# CITY OF MONTICELLO, GEORGIA

# ANNUAL FINANCIAL REPORT

# FOR THE FISCAL YEAR ENDED

# JUNE 30, 2011

TABLE OF CONTENTS

City of Monticello
Monticello, Georgia — June 30, 2011


| Description | Page Number |
|---|---|
| Independent Auditor's Report | |
| Basic Financial Statements: | |
| Statement of Net Assets - Government-Wide | 3 |
| Statement of Activities and Changes in Net Assets - Government-Wide | 4-5 |
| Balance Sheet - Governmental Funds | 6 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets | 7 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds | 8-9 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 10 |
| Statement of Net Assets - Proprietary Funds | 11 |
| Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds | 12 |
| Statement of Cash Flows - Proprietary Funds | 13 |
| Notes to the Financial Statements | 14-32 |
| Required Supplementary Information: | |
| General Fund: | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (GAAP Budgetary Basis) - General Fund | 33 |
| Supplementary Information: | |
| General Fund: | |
| Schedule of Expenditures - Budget and Actual - General Fund | 35-36 |
| Non-Major Governmental Funds: | |
| Schedule of Assets, Liabilities, and Fund Balance | 37 |

TABLE OF CONTENTS

City of Monticello
Monticello, Georgia — June 30, 2011


| Description | Page Number |
|---|---|
| Schedule of Revenues, Expenditures, and Changes in Fund Balances | 38-39 |
| Special Revenue Fund: | |
| Schedule of Assets, Liabilities, and Fund Balance | 37 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance | 38-39 |
| Schedule of Projects Using Special Purpose Local Option Sales Tax Proceeds | 40 |
| 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 | |
| Schedule of Findings and Responses | 43 |

HERRING
CPA GROUP, P.C.
Certified Public Accountants & Consultants

GERALD N. HERRING, JR., C.P.A.
CHARLES W. POWELL, III, C.P.A.
DAVID L. DEARISO, C.P.A.
TONY QUINNEY, C.P.A.
JAMES H. HERRING, C.P.A.
JANE L. GRAY, C.P.A.

BRENDA T. MCALLISTER, C.P.A.
R. CHAD ALEXANDER, C.P.A.
BRANDON N. MONTGOMERY, C.P.A.

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
THE GEORGIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

OFFICES
TIFTON, GEORGIA
SYLVESTER, GEORGIA

# INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
Members of the City Council
City of Monticello, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Monticello, Georgia as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Monticello, Georgia's management. Our responsibility is to express opinions 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Monticello, Georgia, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011, on our consideration of City of Monticello, Georgia's internal control over financial reporting and on 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* and is important for assessing the results of our audit.

The City of Monticello has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statement.

The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (GAAP Budgetary Basis) - General Fund as described in the table of contents on pages 33 and 34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monticello, Georgia's basic financial statements. The combining and individual non-major fund schedules listed in the table of contents as Supplementary Information, and the Schedule of Projects Constructed with Special Sales Tax Proceeds, as required by the Official Code of Georgia Annotated Section, 48-8-121, as described in the table of contents on pages 35 through 40, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund schedules listed in the table of contents as Supplementary Information, and the Schedule of Projects Constructed with Special Sales Tax Proceeds, as required by the Official Code of Georgia Annotated Section, 48-8-121, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Herring CPA Group, P.C.
Tifton, Georgia
November 22, 2011

## STATEMENT OF NET ASSETS

City of Monticello
Monticello, Georgia

June 30, 2011

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Totals | Downtown Development Authority |
| **ASSETS** | | | | |
| Cash | $ 498,925 | $ 310,745 | $ 809,670 | $ 308 |
| Taxes receivable-delinquent, Net | 43,276 | 0 | 43,276 | 0 |
| Accounts receivable, Net | 12,396 | 450,198 | 462,594 | 0 |
| Loans Receivable | 0 | 382,226 | 0 | 0 |
| Deferred charges | 0 | 68,662 | 0 | 0 |
| Reserved assets | 303,725 | 507,780 | 811,505 | 0 |
| Non-Depreciable Assets | 12,746 | 90,263 | 103,009 | 0 |
| Capital assets - net | 4,206,333 | 8,449,567 | 12,655,900 | 195,896 |
| TOTAL ASSETS | $ 5,077,401 | $ 10,259,441 | $15,336,842 | $ 196,204 |
| **LIABILITIES** | | | | |
| Accounts payable | $ 212,072 | $ 94,130 | $ 306,202 | $ 22,503 |
| Salaries and wages payable | 35,575 | 15,861 | 51,436 | 0 |
| Due to other funds | 188,520 | 59,178 | 247,698 | 0 |
| Customer deposits | 0 | 258,615 | 0 | 0 |
| Compensated absences | 36,895 | 0 | 36,895 | 0 |
| Accrued interest | 0 | 9,228 | 9,228 | 0 |
| Notes payable - current | 266,679 | 238,092 | 504,771 | 58,505 |
| Notes payable - non-current | 1,499,547 | 3,546,594 | 5,046,141 | 100,079 |
| Total Liabilities | $ 2,239,288 | $ 4,221,698 | $ 6,460,986 | $ 181,087 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | $ 2,452,853 | $ 4,993,236 | $ 7,446,089 | $ 14,809 |
| Restricted for: | | | | |
| Debt Retirement | 303,725 | 250,998 | 554,723 | 0 |
| Capital Projects | 320,579 | 0 | 320,579 | 0 |
| Unrestricted | (239,044) | 1,316,330 | 1,077,286 | 308 |
| TOTAL NET ASSETS | $ 2,838,113 | $ 6,560,564 | $ 9,398,677 | $ 15,117 |

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

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

City of Monticello
Monticello, Georgia

| | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions |
|---|---|---|---|
| Primary Government | | | |
| Governmental Activities: | | | |
| General government | $ 425,645 | $ 161,957 | $ 3,218 |
| Public safety | 683,034 | 118,763 | 0 |
| Public works | 557,447 | 120,122 | 0 |
| Health/ welfare | 159,052 | 0 | 0 |
| Interest on long term debt | 124,828 | 0 | 0 |
| Total Governmental Activities | 1,950,006 | 400,842 | 3,218 |
| Business-Type Activities: | | | |
| Water and Sewer | 1,176,628 | 1,380,879 | 0 |
| Electrical | 2,541,888 | 3,051,773 | |
| Natural Gas | 2,023,749 | 1,949,081 | |
| Revolving Loan Fund | 0 | 1,183 | 0 |
| Total Business-Type Activities | 5,742,265 | 6,382,916 | 0 |
| Total Primary Government | $ 7,692,271 | $ 6,783,758 | $ 3,218 |
| Component Unit: | | | |
| Downtown Development Authority | $ 35,686 | $ 42,427 | $ 0 |
| General Revenues : | | | |
| Property taxes | | | |
| Local Option Sales Tax | | | |
| Intergovernmental | | | |
| Franchise Tax | | | |
| Insurance premium taxes | | | |
| Other taxes | | | |
| Insurance premium taxes | | | |
| Penalties and interest on delinquent taxes | | | |
| Interest | | | |
| Other revenue | | | |
| Total General Revenues | | | |
| Transfer in (out) | | | |
| Total General Revenues and Transfers | | | |
| Change in Net Assets | | | |
| NET ASSETS - July 1, 2010 | | | |
| NET ASSETS - June 30, 2011 | | | |

