well as what the entity's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	6.90%	\$ 1,253,511	\$ 725,131	\$ 283,845
HIS	3.50%	379,913	332,804	293,568

CITY OF MONTICELLO, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

III. **Other Information:** (Continued)

H. **Other Postemployment Benefits**

The City provides other postemployment benefits (OPEB) to its employees by providing retirement healthcare benefits. The City contributes, along with its employees and retirees, to the Capital Health Plan (Plan) to provide certain healthcare benefits to active and retired employees and their dependents. The Plan is a single-employer plan administered by Capital Health Plan, Inc. and the City. The benefits, benefit levels, employee contributions and employer contributions are governed by the Plan.

Post-employment health care benefits are offered to retired employees and their dependents. All employees are eligible to receive benefits upon their retirement. All health care benefits are provided through the City's Capital Health Plan employee health care plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental and substance abuse care; dental care; and prescriptions. Upon retirees reaching 65 years of age, Medicare becomes the primary insurer and the City's plan will not pay benefits already paid by Medicare.

The City does not contribute any portion of the premiums for current retired employees. All premiums are paid entirely by the plan participant. The use of age-adjusted premiums results in an implicit rate subsidy funded by the City since the healthcare premiums for retirees and active employees are identical.

The state of Florida's Division of Retirement contributes each month \$5 for each year of service, up to \$150 per month. The City's Capital Health Plan contract establishes the individual premium to be paid by the retired employees. The state of Florida prohibits the City from separately rating retired employees and active employees. As a result, the City's premium charges to retired employees can be no more than the premium cost applicable to active employees.

The City has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 75 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and required supplementary information.

I. **Future Accounting Pronouncements**

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which is intended to improve guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB Statement No. 84 are effective for periods beginning after December 15, 2019. The City is currently evaluating the effect that Statement No. 84 will have on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, which aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions in GASB Statement No. 87 are effective for periods beginning after June 15, 2021. The City is currently evaluating the effect that Statement No. 87 will have on its financial statements.

CITY OF MONTICELLO, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019

CITY OF MONTICELLO, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes, licenses and permits	\$ 1,686,000	\$ 1,686,000	\$ 1,724,526	\$ 38,526
Intergovernmental	620,100	620,100	223,832	(396,268)
Charges for services	388,518	388,518	398,748	10,230
Other	43,200	43,200	44,199	999
Total revenues	<u>2,737,818</u>	<u>2,737,818</u>	<u>2,391,305</u>	<u>(346,513)</u>
EXPENDITURES				
Current:				
General government	1,002,950	1,002,950	461,541	541,409
Public safety	845,247	845,247	726,843	118,404
Transportation	726,025	726,025	583,804	142,221
Physical environment	262,096	262,096	285,617	(23,521)
Culture and recreation	-	-	13,501	(13,501)
Debt service:				
Principal	-	-	10,979	(10,979)
Interest	-	-	150	(150)
Total expenditures	<u>2,836,318</u>	<u>2,836,318</u>	<u>2,082,435</u>	<u>753,883</u>
Excess (deficiency) of revenues over expenditures	<u>(98,500)</u>	<u>(98,500)</u>	<u>308,870</u>	<u>407,370</u>
Other financing sources (uses)				
Transfers in (out)	63,500	63,500	(273,961)	(337,461)
Capital contributions	35,000	35,000	-	(35,000)
Total other financing sources (uses)	<u>98,500</u>	<u>98,500</u>	<u>(273,961)</u>	<u>(372,461)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>34,909</u>	<u>34,909</u>
Fund balances, beginning of year	593,794	690,063	752,593	62,530
Fund balances, end of year	<u>\$ 593,794</u>	<u>\$ 690,063</u>	<u>\$ 787,502</u>	<u>\$ 97,439</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MONTICELLO, FLORIDA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
LAST 10 FISCAL YEAR AS OF SEPTEMBER 30

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Florida Retirement System (FRS)						
Proportion of the net pension liability (asset)	0.002105577%	0.002072531%	0.002077410%	0.002091177%	0.002143612%	0.002372254%
Proportionate share of the net pension liability (asset)	\$ 725,131	\$ 624,257	\$ 614,484	\$ 528,024	\$ 276,876	\$ 144,742
Covered payroll	994,968	943,546	919,060	888,426	840,018	845,157
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	72.88%	66.16%	66.86%	59.43%	32.96%	17.13%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
Health Insurance Subsidy Program (HIS)						
Proportion of the net pension liability (asset)	0.002974384%	0.002888854%	0.002883354%	0.002877900%	0.002768871%	0.002844560%
Proportionate share of the net pension liability (asset)	\$ 332,804	\$ 305,760	\$ 308,301	\$ 335,407	\$ 282,381	\$ 265,973
Covered payroll	994,968	943,546	919,060	888,426	840,018	845,157
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.45%	32.41%	33.55%	37.75%	33.62%	31.47%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

