CITY OF MONTICELLO, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2012

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Monticello, Georgia — June 30, 2012

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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, 2012, 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, 2012, 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, 2012, 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, 2012

STATEMENT OF NET ASSETS

City of Monticello
Monticello, Georgia

June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Downtown Development Authority
ASSETS				
Cash	$ 149,087	$ 174,703	$ 323,790	$ 2,689
Taxes receivable-delinquent, Net	79,215	0	79,215	0
Accounts receivable, Net	10,979	467,960	478,939	0
Loans Receivable	0	382,226	0	0
Prepaid items	7,025	3,620	0	
Deferred charges	0	70,947	0	0
Reserved assets	227,812	585,507	813,319	0
Non-Depreciable Assets	137,486	90,263	227,749	0
Capital assets - net	4,324,632	8,452,068	12,776,700	195,896
TOTAL ASSETS	$ 4,936,236	$ 10,227,294	$15,163,530	$ 198,585
LIABILITIES				
Accounts payable	$ 89,373	$ 46,464	$ 135,837	$ 20,625
Salaries and wages payable	22,091	41,110	63,201	0
Due to (from) other funds	(2,606)	2,606	0	0
Customer deposits	0	269,190	0	0
Compensated absences	39,150	0	39,150	0
Accrued interest	0	6,927	6,927	0
Notes payable - current	31,905	344,776	376,681	25,921
Notes payable - non-current	1,580,893	3,168,304	4,749,197	94,579
Total Liabilities	$ 1,760,806	$ 3,879,377	$ 5,640,183	$ 141,125
NET ASSETS				
Invested in capital assets, net of related debt	$ 2,849,320	$ 5,022,324	$ 7,871,644	$ 54,771
Restricted for:				
Debt Retirement	227,812	585,507	813,319	0
Capital Projects	5,712	0	5,712	0
Unrestricted	92,586	740,086	832,672	2,689
TOTAL NET ASSETS	$ 3,175,430	$ 6,347,917	$ 9,523,347	$ 57,460

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	$ 603,725	$ 173,429	$ 2,504
Public safety	834,560	121,070	0
Public works	637,146	136,180	0
Health/ welfare	129,079	0	0
Interest on long term debt	113,368	0	0
Total Governmental Activities	2,317,878	430,679	2,504
Business-Type Activities:			
Water and Sewer	1,317,797	1,342,528	0
Electrical	2,790,316	2,803,686	
Natural Gas	2,021,284	2,044,874	
Revolving Loan Fund	0	0	0
Total Business-Type Activities	6,129,397	6,191,088	0
Total Primary Government	$ 8,447,275	$ 6,621,767	$ 2,504
Component Unit:			
Downtown Development Authority	$ 29,563	$ 71,906	$ 0
General Revenues :			
Property taxes			
Local Option Sales Tax			
Franchise Tax			
Insurance premium taxes			
Other taxes			
Alcohol beverage licenses			
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, 2011			
NET ASSETS - June 30, 2012			

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, 2012

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
	$ 250,550	$ 426,483	$ (177,242)	$ 0	$ (177,242)	$ 0
	0	121,070	(713,490)	0	(713,490)	0
	156,148	292,328	(344,818)	0	(344,818)	0
	0	0	(129,079)	0	(129,079)	0
	0	0	(113,368)	0	(113,368)	0
	406,698	839,881	(1,477,997)	0	(1,477,997)	0
	0	1,342,528	0	24,731	24,731	0
		2,803,686		13,370	13,370	0
		2,044,874		23,590	23,590	0
	0	0	0	0	0	0
	0	6,191,088	0	61,691	61,691	0
	$ 406,698	$ 7,030,969	$ (1,477,997)	$ 61,691	$ (1,416,306)	$ 0
	$ 0	71,906	0	0	0	$ 42,343
			$ 288,511	$ 0	$ 288,511	$ 0
			288,944	0	288,944	0
			25,492	0	25,492	0
			124,624	0	124,624	0
			48,674	0	48,674	0
			91,588	0	91,588	0
			0	0	0	0
			821	342,553	343,374	0
			127,815	201,583	329,398	0
			996,469	544,136	1,540,605	0
			818,475	(818,475)	0	0
			1,814,944	(274,339)	1,540,605	0
			336,947	(212,648)	124,299	42,343
			2,838,483	6,560,565	9,399,048	15,117
			$ 3,175,430	$ 6,347,917	$ 9,523,347	$ 57,460