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

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2011

| Program Revenues | | | Net (Expenses) Revenues and Changes in Net Assets Primary Government | | | Component Unit |
|---|---|---|---|---|---|---|
| Capital Grants and Contributions | Total | | Governmental Activities | Business-Type Activities | Total | Downtown Development Authority |
| $ 0 | $ 165,175 | | $ (260,470) | $ 0 | $ (260,470) | $ 0 |
| 0 | 118,763 | | (564,271) | 0 | (564,271) | 0 |
| 0 | 120,122 | | (437,325) | 0 | (437,325) | 0 |
| 0 | 0 | | (159,052) | 0 | (159,052) | 0 |
| 0 | 0 | | (124,828) | 0 | (124,828) | 0 |
| 0 | 404,060 | | (1,545,946) | 0 | (1,545,946) | 0 |
| 0 | 1,380,879 | | 0 | 204,251 | 204,251 | 0 |
| | 3,051,773 | | | 509,885 | 509,885 | 0 |
| | 1,949,081 | | | (74,668) | (74,668) | 0 |
| 0 | 1,183 | | 0 | 1,183 | 1,183 | 0 |
| 0 | 6,382,916 | | 0 | 640,651 | 640,651 | 0 |
| $ 0 | $ 6,786,976 | | $ (1,545,946) | $ 640,651 | $ (905,295) | $ 0 |
| $ 0 | 42,427 | | 0 | 0 | 0 | $ 6,741 |
| | | $ | 308,733 | $ 0 | $ 308,733 | $ 0 |
| | | | 217,904 | 0 | 217,904 | 0 |
| | | | 258,031 | | 258,031 | 0 |
| | | | 37,974 | 0 | 37,974 | 0 |
| | | | 130,704 | 0 | 130,704 | 0 |
| | | | 120,083 | 0 | 120,083 | 0 |
| | | | 0 | 0 | 0 | 0 |
| | | | 0 | 0 | 0 | 0 |
| | | | 0 | 361,944 | 361,944 | 0 |
| | | | 0 | 43,578 | 43,578 | 0 |
| | | | 1,073,429 | 405,522 | 1,478,951 | 0 |
| | | | 405,522 | (405,522) | 0 | 0 |
| | | | 1,478,951 | 0 | 1,478,951 | 0 |
| | | | (66,995) | 640,651 | 573,656 | 6,741 |
| | | | 2,905,108 | 5,919,913 | 8,825,021 | 8,376 |
| | | $ | 2,838,113 | $ 6,560,564 | $ 9,398,677 | $ 15,117 |

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

BALANCE SHEET
GOVERNMENTAL FUNDS

City of Monticello
Monticello, Georgia — June 30, 2011

| | General Fund | Other Governmental Funds | Totals |
|---|---|---|---|
| ASSETS | | | |
| Cash | $ 175,102 | $ 323,823 | $ 498,925 |
| Taxes receivable | 43,276 | 0 | 43,276 |
| Accounts receivable (Net of allowance for uncollectibles of 888) | 12,396 | 0 | 12,396 |
| Due from other funds | 18,001 | 0 | 18,001 |
| Restricted assets | 0 | 303,725 | 303,725 |
| TOTAL ASSETS | $ 248,775 | $ 627,548 | $ 876,323 |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities: | | | |
| Accounts payable | $ 210,500 | $ 1,572 | $ 212,072 |
| Due to other fund | 188,520 | 18,001 | 206,521 |
| Salaries and wages payable | 35,575 | 0 | 35,575 |
| Deferred revenue | 43,276 | 0 | 43,276 |
| Total Liabilities | 477,871 | 19,573 | 497,444 |
| Fund Balances: | | | |
| Unassigned | $ (229,096) | $ (16,329) | $ (245,425) |
| Nonspendable Fund Balance | 0 | 0 | 0 |
| Commited Fund Balance | | 0 | 0 |
| Restricted: | | | |
| Reserved for program purposes | 0 | 320,579 | 320,579 |
| Reserved for debt service | 0 | 303,725 | 303,725 |
| Capital Projects | 0 | 0 | 0 |
| Special Revenue Fund - Public Safety | 0 | 0 | 0 |
| Total Fund Balance | (229,096) | 607,975 | 378,879 |
| TOTAL LIABILITIES AND FUND BALANCE | $ 248,775 | $ 627,548 | $ 876,323 |

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

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
## TO THE STATEMENT OF NET ASSETS

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2011

| | | |
|---|---|---|
| TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | | $ 378,879 |
| Total net assets reported for governmental activities in the Statement of Net Assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets total: | | 4,219,079 |
| Property taxes which are not available to pay for current-period expenditures are reported as deferred income in the Governmental Fund Financial Statements | | |
| Deferred revenue | | 43,276 |
| Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long term-are reported in the statement of net assets. | | |
| Balances at June 30, 2011 are: | | |
| Capital Lease | 111,226 | |
| Compensated Absences | 36,895 | |
| Bonds payable | 1,655,000 | |
| | | (1,803,121) |
| TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES | | $2,838,113 |

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

STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2011

| | General Fund | Other Governmental Funds | Total |
|---|---|---|---|
| Revenues: | | | |
| Taxes | $ 765,549 | $ 3,215 | $ 768,764 |
| Licenses and permits | 92,861 | 0 | 92,861 |
| Intergovernmental revenues | 0 | 258,031 | 258,031 |
| Fines and forfeitures | 118,763 | 0 | 118,763 |
| Charges for services | 161,957 | 0 | 161,957 |
| Other revenue | 77,110 | 0 | 77,110 |
| Total Revenues | 1,216,240 | 261,246 | 1,477,486 |
| Expenditures: | | | |
| Current: | | | |
| General government | 422,805 | 2,840 | 425,645 |
| Public safety | 427,629 | 0 | 427,629 |
| Public works | 439,862 | 0 | 439,862 |
| Health/ welfare | 133,642 | 88,695 | 222,337 |
| Capital Outlay: | 93,935 | 133,650 | 227,585 |
| Debt Service: | | | |
| Principal | 15,405 | 130,000 | 145,405 |
| Interest | 2,555 | 122,273 | 124,828 |
| Total Expenditures | 1,535,833 | 477,458 | 2,013,291 |
| Excess (Deficiency) of Revenues Over Expenditures before Transfers | (319,593) | (216,212) | (535,805) |

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

STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2011

| | General Fund | Other Governmental Funds | Total |
|---|---|---|---|
| Other Financing Sources (Uses) | | | |
| Transfers in (out) | $ 104,340 | $ 300,810 | $ 405,150 |
| Proceeds of long-term debt | 93,935 | 0 | 93,935 |
| Total Other Financing Sources | 198,275 | 0 | 93,935 |
| Net Changes in Fund Balance | (121,318) | 84,598 | (36,720) |
| FUND BALANCE - July 1, 2010 | (107,778) | 523,377 | 415,599 |
| FUND BALANCE - June 30, 2011 | $ (229,096) | $ 607,975 | $ 378,879 |

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

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

City of Monticello
Monticello, Georgia

| | Year Ended June 30, 2011 |
|---|---|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | $ (36,720) |
| The changes in net assets reported for governmental activities in the Statement of Activities are different because: | |
| Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period: | 93,935 |
| Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues at the fund financial reporting level. | |
| Deferred revenue | (36,509) |
| Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, this amount of depreciation expense is not reported as expenditures in the governmental funds: | (181,508) |
| Loan proceeds provide current finacial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Activities. This is the amount of loan proceeds received this year by the government funds: | (93,935) |
| Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Activities. This is the amount of principal paid on long-term debt this year by the government funds: | 188,985 |
| Under the modified accrual basis of accounting used in the governmnetal funds, expenditures are recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of two balances. | |
| Long term compensated absences | (1,243) |
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | $ (66,995) |