**CITY OF MONTICELLO, FLORIDA
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEAR AS OF SEPTEMBER 30**

	2019	2018	2017	2016	2015	2014
<u>Florida Retirement System (FRS)</u>						
Contractually required contribution	\$ 65,289	\$ 63,987	\$ 58,678	\$ 54,241	\$ 55,062	\$ 55,487
Contributions in relation to the contractually required contribution	(65,289)	(63,987)	(58,678)	(54,241)	(55,062)	(55,487)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 994,968	\$ 943,546	\$ 919,060	\$ 888,426	\$ 840,018	\$ 845,157
Contributions as a percentage of covered payroll	6.56%	6.78%	6.38%	6.11%	6.55%	6.57%
<u>Health Insurance Subsidy Program (HIS)</u>						
Contractually required contribution	\$ 16,516	\$ 15,663	\$ 15,256	\$ 14,748	\$ 10,584	\$ 10,142
Contributions in relation to the contractually required contribution	(16,516)	(15,663)	(15,256)	(14,748)	(10,584)	(10,142)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 994,968	\$ 943,546	\$ 919,060	\$ 888,426	\$ 840,018	\$ 845,157
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.26%	1.20%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

CITY OF MONTICELLO, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

A. Budgetary Information:

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, the City Council prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The legal level of budgetary control is the fund level.
6. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**CITY OF MONTICELLO, FLORIDA
OFFICIALS
SEPTEMBER 30, 2019**

CITY COUNCIL

John Jones, Mayor
Troy Avera
John Jones
George Evans
Gloria Cox
Julie Conley

CITY CLERK/TREASURER

Emily Anderson

CITY ATTORNEY

Bruce A. Leinback

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable City Council,
City of Monticello, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Monticello, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of Monticello, Florida's basic financial statements and have issued our report thereon dated May 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Monticello, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Monticello, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Monticello, Florida's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

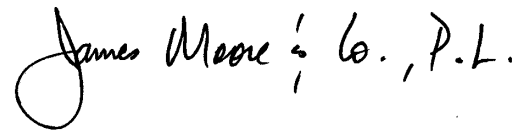
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Monticello, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial "J" and a distinct "Co." followed by "P.L.".

Tallahassee, Florida
May 13, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

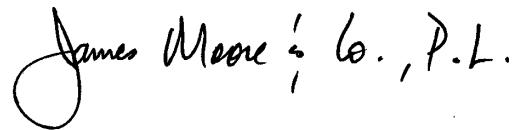
To the Honorable City Council,
City of Monticello, Florida:

We have examined the City of Monticello, Florida's compliance with the requirements of Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2019. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.



Tallahassee, Florida
May 13, 2020

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER
10.550, RULES OF THE STATE OF FLORIDA OFFICE OF THE AUDITOR GENERAL**

To the Honorable City Council,
City of Monticello, Florida:

Report on the Financial Statements

We have audited the financial statements of the City of Monticello, Florida, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated May 13, 2020.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 13, 2020, should be considered in conjunction with this management letter.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This is disclosed as required by accounting principles generally accepted in the United States of America in Note I to the financial statements. There are no component units related to the City of Monticello, Florida.

Financial Condition and Management

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that City of Monticello, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Monticello, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

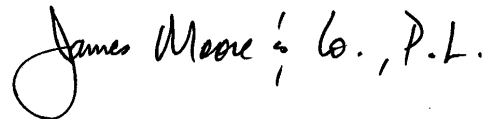
Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, City Council, and management, and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Tallahassee, Florida
May 13, 2020

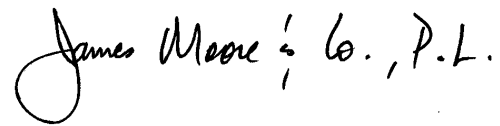
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable City Council,
City of Monticello, Florida:

We have examined the City of Monticello, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, and Section 288.8018, Florida Statutes, in regards to the Deepwater Horizon Oil Spill receipts and expenditures, for the year ended September 30, 2019. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with the aforementioned requirements for the year ended September 30, 2019, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the City of Monticello, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.



Tallahassee, Florida
May 13, 2020

**CITY OF MONTICELLO , FLORIDA
 SCHEDULE REQUIRED BY STATE OF FLORIDA, OFFICE
 OF THE AUDITOR GENERAL RULE 10.557(3)(N)
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Source	Amount Received in the 2018-2019 Fiscal Year	Amount Expended in the 2018-2019 Fiscal Year
British Petroleum:		
Agreement No. PTO No. 38 and FRE 408	\$ -	\$ -

Notes:

1) This does not include funds related to the Deepwater Horizon Oil Spill that are considered Federal awards or State financial assistance. The Schedule of Expenditures of Federal Awards and State Financial Assistance includes \$0.00 of expenditures of Federal awards, and \$0.00 of expenditures of State financial assistance that are related to the Deepwater Horizon Oil Spill.

2) This schedule was prepared on the accrual basis of accounting.