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, 2012

	General Fund	Other Governmental Funds	Totals
ASSETS			
Cash	$ 147,588	$ 1,499	$ 149,087
Taxes receivable	79,215	0	79,215
Intergovernmental receivable	23,671	0	23,671
Prepaid items	7,025	0	7,025
Accounts receivable (Net of allowance for uncollectibles of 888)	10,979	0	10,979
Restricted assets	5,712	222,100	227,812
TOTAL ASSETS	$ 274,190	$ 223,599	$ 497,789
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	$ 89,373	$ 0	$ 89,373
Due to other fund	21,717	(652)	21,065
Salaries and wages payable	22,091	0	22,091
Deferred revenue	75,370	0	75,370
Total Liabilities	208,551	(652)	207,899
Fund Balances:			
Unassigned	$ 58,614	$ 2,023	$ 60,637
Nonspendable Fund Balance	0	0	0
Commited Fund Balance		0	0
Restricted:			
Reserved for program purposes	7,025		7,025
Reserved for debt service	0	221,161	221,161
Capital Projects	0	939	939
Special Revenue Fund - Public Safety	0	128	128
Total Fund Balance	65,639	224,251	289,890
TOTAL LIABILITIES AND FUND BALANCE	$ 274,190	$ 223,599	$ 497,789

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, 2012
TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 289,890
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:		4,462,118
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		75,370
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, 2012 are:		
Capital Lease	62,798	
Compensated Absences	39,150	
Bonds payable	1,550,000	
		(1,651,948)
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES		$3,175,430

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, 2012

	General Fund	Other Governmental Funds	Total
Revenues:			
Taxes	$ 776,245	$ 2,504	$ 778,749
Licenses and permits	91,588	0	91,588
Intergovernmental revenues	0	406,698	406,698
Fines and forfeitures	15,745	0	15,745
Charges for services	136,180	0	136,180
Other revenue	373,946	540	374,486
Total Revenues	1,393,704	409,742	1,803,446
Expenditures:			
Current:			
General government	366,906	433,167	800,073
Public safety	475,179	140,563	615,742
Public works	389,471	221,733	611,204
Health/ welfare	80,409	46,415	126,824
Capital Outlay:	294,241	0	294,241
Debt Service:			
Principal	41,293	1,655,000	1,696,293
Interest	3,535	113,368	116,903
Total Expenditures	1,651,034	2,610,246	4,261,280
Excess (Deficiency) of Revenues Over Expenditures before Transfers	(257,330)	(2,200,504)	(2,457,834)

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, 2012

	General Fund	Other Governmental Funds	Total
Other Financing Sources (Uses)			
Transfers in (out)	$ 552,065	$ 266,410	$ 818,475
Proceeds of long-term debt	0	1,550,000	1,550,000
Total Other Financing Sources	552,065	1,550,000	1,550,000
Net Changes in Fund Balance	294,735	(384,094)	(89,359)
FUND BALANCE - July 1, 2011	(229,096)	608,345	379,249
FUND BALANCE - June 30, 2012	$ 65,639	$ 224,251	$ 289,890

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, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$	(89,359)
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:		418,981
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		32,094
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:		(175,942)
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:		(1,550,000)
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:		1,703,428
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		(2,255)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	336,947

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, 2012

	Water and Sewer Fund	Electrical	Natural Gas	Revolving Loan Fund	Total
ASSETS					
CURRENT ASSETS					
Cash	$ 917	$ 5,121	$ 614	$168,051	$ 174,703
Accounts receivable - net	96,458	220,550	150,952	0	467,960
Due from (to) other funds	0	0	0	21,065	21,065
Prepaid items	852	639	2,129		3,620
Restricted Assets:					
Municipal Competitive Trust	0	261,491	0	0	261,491
Debt Service Sinking	58,748	0	0	0	58,748
Renewal and Extension	36,221	0	0	0	36,221
2010 CDBG cash	8	0	0	0	8
US Bank - Cost of Issuance	3,879	0	0	0	3,879
Debt Service Reserve	225,160	0	0	0	225,160
Total Current Assets	422,243	487,801	153,695	189,116	1,252,855
LONG-TERM ASSETS					
Loans Receivable	0	0	0	382,226	382,226
Bond Issuance costs, net	70,947	0	0	0	70,947
	70,947	0	0	382,226	453,173
Capital Assets:					
Land	89,263	0	1,000	0	90,263
Distribution System	7,471,794	1,945,173	2,172,273	0	11,589,240
Buildings	178,990	0	0	0	178,990
Construction in progress	2,637		0		2,637
Machinery and Equipment	1,256,882	504,609	453,146	0	2,214,637
	8,999,566	2,449,782	2,626,419	0	14,075,767
Less: accumulated depreciation	(3,028,831)	(926,120)	(1,578,485)	0	(5,533,436)
Total capital assets	5,970,735	1,523,662	1,047,934	0	8,542,331
TOTAL ASSETS	$ 6,463,925	$ 2,011,463	$ 1,201,629	$571,342	$ 10,248,359
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 28,395	$ 7,837	$ 10,232	$ 0	$ 46,464
Accrued payroll liabilities	16,536	17,062	7,512	0	41,110
Customer deposits	53,838	107,676	107,676	0	269,190
Intergovernmental payable	0	12,971	10,700		23,671
Current portion of notes payable	55,033	77,015	17,728		149,776
Payable from restricted assets:					
Current portion of revenue bonds	195,000	0	0	0	195,000
Accrued interest	6,927	0	0	0	6,927
Total Current Liabilities	355,729	222,561	153,848	0	732,138
Noncurrent Liabilities					
Revenue bonds payable, net of amortized discount	2,055,000	0	0	0	2,055,000
Notes payable	367,326	585,382	160,596	0	1,113,304
	2,422,326	585,382	160,596	0	3,168,304
TOTAL LIABILITIES	2,778,055	807,943	314,444	0	3,900,442
NET ASSETS					
Invested in capital assets, net of related debt	3,291,449	861,265	869,610	0	5,022,324
Restricted for debt retirement	324,016	261,491	0	0	585,507
Unrestricted	70,405	80,764	17,575	571,342	740,086
TOTAL NET ASSETS	$ 3,685,870	$ 1,203,520	$ 887,185	$571,342	$ 6,347,917