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

## STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

City of Monticello
Monticello, Georgia — June 30, 2011

| | Water and Sewer Fund | Electrical | Natural Gas | Revolving Loan Fund | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| CURRENT ASSETS | | | | | |
| Cash | $ 72,827 | $ 70,426 | $ 282 | $ 167,210 | $ 310,745 |
| Accounts receivable - net | 142,408 | 208,144 | 99,646 | 0 | 450,198 |
| Due from other funds | 113,649 | 137,109 | 0 | 21,065 | 271,823 |
| Restricted Assets: | | | | | |
| Municipal Competitive Trust | 0 | 415,252 | 0 | 0 | 415,252 |
| Debt Service Sinking | 92,528 | 0 | 0 | 0 | 92,528 |
| Debt Service Reserve | 250,998 | 0 | 0 | 0 | 250,998 |
| Total Current Assets | 672,410 | 830,931 | 99,928 | 188,275 | 1,791,544 |
| LONG-TERM ASSETS | | | | | |
| Loans Receivable | 0 | 0 | 0 | 382,226 | 382,226 |
| Bond Issuance costs, net | 68,662 | 0 | 0 | 0 | 68,662 |
| | 68,662 | 0 | 0 | 382,226 | 450,888 |
| Capital Assets: | | | | | |
| Land | 89,263 | 0 | 1,000 | 0 | 90,263 |
| Distribution System | 7,953,934 | 1,945,173 | 2,172,273 | 0 | 12,071,380 |
| Buildings | 156,970 | 0 | 0 | 0 | 156,970 |
| Machinery and Equipment | 493,631 | 504,609 | 412,354 | 0 | 1,410,594 |
| | 8,693,798 | 2,449,782 | 2,585,627 | 0 | 13,729,207 |
| Less: accumulated depreciation | (2,832,595) | (858,126) | (1,498,656) | 0 | (5,189,377) |
| Total capital assets | 5,861,203 | 1,591,656 | 1,086,971 | 0 | 8,539,830 |
| TOTAL ASSETS | $ 6,602,275 | $ 2,422,587 | $ 1,186,899 | $ 570,501 | $ 10,782,262 |
| **LIABILITIES** | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | $ 31,210 | $ 38,402 | $ 24,518 | $ 0 | $ 94,130 |
| Accrued payroll liabilities | 7,649 | 4,989 | 3,223 | 0 | 15,861 |
| Due to other funds | 0 | 0 | 59,178 | 0 | 59,178 |
| Customer deposits | 51,723 | 103,446 | 103,446 | 0 | 258,615 |
| Payable from restricted assets: | | | | | 0 |
| Current portion of long-term debt | 160,925 | 58,515 | 18,652 | 0 | 238,092 |
| Accrued interest | 9,228 | 0 | 0 | 0 | 9,228 |
| Total Current Liabilities | 260,735 | 205,352 | 209,017 | 0 | 675,104 |
| Noncurrent Liabilities | | | | | |
| Revenue bonds payable, net of amortized discount | 2,085,000 | 0 | 0 | 0 | 2,085,000 |
| Notes payable | 597,331 | 684,462 | 179,801 | 0 | 1,461,594 |
| | 2,682,331 | 684,462 | 179,801 | 0 | 3,546,594 |
| TOTAL LIABILITIES | 2,943,066 | 889,814 | 388,818 | 0 | 4,221,698 |
| **NET ASSETS** | | | | | |
| Invested in capital assets, net of related debt | 3,178,872 | 907,194 | 907,170 | 0 | 4,993,236 |
| Restricted for debt retirement | 250,998 | 0 | 0 | 0 | 250,998 |
| Unrestricted | 229,339 | 625,579 | (109,089) | 570,501 | 1,316,330 |
| TOTAL NET ASSETS | $ 3,659,209 | $ 1,532,773 | $ 798,081 | $ 570,501 | $ 6,560,564 |

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

## STATEMENT OF REVENUES, EXPENSES, AND

## CHANGES IN NET ASSETS-PROPRIETARY FUNDS

City Of Monticello
Monticello, Georgia

Year Ended
June 30, 2011

| | Water and Sewer Fund | Electrical | Natural Gas | Revolving Loan Fund | Total |
|---|---|---|---|---|---|
| Operating Revenues: | | | | | |
| Charges for services | $ 1,336,090 | $2,715,734 | $ 1,857,000 | $ 0 | $ 5,908,824 |
| Other | 44,789 | 9,433 | 92,081 | 0 | 146,303 |
| Total Operating Revenues | 1,380,879 | 2,725,167 | 1,949,081 | 0 | 6,055,127 |
| Operating Expenses: | | | | | |
| Salaries and benefits | 459,708 | 254,236 | 222,362 | 0 | 936,306 |
| Utilities and communication | 131,061 | 20,352 | 0 | 0 | 151,413 |
| Contract utilities | 0 | 1,870,635 | 1,535,329 | 0 | 3,405,964 |
| Maintenance and repairs | 32,265 | 6,974 | 33,063 | 0 | 72,302 |
| Operating supplies | 35,719 | 14,409 | 8,637 | 0 | 58,765 |
| Professional services | 27,026 | 14,400 | 4,551 | 0 | 45,977 |
| Insurance, other than employee benefits | 28,625 | 11,690 | 7,498 | 0 | 47,813 |
| Other operating expenses | 81,695 | 78,752 | 5,482 | 0 | 165,929 |
| Depreciation | 152,122 | 68,465 | 79,933 | 0 | 300,520 |
| Amortization | 8,851 | 0 | 0 | 0 | 8,851 |
| Total Operating Expenses | 957,072 | 2,339,913 | 1,896,855 | 0 | 5,193,840 |
| Operating Income | 423,807 | 385,254 | 52,226 | 0 | 861,287 |
| Non-Operating Revenues (Expenses): | | | | | |
| Interest revenues | $ 678 | $ 360,083 | $ 0 | $ 1,183 | $ 361,944 |
| Interest expense | (134,766) | (33,477) | (8,814) | 0 | (177,057) |
| Total Non-Operating Revenues (Expenses) | (134,088) | 326,606 | (8,814) | 1,183 | 184,887 |
| Income (Loss) before Transfers | 289,719 | 711,860 | 43,412 | 1,183 | 1,046,174 |
| Transfers in (out) | (85,467) | (201,975) | (118,080) | 0 | (405,522) |
| Change in Net Assets | 204,252 | 509,885 | (74,668) | 1,183 | 640,652 |
| NET ASSETS - July 1, 2010 | 3,454,957 | 1,022,889 | 872,749 | 569,318 | 5,919,913 |
| NET ASSETS - June 30, 2011 | $ 3,659,209 | $1,532,774 | $ 798,081 | $ 570,501 | $ 6,560,565 |

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

STATEMENT OF REVENUES, EXPENSES, AND

CHANGES IN NET ASSETS-PROPRIETARY FUNDS

City Of Monticello
Monticello, Georgia

Year Ended
June 30, 2011

| | Water and Sewer Fund | Electrical | Natural Gas | Revolving Loan Fund | Total |
|---|---|---|---|---|---|
| Cash Flows from Operating Activities: | | | | | |
| Cash Received from Customers | $ 1,347,174 | $ 2,464,932 | $ 1,618,318 | $ 0 | $ 5,430,424 |
| Cash Payments for Goods and Services | (497,364) | $(2,085,677) | $(1,289,493) | | (3,872,534) |
| Cash Payment to Employees | (459,708) | (254,236) | (180,356) | 0 | (894,300) |
| Net Cash Provided by Operating Activities | 390,102 | 125,019 | 148,469 | 0 | 663,590 |
| Cash Flows from Non-Capital Financing Activities: | | | | | |
| Transfers from (to) Other Funds | (85,467) | (201,975) | (118,080) | 0 | (405,522) |
| Net Cash Used by Non-Capital Financing Activities | (85,467) | (201,975) | (118,080) | 0 | (405,522) |
| Cash Flows from Capital and Related Financing Activities: | | | | | 0 |
| Acquisition of Capital Assets | (80,448) | (111,025) | (224,531) | 0 | (416,004) |
| Interest paid on notes payable | 0 | (33,477) | (8,814) | 0 | (42,291) |
| Principal paid on notes payable | 0 | (32,474) | (15,536) | 0 | (48,010) |
| Principal paid on revenue bonds | (130,000) | 0 | 0 | 0 | (130,000) |
| Interest and fees paid on revenue bonds | (134,766) | 0 | 0 | 0 | (134,766) |
| Net Cash Used by Capital and Related Financing Activities | (345,214) | (176,976) | (248,881) | 0 | (1,582,115) |
| Cash Flows from Investing Activities: | | | | | |
| Interest revenue | 0 | 0 | 0 | 1,183 | 1,183 |
| Deposits to restricted accounts | 221,369 | 416,548 | 330,763 | | 968,680 |
| Disbursements from restricted assets | (203,504) | (92,190) | (111,989) | 0 | (407,683) |
| Net Cash Provided used by Investing Activities | 17,865 | 324,358 | 218,774 | 1,183 | 562,180 |
| Net Increase (Decrease) in Cash and Restricted Cash | (22,714) | 70,426 | 282 | 1,183 | (761,867) |
| Cash and Restricted Cash - July 1, 2010 | 95,541 | 0 | 0 | 166,027 | 261,568 |
| Cash and Restricted Cash - June 30, 2011 | $ 72,827 | $ 70,426 | $ 282 | $ 167,210 | $ (500,299) |

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

The financial statements of City of Monticello (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. As required by GAAP, these financial statements present the City and its component unit, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Currently, the City has no blended component units. Discreetly presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City.

Included as a discreetly presented component unit in a separate column in the combined financial statements to emphasize it is legally separate from the City:

Monticello Downtown Development Authority-The Development Authority was established by the City of Monticello. The City, by virtue of its appointments, controls a majority of the governing body positions. The Authority is required to provide the City with a proposed operating budget each year. Its stated purpose is to develop and promote a healthy and prosperous downtown within the context of cultural and historical preservation. The Monticello Downtown Development Authority does not issue separate component unity financial statements.

The Housing Authority of the City of Monticello, Georgia is considered a related organization based upon the criteria in GASB Statement 14. The Housing Authority is a legally separate entity having a board comprised of members appointed by the City of Monticello, Georgia. The City of Monticello, Georgia is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority of the City of Monticello, Georgia is a related organization.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City (the primary government) and its component units. 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions, and segments. 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 as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. 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 Basis of 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 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.

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 measureable 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 the 60 days of the end of the current fiscal year period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including accrued interest on general long-term debt, is recognized when due, and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

The General Fund is the City'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 City reports the following major proprietary funds:

The Water and Sewer Fund is used to account for the provision of water and sewer services to businesses and residents of the City. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

The Electrical Fund is used to account for the provision of electric services to the businesses and residents of the City. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

The Natural Gas Fund is used to account for the provision of natural gas service to the businesses and residents of the City. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

The Revolving Loan Fund is used to account for the issuance and repayment of loans made to customers.

The City complies with the Governmental Accounting Standards Board ("GASB") Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use proprietary fund accounting. This Statement requires the City to apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's). As permitted by GASB No. 20, the City has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

As a general rule the effect of inter-fund 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.

Proprietary funds distinguish operating revenues and expenses from non operating 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 proprietary funds are charges to customers for sales and services; operating expenses 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 non operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Cash and Investments**

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within the next three months of the date acquired by the City.

Investments are stated at fair market value with unrealized holding gains and losses reported as the "Change in fair market value of investments" in the Statement of Revenues, Expenses, and Changes in Retained Earnings.

**E. Inventory**

Inventory is valued at cost, which approximates market, using the first in/first out method. The cost of governmental fund-type inventory is recorded as an expenditure when consumed rather than when purchased.

**F. Prepaid Items**

Prepaid balances, if any, are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and a reserve for prepaid items is recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

**G. Capital Assets and Depreciation**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, sidewalks, distribution systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets in excess of $5,000 and with 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. Prior to July 1, 2004, governmental fund's infrastructure assets were not capitalized.

Infrastructure assets totaling $155,048 were completed during the year ended June 30, 2011.

The costs of normal repairs and maintenance that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed and recorded by the straight line method. Estimated useful lives of the various classes of depreciable capital assets are as follows.

| | |
|---|---|
| Buildings | 30-40 years |
| Depreciable land improvements | 8-20 years |
| Machinery and equipment | 5-25 years |
| Infrastructure | 40-50 years |

**H. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary 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.

**I. Long-Term Obligations**

In the government-wide financial statements, and 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 statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**J. Restricted Assets**

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because they are maintained in separate bank accounts and their use is restricted by bond covenants.

## K. Equity Classifications

In the Fund Financial Statements, there are five classifications of fund balance:

1. Nonspendable Fund Balance – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. Inventories and prepaid amounts are considered nonspendable.

2. Restricted Fund Balance – The restricted fund balance classification occurs when constraints are placed on the use of resources either externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation.

3. Committed Fund Balance – The committed fund balance classification occurs when amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

4. Assigned Fund Balance – The assigned fund balance classification occurs when amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed.

5. Unassigned Fund Balance – The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**Fund Statements**
Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

## L. Inter-fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly chargeable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is being reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

## M. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for proprietary fund types are deferred and

amortized over the term of the bonds using the straight-line method. Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

## 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Basis

GAAP is the budgetary basis used in the preparation of these statements.

### Budget Requirements, Accounting and Reporting

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

1. Prior to year end the City Manager submits to the Mayor and Council a proposed operating budget for the General Fund and the Special Revenue Funds for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. The Council holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ of City of Monticello.

3. The budget is then revised and adopted or amended by the Council at a regular meeting early in the year to which it applies.

4. The City Manager is delegated the authority, upon the direction and approval by the Mayor and Council to transfer sums from one budget line item to another. No increase in the overall budget for the City may be made without the approval of the Mayor and Council and amendment to the budget.

5. The legal level of budgetary control is the department level within the General Fund. Increases in the total appropriations of a department, whether accomplished through an increase in estimated revenues or through a transfer of appropriations among departments, require the approval of the Mayor and Council.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund. The budgets for the General Fund, Special Revenue Funds and Debt Service Fund are adopted on a basis consistent with GAAP.

7. Budgeted amounts are as originally adopted. Or as amended by the Council. Individual amendments were not material in relation to the original appropriations which were amended.

8. Proprietary fund budgets are prepared and utilized as a management tool to assess the operations of the enterprise funds.

**Deficit Fund Equity**

At June 30, 2011, the General Fund had a deficit fund balance of $229,096. This deficit will be liquidated with future operating and grant revenues.

## 3. DEPOSITS AND INVESTMENTS

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2011, none of the City's $809,670 was exposed to custodial credit risk.

Investments – Investments are stated at fair value.

As of June 30, 2011, the City had investments in U.S. Government Securities and in the Municipal Competitive Trust totaling $415,252 as follows:

| Investment Type | Fair Value | Credit Quality |
|---|---|---|
| U.S. Securities | $415,252 | N/A |

Interest Rate Risk- The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk-State statutes authorize the City to invest in obligations of the U.S. Treasury, other U.S. Government agencies, State of Georgia, Other States, Prime Banker's Acceptances, repurchase agreements and other political subdivisions of Georgia.

## 4. PROPERTY TAXES

The value of all real and business personal property located in the City is assessed (appraised) as of each January 1. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council. Appraised values are established by the Jasper County Tax Assessors at 40% of estimated fair market value. Taxes were levied when the millage rate was set on October 20 and are due on or before December 20 after which date penalties and interest were assessed. Property on which taxes are not paid within 60 days of mailing may then be levied on by the City. Current tax collections for the year ended June 30, 2011 were 91.9% of the tax levy.

Property taxes are recorded as receivables and deferred at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts

estimated to be collectible within sixty days following the close of the fiscal year, and therefore susceptible to accrual in accordance with GAAP have been recognized as revenue.