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, 2012

	Water and Sewer Fund	Electrical	Natural Gas	Revolving Loan Fund	Total
Operating Revenues:					
Charges for services	$ 1,322,574	$2,802,508	$ 1,951,931	$ 0	$ 6,077,013
Other	19,924	1,178	92,943	0	114,045
Total Operating Revenues	1,342,498	2,803,686	2,044,874	0	6,191,058
Operating Expenses:					
Personal services and employee benefits	408,054	235,090	166,120	0	809,264
Purchased/contracted services	157,488	208,507	71,513	0	437,508
Supplies	271,651	2,278,725	1,703,823	0	4,254,199
Maintenance and repairs	0	0	0	0	0
Operating supplies	0	0	0	0	0
Professional services	0	0	0	0	0
Insurance, other than employee benefits	0	0	0	0	0
Other operating expenses	0	0	0	0	0
Depreciation	196,236	67,994	79,828	0	344,058
Amortization	107,249	0	0	0	107,249
Total Operating Expenses	1,140,678	2,790,316	2,021,284	0	5,952,278
Operating Income	201,820	13,370	23,590	0	238,780
Non-Operating Revenues (Expenses):					
Interest revenues	$ 690	$ 341,022	$ 0	$ 841	$ 342,553
Issuance costs	(11,250)	0	0	0	(11,250)
Intergovernmental	192,506	9,077	0	0	201,583
Interest expense	(125,743)	(31,433)	(8,663)	0	(165,839)
Total Non-Operating Revenues (Expenses)	56,203	318,666	(8,663)	841	367,047
Income (Loss) before Transfers	258,023	332,036	14,927	841	605,827
Transfers in (out)	(231,362)	(661,290)	74,177	0	(818,475)
Change in Net Assets	26,661	(329,254)	89,104	841	(212,648)
NET ASSETS - July 1, 2011	3,659,209	1,532,774	798,081	570,501	6,560,565
NET ASSETS - June 30, 2012	$ 3,685,870	$1,203,520	$ 887,185	$ 571,342	$ 6,347,917