## 5. ACCOUNTS RECEIVABLE

At June 30, 2011, accounts receivable consisted of the following:

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| General Fund: | | | |
| Property Tax | $ 42,924 | $ 0 | $ 42,924 |
| Garbage Fees | 12,396 | 0 | 12,396 |
| Electric Fund – electric fees | 0 | 254,622 | 254,622 |
| Water and Sewer Fund – Fees | 0 | 142,408 | 142,408 |
| Natural Gas Fund – Fees | 0 | 99,646 | 99,646 |
| | 55,320 | 496,676 | 551,996 |
| Allowance for doubtful accounts | (888) | (46,478) | (47,366) |
| | $ 54,432 | $ 450,198 | $ 504,630 |

## 6. CHANGES IN CAPITAL ASSETS

Capital asset activity for the primary government for the fiscal year ended June 30, 2011 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Capital Assets not being depreciated | | | | |
| Land | $ 12,746 | $ 0 | $ 0 | $ 12,746 |
| Construction in Progress | 155,048 | 0 | 155,048 | 0 |
| Total capital assets not being Depreciated | 167,794 | 0 | 155,048 | 12,746 |
| Buildings and improvements | 4,324,731 | 155,048 | 0 | 4,479,779 |
| Machinery and equipment | 938,968 | 41,047 | 0 | 980,015 |
| Vehicles | 482,056 | 52,888 | 0 | 534,944 |
| | 5,745,755 | 248,983 | 0 | 5,994,738 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 807,649 | 118,245 | 0 | 925,894 |
| Machinery and equipment | 385,698 | 34,505 | 0 | 420,203 |
| Vehicles | 413,550 | 28,758 | 0 | 442,308 |
| Total accumulated depreciation | 1,606,897 | 181,508 | 0 | 1,788,405 |
| Total capital assets, net | 4,138,858 | 67,475 | 0 | 4,206,333 |
| Governmental capital assets, net | 4,306,652 | 67,475 | 155,048 | 4,219,079 |
| Business-type Activities: | | | | |
| Capital Assets not being depreciated | | | | |
| Land | 90,263 | 0 | 0 | 90,263 |
| Construction in Progress | 41,230 | 0 | 41,230 | 0 |
| Total capital assets not being Depreciated | 131,493 | 0 | 41,230 | 90,263 |
| Buildings and improvements | 156,970 | 0 | 0 | 156,970 |
| Machinery and equipment | 993,544 | 0 | 0 | 993,544 |
| Distribution system | 11,406,286 | 1,082,144 | 0 | 12,488,430 |
| | 12,556,800 | 1,082,144 | 0 | 13,638,944 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 131,434 | 1,592 | 0 | 133,026 |
| Machinery and equipment | 973,838 | 4,638 | 0 | 978,476 |
| Distribution system | 3,783,585 | 294,290 | 0 | 4,077,875 |
| Total accumulated depreciation | 4,888,857 | 300,520 | 0 | 5,189,377 |
| Total capital assets, net | 7,667,943 | 781,624 | 0 | 8,449,567 |
| Business-type capital assets, net | $7,799,436 | $ 781,624 | $ 41,230 | $ 8,539,830 |

Depreciation was charged to functions as follows:

Governmental activities:

| | |
|---|---|
| General government | $ 130,574 |
| Public Safety | 28,198 |
| Public Works | 15,838 |
| Health and Welfare | 6,898 |
| | $ 181,508 |

Business-type activities:

| | |
|---|---|
| Water and Sewer | $ 195,883 |
| Electrical | 39,989 |
| Natural gas | 64,648 |
| | $ 300,520 |

## 7. LONG-TERM DEBT

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds issued in prior years was $2,690,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The bonds generally are issued as 20 year serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

| | | |
|---|---|---|
| Governmental Activities | 6.85% | $1,655,000 |

Annual debt service requirements to maturity for general obligation bonds are as follows:

| Year Ended June 30, | Principal | Interest |
|---|---|---|
| 2012 | $ 140,000 | $113,368 |
| 2013 | 150,000 | 103,778 |
| 2014 | 160,000 | 93,502 |
| 2015 | 170,000 | 82,543 |
| 2016 | 180,000 | 71,388 |
| 2017-2020 | 855,000 | 150,552 |
| | $1,655,000 | $615,131 |

**Revenue Bonds**

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The revenue bonds are secured by a pledge of the revenues from the operation of the City's Water and Sewer Fund subject to payment of reasonable and necessary costs of operating and maintaining the fund's facilities and systems.

On August 15, 1998, the City refunded $445,000 Water and Sewer Revenue Bonds, Series 1978, maturing in the years 1998 through 2007 by issuance of $3,670,000 Refunding Bonds,

Series 1998. The refunding increased total debt service payments over the next 25 years by $174,625 and resulted in an economic loss of $30,460. The reacquisition price exceeded the net carrying amount of the old debt by $41,855.

This amount is being netted against the new debt and amortized over the remaining life of the original issue. Revenue bonds outstanding as of June 30, 2011 are as follows:

| | | |
|---|---|---|
| Water and Sewer upgrades | 3.5 to 4.78% | $2,339,671 |

Revenue bond debt service requirements to maturity are as follows:

| Year Ended June 30, | Principal | Interest |
|---|---|---|
| 2012 | $ 140,000 | $110,731 |
| 2013 | 145,000 | 104,641 |
| 2014 | 150,000 | 97,935 |
| 2015 | 160,000 | 90,998 |
| 2016 | 910,000 | 337,745 |
| 2017-2021 | 655,000 | 166,250 |
| 2022-2024 | 179,671 | 60,500 |
| | $2,339,671 | $847,800 |

**Notes Payable**

The City obtained a $750,000 MEAG loan in November 2005 to upgrade the City's electrical system. The loan is to be repaid in 180 monthly installments of $5,770, including interest at 4.52%. The outstanding balance at June 30, 2011 was $526,270.

Annual debt service requirements to maturity for the above note payable are as follows:

| Year Ended June 30, | Principal | Interest |
|---|---|---|
| 2012 | $ 46,406 | $ 22,834 |
| 2013 | 48,548 | 20,692 |
| 2014 | 50,788 | 18,452 |
| 2015 | 53,132 | 16,108 |
| 2016 | 55,456 | 13,784 |
| 2017-2020 | 271,940 | 5,020 |
| | $ 526,270 | $ 96,890 |

The City obtained a $766,148 loan in June 2010 to upgrade the City's utility meters. The loan is to be repaid in 120 monthly installments of $7,925, including interest at 4.24%. The outstanding balance at June 30, 2011 was $710,534.

Annual debt service requirements to maturity for the above note payable are as follows:

| Year Ended June 30, | Principal | Interest |
|---|---|---|
| 2012 | $ 66,257 | $ 28,847 |
| 2013 | 69,121 | 25,983 |
| 2014 | 72,109 | 22,995 |
| 2015 | 75,227 | 19,877 |
| 2016 | 78,695 | 16,409 |
| 2017-2020 | 349,125 | 31,291 |
| | $ 710,534 | $ 145,402 |

The City obtained a $16,536 loan in October 2009 to purchase a vehicle for use by the City Manager. The loan is to be repaid in 36 monthly installments of $486, including interest at 3.76%. The outstanding balance at June 30, 2011 was $7,580.

Annual debt service requirements to maturity for the above note payable are as follows:

| Year Ended June 30, | Principal | Interest |
|---|---|---|
| 2012 | $ 5,649 | $ 189 |
| 2013 | 1,931 | 15 |
| | $ 7,580 | $ 204 |

The City obtained a $40,300 USDA loan in September 2007 to purchase two police cars. The loan is to be repaid in 5 annual installments of $9,085, including interest at 4.125%. The outstanding balance at June 30, 2011 was $17,088.

Annual debt service requirements to maturity for the above note payable are as follows:

| Year Ended June 30, | Principal | Interest |
|---|---|---|
| 2012 | $ 8,367 | $ 718 |
| 2013 | 8,721 | 364 |
| | $ 17,088 | $ 1,082 |

## Changes in Long-Term Liabilities

| | Beginning Balance | Increases | Decreases | Ending Balance | Amount due in One Year |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| General Obligation Bonds | $ 1,785,000 | $ 0 | $ 130,000 | $ 1,655,000 | $ 140,000 |
| Notes Payable | 38,138 | 93,935 | 20,847 | 111,226 | 14,016 |
| Compensated Absences | 38,138 | 0 | 1,243 | 36,895 | 36,895 |
| | $ 1,861,276 | $ 93,935 | $ 152,090 | $ 1,803,121 | $ 190,911 |
| Business-Type Activities: | | | | | |
| Bonds Payable: | $ 2,469,671 | $ 0 | $ 130,000 | $ 2,339,671 | $ 140,000 |
| Notes Payable | 1,336,777 | 208,211 | 99,973 | 1,445,015 | 111,953 |
| | $ 3,806,448 | $ 208,211 | $ 229,973 | $ 3,784,686 | $ 251,953 |

For the governmental activities, compensated absences are generally liquidated by the General Fund.

## 8. INTERFUND TRANSACTIONS AND BALANCES

Due to/from other funds:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| Revolving Loan Fund | General Fund | $ 21,065 |
| Water and Sewer Fund | General Fund | 113,649 |
| Electrical Fund | General Fund | 53,806 |
| | | $ 188,520 |

The amounts due the Water and Sewer Fund from the General Fund represent loans for operating expenses. The remaining outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions that are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

| Transfer Out | General Fund | Nonmajor Govt | Total |
|---|---|---|---|
| General Fund | $ 0 | $ 301,182 | $ 301,182 |
| Gas Fund | 118,080 | 0 | 118,080 |
| Non major funds | | | |
| Water and Sewer Fund | 85,467 | 0 | 85,467 |
| Electric Fund | 201,975 | 0 | 201,975 |
| | $ 405,522 | $ 301,182 | $ 706,704 |

Transfers are used to move unrestricted revenue to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

## 9. COMMITMENTS AND CONTINGENCIES

### Litigation

Amounts expended or payable from federal grantor agencies are subject to audit and adjustment. 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 such amounts, if any, to be immaterial.

Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

### Agreements with Municipal Electric Authority of Georgia ("MEAG")

In 1976, the City along with 45 other cities and one county, all political subdivisions of the State of Georgia, entered into a Power Sales Contract with the Municipal Electric Authority of Georgia, a public corporation and instrumentality of the State of Georgia. Under the terms of the agreement, MEAG agrees to provide, and the cities are obligated to purchase, all of their bulk power supply requirements for a period not to exceed 50 years. In 2004, the cities unanimously voted to extend the contract with MEAG an additional 50 years. The cities have agreed to purchase all their future power and energy requirements in excess of that received by the cities through the Southeastern Power Administration at prices intended to cover the operating costs of the systems and to retire any debt incurred by MEAG. In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each city has guaranteed a portion of the unpaid debt based on their individual entitlement shares of the output and services of generating units acquired or constructed by MEAG. In addition, in the event of discontinued service to a participant in default, the City would be obligated to purchase additional power subject to contractual limitations.

At June 30, 2011, the outstanding debt of MEAG was approximately $3.20 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately $12.0 million at June 30, 2011.

In 1999, the City approved a resolution adopting the provisions of the Municipal Competitive Trust (the "Trust"), which was created by MEAG for the mutual benefit of MEAG and its wholesale customers which have elected to become beneficiaries. The Trust was established to provide MEAG and the trust's beneficiaries a means to mitigate the expected differential between market rates for power and the costs of power generated by MEAG facilities, after deregulation of the electric industry.

The Trust created three funds in which the City participates. The following is a brief description of each fund:

**Flexible Operating Trust Account**

This account is available to the City for withdrawal without restriction

**Credit Support Operating Account and Reserve Funded Debt Account**

These accounts are restricted to loans or offsets to billings from MEAG for power usage if certain criteria are met related to power costs from MEAG compared to market rates. The total balance in these two accounts at June 30, 2011 was $1,933,643, but is not recorded as an asset of the City.

## 10. DEFINED BENEFIT PENSION PLAN

### A. Plan Description

The City has a non-contributory plan covering all full time employees. The plan is administered by the Georgia Municipal Employees Benefit System (GMEBS), a statewide agent multiple-employer type plan. The plan provides pension benefits and death and disability benefits for all employees that have been employed full time for one year. Employees become vested after ten years of service. Members may retire on reaching the age of 55 or 65, depending on years of service. Benefits are calculated at 1.5% of the average monthly earnings for the period of the five highest years prior to retirement. The benefit provisions and contribution requirements are established by GMEBS and the Adoption Agreement executed by the City.

As of January 1, 2011, the date of the latest actuarial valuation study, employee membership data related to the current plan membership was as follows:

| | |
|---|---|
| Retirees and beneficiaries currently receiving benefits | 33 |
| Terminated employees entitled to benefits but not yet receiving them | 18 |
| Current Active Employees: | |
| Vested | 29 |
| Nonvested | 15 |
| Total membership in the plan | 95 |
| Total current year covered payroll | $1,185,785 |

### B. Summary of Significant Accounting Policies

Financial statements of the plan are prepared on the accrual basis of accounting. Contributions from the City are recognized as revenue as billed by GEMBS. Investment income is recognized as earned by the plan. The net appreciation (depreciation) in the fair value of investments held by the pension plan is recorded as the valuation of investments at the end of each month during the period. There are no investments in, loans to, or leases with parties related to the pension plan.

### C. Funding Status and Progress

The amount shown as the "Actuarial Value of Plan Assets" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial present value of credited projected benefits and is intended to: (1) help users assess the retirement plans funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due and (3) allow for comparisons among public employee retirement plans. The actuarial value of plan assets was determined as part of an actuarial valuation of the plan as of January 1, 2011. Significant actuarial assumptions used in determining the actuarial value of plan assets include: (a) a rate of return on the investment of present and future assets of 8% per year, (b) projected salary increases of 5% per year, attributable to inflation, (c) additional projected salary increases of 0.5% per year, attributable to seniority/merit and (d) the assumption that benefits will not increase after retirement. The method used to determine the actuarial value of assets is to roll forward the prior year's actuarial value with contributions, disbursements, and expected return on investments, plus 10% of investment gains (losses) during the ten prior years. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981, the period is open, and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. The weighted average rate of return used in determining the actuarial present value of accumulated plan benefits was 8%.

### D. Contributions Required and Contributions Made

As a participant in the GMEBS, the City receives a separate annual actuarial valuation as of January 1. The City is required to pay the required annual actuarial contribution to GMEBS on a monthly basis. These contributions are determined under the projected unit credit actuarial cost method. The actuarial funding method is the same method used in computing the actuarial value of plan assets. Total pension costs were $175,365 for the year ended June 30, 2011, which includes amortization of past service costs over 30 years. This contribution amounted to 8.0% of the total covered payroll. The City's total payroll was $1,452,655 and the covered payroll was $1,185,785. There were no changes in plan provisions valued, cost methods, actuarial assumptions, or benefits during the year.

The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the actuarial accrued liability as described in C. above.

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Actuarial value of assets | $1,376,128 | $1,764,929 | $1,925,536 |
| Actuarial accrued liability | 2,094,905 | 2,035,270 | $2,056,365 |
| Funded ratio | 66% | 87% | 93% |
| Total unfunded actuarial liability (funding excess) | 718,777 | 270,341 | 130,829 |
| Annual covered payroll | 1,455,696 | 1,163,349 | 1,180,857 |
| Ratio of unfunded (excess) to annual covered payroll | | | |
| Actual contribution as a percentage of covered payroll | | | |
| Three year trend information | | | |
| Annual pension cost | 102,568 | 180,560 | 175,365 |
| Percentage of APC contributed | 100% | 100% | 100% |
| Net pension obligation | 0 | 0 | 0 |

To obtain a copy of the financial report for the GEMBS pension plan, write to the following address:

Georgia Municipal Employees Benefit System
201 Pryor Street, SW
Atlanta, Georgia 30303

## 11. 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, job related illnesses or injuries to employees; natural disaster, and unemployment compensation. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Workers' Compensation Self-Insurance Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association administers both risk pools.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pools' agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all costs taxed against any members in

any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

The City also provides health insurance coverage for its employees through the Georgia Municipal Employees Benefit System (GEMBS).