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, 2012

	Water and Sewer Fund	Electrical	Natural Gas	Revolving Loan Fund	Total
Cash Flows from Operating Activities:					
Cash Received from Customers	$ 1,350,455	$ 2,800,450	$ 1,975,235	$ 0	$ 6,126,140
Cash Payments for Goods and Services	(475,350)	(2,307,498)	(1,723,520)		(4,506,368)
Cash Payment to Employees	(209,501)	(260,550)	(248,725)	0	(718,776)
Net Cash Provided by Operating Activities	665,604	232,402	2,990	0	900,996
Cash Flows from Non-Capital Financing Activities:					
Transfers from (to) Other Funds	(231,362)	(661,290)	74,177	0	(818,475)
Net Cash Used by Non-Capital Financing Activities	(231,362)	(661,290)	74,177	0	(818,475)
Cash Flows from Capital and Related Financing Activities:					0
Acquisition of Capital Assets	(305,769)	0	(40,792)	0	(346,561)
Proceeds from revenue bonds	2,250,000	0	0	0	2,250,000
Interest paid on notes payable	(125,743)	(31,433)	(8,663)	0	(165,839)
Principal paid on notes payable	(81,226)	(80,580)	(20,129)	0	(181,935)
Principal paid on revenue bonds	(2,339,671)	0	0	0	(2,339,671)
Interest and fees paid on revenue bonds	(107,249)	0	0	0	(107,249)
Net Cash Used by Capital and Related Financing Activities	(709,658)	(112,013)	(69,584)	0	(891,255)
Cash Flows from Investing Activities:					
Interest revenue	690	341,022	0	841	342,553
Deposits to restricted accounts	202,816	134,574	0	0	337,390
Disbursements from restricted assets	0	0	(7,251)	0	(7,251)
Net Cash Provided used by Investing Activities	203,506	475,596	(7,251)	841	672,692
Net Increase (Decrease) in Cash and Restricted Cash	(71,910)	(65,305)	332	841	(136,042)
Cash and Restricted Cash - July 1, 2011	72,827	70,426	282	167,210	310,745
Cash and Restricted Cash - June 30, 2012	$ 917	$ 5,121	$ 614	$ 168,051	$ 174,703
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income	$ 201,820	$ 13,370	$ 23,590	$ 0	$ 238,780
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation and Amortization	303,485	67,994	79,828	0	451,307
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	45,950	(12,406)	(51,306)	0	(17,762 00)
(Increase) Decrease in due from other funds	113,649	137,109	(59,178)	0	191,580
Increase (Decrease) in Accounts Payable	2,815	30,565	14,286	0	47,666
Increase (Decrease) in customers' Deposits	(2,115)	(4,230)	(4,230)	0	(10,575)
Net Cash Provided by Operating Activities	$ 665,604	$ 232,402	$ 2,990	$ 0	$ 900,996

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 non-fiduciary activities of the City (the primary government) and its component units. For the most part, the effect of inter-fund 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.

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.

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, 2012, none of the City's cash deposits were exposed to custodial credit risk.

Investments – Investments are stated at fair value.

As of June 30, 2012, the City had investments in U.S. Government Securities and in the Municipal Competitive Trust totaling $367,514 as follows:

Investment Type	Fair Value	Credit Quality
U.S. Securities	$367,514	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, 2012 were 92.3% 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, 2012, accounts receivable consisted of the following:

	Governmental Activities	Business-Type Activities	Total
General Fund:			
Property Tax	$ 79,215	$ 0	$ 79,215
Garbage Fees	10,979	0	10,979
Electric Fund – electric fees	0	220,550	220,550
Water and Sewer Fund – Fees	0	96,458	96,458
Natural Gas Fund – Fees	0	150,952	150,952
	90,194	467,960	558,154
Allowance for doubtful accounts	(888)	(46,478)	(47,366)
	$ 89,306	$ 421,482	$ 510,788

6. CHANGES IN CAPITAL ASSETS

Capital asset activity for the primary government for the fiscal year ended June 30, 2012 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	0	124,740	0	124,740
Total capital assets not being Depreciated	12,746	124,740	0	137,486
Buildings and improvements	4,479,779	167,127	0	4,646,906
Machinery and equipment	980,015	65,023	0	1,045,038
Vehicles	534,944	62,091	0	597,035
	5,994,738	294,241	0	6,288,979
Less accumulated depreciation:				
Buildings and improvements	925,894	112,679	0	1,038,573
Machinery and equipment	420,203	37,505	0	457,708
Vehicles	442,308	25,758	0	468,066
Total accumulated depreciation	1,788,405	175,942	0	1,964,347
Total capital assets, net	4,206,333	118,299	0	4,324,632
Governmental capital assets, net	4,219,079	243,039	0	4,462,118
Business-type Activities:				
Capital Assets not being depreciated				
Land	90,263	0	0	90,263
Construction in Progress	0	2,637	0	2,637
Total capital assets not being Depreciated	90,263	2,637	0	92,900
Buildings and improvements	156,970	22,020	0	178,990
Machinery and equipment	993,544	0	0	993,544
Distribution system	12,488,430	321,902	0	12,810,332
	13,638,944	343,922	0	13,982,866
Less accumulated depreciation:				
Buildings and improvements	133,026	1,592	0	134,618
Machinery and equipment	978,476	4,638	0	983,114
Distribution system	4,077,875	337,828	0	4,415,703
Total accumulated depreciation	5,189,377	344,058	0	5,533,435
Total capital assets, net	8,449,567	(136)	0	8,542,331
Business-type capital assets, net	$8,539,830	$ 2,501	$ 0	$ 8,542,331

Depreciation was charged to functions as follows:

Governmental activities:

General government	$ 125,008
Public Safety	28,198
Public Works	15,838
Health and Welfare	6,898
	$ 175,942

Business-type activities:

Water and Sewer	$ 239,421
Electrical	39,989
Natural gas	64,648
	$ 344,058

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 is $1,550,000.