## 12. POST EMPLOYMENT BENEFITS

The City does not provide supplemental life or health insurance coverage to retirees.

## 13. JOINT VENTURE

Under Georgia law, the City in conjunction with other cities and counties in the fourteen City east central Georgia area, is a member of the Northeast Georgia Regional Development Center and is required to pay annual dues thereto. During its year ended June 30, 2011, the City paid $1,942 in such dues. Membership in a Regional Development Center (RDC) is required by the OCGA Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each City and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from:

Northeast Georgia Regional Development Center
305 Research Drive
Athens, Georgia 30605-2795

# REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BUDGETARY BASIS) -GENERAL FUND

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2011

| | Original Budget | Final Budget | Actual | Variance |
|---|---|---|---|---|
| Revenues: | | | | |
| Real property | $ 275,000 | $ 275,000 | $ 308,733 | $ 33,733 |
| Local option sales and use taxes | 280,000 | 280,000 | 217,904 | (62,096) |
| Motor vehicle and mobile home tax | 25,000 | 25,000 | 25,029 | 29 |
| Intangible tax | 7,000 | 7,000 | 3,190 | (3,810) |
| Real estate transfer tax | 1,200 | 1,200 | 455 | (745) |
| Franchise tax | 23,000 | 23,000 | 37,974 | 14,974 |
| Alcoholic beverages licenses | 75,000 | 75,000 | 72,636 | (2,364) |
| Insurance premium tax | 130,000 | 130,000 | 130,704 | 704 |
| Business and occupational tax | 40,000 | 40,000 | 37,313 | (2,687) |
| Contributions and donations from private sources | 0 | 0 | 17,934 | 17,934 |
| Alcoholic beverages licenses | 20,000 | 20,000 | 20,225 | 225 |
| Payment in lieu of taxes | 4,000 | 4,000 | 4,247 | 247 |
| Court costs | 10,000 | 10,000 | 13,922 | 3,922 |
| Charges for services-sanitation | 150,000 | 150,000 | 144,023 | (5,977) |
| Fines and forfeitures | 100,000 | 100,000 | 104,841 | 4,841 |
| Interest revenue | 1,000 | 1,000 | 1,546 | 546 |
| Insurance Reimbursement | 0 | 0 | 56,510 | 56,510 |
| Miscellaneous revenue | 20,000 | 20,000 | 19,054 | (946) |
| Total Revenues | 1,161,200 | 1,161,200 | 1,216,240 | 55,040 |

(Continued on next page)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BUDGETARY BASIS) -GENERAL FUND

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2011

| | Original Budget | Final Budget | Actual | Variance |
|---|---|---|---|---|
| Expenditures: | | | | |
| General government | $ 481,125 | $ 481,125 | $ 422,805 | $ (58,320) |
| Public safety | 510,000 | 510,000 | 498,477 | (11,523) |
| Public works | 515,000 | 515,000 | 480,909 | (34,091) |
| Health/ welfare | 170,000 | 170,000 | 133,642 | (36,358) |
| Total Expenditures | 1,676,125 | 1,676,125 | 1,535,833 | (140,292) |
| Excess of Revenues Over Expenditures | (514,925) | (514,925) | (319,593) | 195,332 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 512,925 | 512,925 | 405,522 | (107,403) |
| Transfers out | | | (301,182) | (301,182) |
| Borrowed Funds | 0 | 0 | 93,935 | 93,935 |
| Total Other Financing Sources (Uses) | 514,925 | 514,925 | 198,275 | (316,650) |
| Deficiency of Revenues and Other Financing Sources Over Expenditures | $ 0 | $ 0 | (121,318) | $ (121,318) |
| FUND BALANCE - July 1, 2010 | | | (107,778) | |
| FUND BALANCE - June 30, 2011 | | | $ (229,096) | |

# OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

GENERAL FUND

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2011

| | Original Budget | Final Budget | Actual | Variance |
|---|---|---|---|---|
| **General Government:** | | | | |
| Clerks Office: | | | | |
| Personal services | $ 68,000 | $ 68,000 | $ 47,442 | $ (20,558) |
| Supplies | 35,000 | 35,000 | 54 | (34,946) |
| Other services and charges | 76,000 | 76,000 | 130,619 | 54,619 |
| Capital Outlays | 0 | 0 | 0 | 0 |
| | 179,000 | 179,000 | 178,115 | (885) |
| Mayor and Council: | | | | |
| Personal services | 60,000 | 60,000 | 49,826 | (10,174) |
| Supplies | 3,000 | 3,000 | 1,678 | (1,322) |
| Other services and charges | 15,000 | 15,000 | 9,420 | (5,580) |
| Capital Outlays | 0 | 0 | 0 | 0 |
| | 78,000 | 78,000 | 60,924 | (17,076) |
| Maintenance and Shop | | | | |
| Personal services | 51,000 | 51,000 | 49,265 | (1,735) |
| Supplies | 16,125 | 16,125 | 15,378 | (747) |
| Other services and charges | 45,000 | 45,000 | 43,701 | (1,299) |
| Capital Outlays | 0 | 0 | 0 | 0 |
| | 112,125 | 112,125 | 108,344 | (3,781) |
| Management | | | | |
| Personal services | 23,000 | 23,000 | 22,435 | (565) |
| Supplies | 1,500 | 1,500 | 556 | (944) |
| Other services and charges | 3,000 | 3,000 | 1,896 | (1,104) |
| Capital Outlays | 0 | 0 | 0 | 0 |
| | 27,500 | 27,500 | 24,887 | (2,613) |
| Non-Departmental | | | | |
| Personal services | 80,000 | 80,000 | 50,535 | (29,465) |
| Supplies | 1,500 | 1,500 | 0 | (1,500) |
| Other services and charges | 3,000 | 3,000 | 0 | (3,000) |
| Capital Outlays | 0 | 0 | 0 | 0 |
| | 84,500 | 84,500 | 50,535 | (33,965) |
| Public Safety | | | | |
| Personal services | 375,000 | 375,000 | 366,095 | (8,905) |
| Supplies | 15,000 | 15,000 | 12,821 | (2,179) |
| Other services and charges | 60,000 | 60,000 | 66,673 | 6,673 |
| Capital Outlays | 60,000 | 60,000 | 52,888 | (7,112) |
| | 510,000 | 510,000 | 498,477 | (11,523) |
| Public Works | | | | |
| Personal services | 235,000 | 235,000 | 232,127 | (2,873) |
| Supplies | 10,000 | 10,000 | 9,059 | (941) |
| Other services and charges | 60,000 | 60,000 | 57,956 | (2,044) |
| Garbage and landfill fees | 150,000 | 150,000 | 140,720 | (9,280) |

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

GENERAL FUND

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2011

| | Original Budget | Final Budget | Actual | Variance |
|---|---|---|---|---|
| Capital Outlays | 60,000 | 60,000 | 41,047 | (18,953) |
| | 515,000 | 515,000 | 480,909 | (34,091) |
| Health and Welfare | | | | |
| Personal services | 60,000 | 60,000 | 41,213 | (18,787) |
| Supplies | 15,000 | 15,000 | 8,250 | (6,750) |
| Other services and charges | 95,000 | 95,000 | 84,179 | (10,821) |
| Capital Outlays | 0 | 0 | 0 | 0 |
| | 170,000 | 170,000 | 133,642 | (36,358) |
| Total Expenditures | $ 1,676,125 | $ 1,676,125 | $ 1,535,833 | $ (140,292) |

SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE-SPECIAL REVENUE FUNDS

City of Monticello
Monticello, Georgia — June 30, 2011

| | SPECIAL REVENUE | | DEBT SERVICE | CAPITAL PROJECTS | |
|---|---|---|---|---|---|
| | Drug Seizure | Summer Food | Government Complex | Capital Projects | Total |
| ASSETS | | | | | |
| Cash | $ 127 | $ 3,244 | $ 0 | $ 320,452 | $ 323,823 |
| Restricted cash and cash equivalents | | | 303,725 | 0 | 303,725 |
| Due from other governments | 0 | 0 | 0 | 0 | 0 |
| TOTAL ASSETS | $ 127 | $ 3,244 | $ 303,725 | $ 320,452 | $ 627,548 |
| LIABILITIES AND FUND BALANCE | | | | | |
| Liabilities: | | | | | |
| Accounts payable | $ 0 | $ 1,572 | $ 0 | $ 0 | $ 1,572 |
| Due to general fund | 0 | 18,001 | 0 | 0 | 18,001 |
| Total Liabilities | 0 | 19,573 | 0 | 0 | 19,573 |
| Fund Balance: | | | | | |
| Fund balance - restricted | 127 | (16,329) | 303,725 | 320,452 | 607,975 |
| Total Fund Balance | 127 | (16,329) | 303,725 | 320,452 | 607,975 |
| TOTAL LIABILITIES AND FUND BALANCE | $ 127 | $ 3,244 | $ 303,725 | $ 320,452 | $ 627,548 |

SCHEDULE OF REVENUES, EXPENSES AND CHANGES

IN FUND BALANCE-SPECIAL REVENUE FUNDS

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2011

| Program Activity | SPECIAL REVENUE Drug Seizure | SPECIAL REVENUE Hotel Motel Tax | SPECIAL REVENUE Summer Food | DEBT SERVICE Government Complex | CAPITAL PROJECTS Capital Projects | Total |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| Hotel / motel taxes | $ 0 | $ 3,215 | $ 0 | $ 0 | $ 0 | $ 3,215 |
| Intergovernmental | 0 | 0 | 37,547 | 0 | 220,484 | 258,031 |
| Contributions from private sources | 0 | 0 | 0 | 3 | 0 | 3 |
| Total Revenues | 0 | 3,215 | 37,547 | 3 | 220,484 | 261,249 |
| Expenditures: | | | | | | |
| Personal services-salaries and wages | $ 0 | $ 0 | $ 37,093 | $ 0 | $ 0 | $ 37,093 |
| SS and medicare contributions | 0 | 0 | 3,045 | 0 | 0 | 3,045 |
| Debt Service: Principal | 0 | 0 | 0 | 130,000 | 0 | 130,000 |
| Debt Service: Interest | 0 | 0 | 0 | 122,273 | 0 | 122,273 |
| Capital outlays | 0 | 0 | 0 | 0 | 133,650 | 133,650 |
| Tourism | 0 | 2,843 | 0 | 0 | 0 | 2,843 |
| Program administration | 0 | 0 | 48,557 | 0 | 0 | 48,557 |
| Total Expenditures | 0 | 2,843 | 88,695 | 252,273 | 133,650 | 477,461 |

## SCHEDULE OF REVENUES, EXPENSES AND CHANGES

## IN FUND BALANCE-SPECIAL REVENUE FUNDS

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2011

| Program Activity | SPECIAL REVENUE Drug Seizure | SPECIAL REVENUE Hotel Motel Tax | SPECIAL REVENUE Summer Food | DEBT SERVICE Government Complex | CAPITAL PROJECTS Capital Projects | Total |
|---|---|---|---|---|---|---|
| Excess of Revenues Over Expenditures before Transfers | $ 0 | $ 372 | $ (51,148) | $ (252,270) | $ 86,834 | $ (216,212) |
| Transfer in | 0 | 0 | 30,975 | 251,359 | 18,848 | 301,182 |
| Transfer out | 0 | (372) | 0 | 0 | 0 | (372) |
| Net Transfers | 0 | (372) | 30,975 | 251,359 | 18,848 | 300,810 |
| Excess of Revenues Over Expenditures after Transfers | 0 | 0 | (20,173) | (911) | 105,682 | $ 84,598 |
| FUND BALANCE - July 1, 2010 | 127 | 0 | 3,844 | 304,636 | 214,770 | 523,377 |
| FUND BALANCE - June 30, 2011 | $ 127 | $ 0 | $ (16,329) | $ 303,725 | $ 320,452 | $ 607,975 |

SCHEDULE OF PROJECTS USING SPECIAL

PURPOSE LOCAL OPTION SALES TAX PROCEEDS

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2011

| Project | Original Estimated Cost | Current Estimated Cost | Prior Years | Current Year | Total | Estimated Percentage of Completion |
|---|---|---|---|---|---|---|
| a) Roads, Streets and Bridges | $ 158,000 | $ 158,000 | $ 155,049 | $ 0 | $ 155,049 | 98% |
| b) Purchase of land for industrial park | 500,000 | 500,000 | 0 | 0 | 0 | 0% |
| c) Hospital equipment | 250,000 | 250,000 | 250,000 | 0 | 250,000 | 100% |
| d) Recreation | 100,000 | 100,000 | 65,000 | 0 | 65,000 | 65% |
| TOTAL | $1,008,000 | $ 1,008,000 | $ 470,049 | $ 0 | $ 470,049 | 47% |

HERRING
CPA GROUP, P.C.
Certified Public Accountants & Consultants

GERALD N. HERRING, JR., C.P.A.
CHARLES W. POWELL, III, C.P.A.
DAVID L. DEARISO, C.P.A.
TONY QUINNEY, C.P.A.
JAMES H. HERRING, C.P.A.
JANE L. GRAY, C.P.A.

BRENDA T. MCALLISTER, C.P.A.
R. CHAD ALEXANDER, C.P.A.
BRANDON N. MONTGOMERY, C.P.A.

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
THE GEORGIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

OFFICES
TIFTON, GEORGIA
SYLVESTER, GEORGIA

# 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

Honorable Mayor
Members of the City Council
City of Monticello, Georgia

We have audited the financial statements of governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Monticello, Georgia, as of and for the year ended June 30, 2011, which collectively comprise the City of Monticello, Georgia's basic financial statements and have issued our report thereon dated November 22, 2011. 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.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Monticello, Georgia's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Monticello, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Monticello, Georgia's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Monticello, Georgia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Monticello, Georgia's financial statements that is more than inconsequential will not be prevented or detected by the City of Monticello, Georgia's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses, numbers 11-1 and 11-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Monticello, Georgia's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether City of Monticello, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.

We noted certain matters that we reported to management of City of Monticello, Georgia in a separate letter dated November 22, 2011.

City of Monticello, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit City of Monticello, Georgia's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Herring CPA Group, P.C.

Herring CPA Group, P.C.
Tifton, Georgia
November 22, 2011

## SECTION 1-SUMMARY OF AUDITOR'S RESULTS

### FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

| | |
|---|---|
| Material weakness(es) identified? | No |
| Reportable condition(s) identified not considered to be material weaknesses? | Yes |
| Noncompliance material to financial Statements noted? | No |

## SECTION II-FINANCIAL STATEMENT FINDINGS

**2011-1 FINDING** **Accounting Personnel, lack of complete segregation of duties**

Criteria: Adequate number of personnel should be employed to reduce conflicting job duties.

Condition: Recording, collections, and reporting are being administered by the same employees.

Effect: Lack of complete segregation of duties can result in misappropriation of funds.

Recommendation: Additional personnel should be hired or procedures should be implemented requiring the segregation of duties of the accounting personnel.

Management's Response: We concur with the recommendation. However, due to limited resources and personnel we cannot completely correct the lack of segregation of duties.

**2011-2 FINDING** **Lack of control over cash drawer**

Criteria: Cash drawer was routinely left unlocked and unattended with cash in the drawer.

Condition: The City did not exhibit control over the cash drawers on a daily basis.

Effect: The City is vulnerable to misappropriation of assets.

Recommendation: City needs to monitor and exercise tighter controls over assets that are highly vulnerable to misappropriation.

Management's response: Management agrees with the finding and will implement tighter controls.