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	5.00%	$1,550,000

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

Year Ended June 30,	Principal	Interest
2013	$ 165,000	$ 71,688
2014	175,000	62,325
2015	180,000	54,450
2016	190,000	46,350
2017	195,000	37,800
2018-2020	645,000	58,950
	$1,550,000	$331,563

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.

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, 2012 are as follows:

Water and Sewer upgrades	3.5%	$2,250,000

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30,	Principal	Interest
2013	$ 195,000	$ 37,800
2014	200,000	34,600
2015	205,000	31,325
2016	210,000	29,456
2017	215,000	28,150
2018-2022	1,150,000	102,658
2023-2024	75,000	18,500
	$2,339,671	$282,489

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, 2012 was $479,863.

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

Year Ended June 30,	Principal	Interest
2013	$ 48,548	$ 20,692
2014	50,788	18,452
2015	53,132	16,108
2016	55,456	13,784
2017	57,658	11,582
2018-2020	214,281	3,020
	$ 479,863	$ 83,638

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, 2012 was $1,931.

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

Year Ended June 30,	Principal	Interest
2013	$ 1,931	$ 15

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 $7,135.

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

Year Ended June 30,	Principal	Interest
2013	$ 7,135	$ 266

Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Amount due in One Year
Governmental Activities:					
General Obligation Bonds	$ 1,655,000	$ 1,550,000	$ 1,655,000	$ 1,550,000	$ 0
Notes Payable	111,226	0	48,248	62,798	31,905
Compensated Absences	36,895	2,255	0	39,150	39,150
	$ 1,803,121	$ 1,552,255	$ 1,703,428	$ 1,651,948	$ 71,055
Business-Type Activities:					
Bonds Payable	$ 2,339,671	$ 2,250,000	$ 2,339,671	$ 2,250,000	$ 195,000
Notes Payable	1,445,015	0	181,935	1,263,080	149,776
	$ 3,806,448	$ 2,250,000	$ 2,521,606	$ 3,513,080	$ 344,776

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

The 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.

Inter-fund transfers:

Transfer Out	General Fund	Nonmajor Govt	Total
General Fund	$ 0	$ 266,410	$ 266,410
Gas Fund	(74,177)	0	(74,177)
Non major funds			
Water and Sewer Fund	231,362	0	231,362
Electric Fund	661,290	0	661,290
	$ 818,475	$ 266,410	$ 1,084,885

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, 2012, the outstanding debt of MEAG was approximately $3.12 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately $11.8 million at June 30, 2012.

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, 2012 was $1,099,903, 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, 2012, 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	$1,203,585

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, 2012. 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 $185,652 for the year ended June 30, 2012, which includes amortization of past service costs over 30 years. This contribution amounted to 8.2.0% of the total covered payroll. The City's total payroll was $1,475,855 and the covered payroll was $1,203,585. 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.

	2010	2011	2012
Actuarial value of assets	$1,764,929	$1,925,536	$1,935,536
Actuarial accrued liability	2,035,270	2,056,365	$2,022,365
Funded ratio	87%	93%	95%
Total unfunded actuarial liability (funding excess)	270,341	130,829	86,829
Annual covered payroll	1,163,349	1,180,857	1,203,585
Ratio of unfunded (excess) to annual covered payroll	23.2%	11.1%	7.0%
Actual contribution as a percentage of covered payroll			
Three year trend information			
Annual pension cost	180,560	175,365	185,652
Percentage of APC contributed	100%	100%	100%
Net pension obligation	0	0	0

Analysis of the dollar amounts of actuarial value of plan assets, actuarial accrued liability and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of plan assets as a percentage of the actuarial accrued liability provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan is. Trends in unfunded actuarial accrued liability and annual

covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids in analysis of the plan's progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

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 Inter-local 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, 2012, 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

14. HOTEL/MOTEL LODGING TAX

A summary of the hotel/motel excise tax expenditures and receipts for the year ended June 30, 2012 are as follows:

Expenditure by purpose	Amount	Tax Receipts	Percentage
Better Hometown	$ 1,502	$ 2,504	60%
Chamber of Commerce	1,002	0	40%
	$ 2,504	$ 2,504	100%

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, 2012

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Real property	$ 231,200	$ 231,200	$ 261,834	$ 30,634
Local option sales and use taxes	260,000	260,000	288,944	28,944
Motor vehicle and mobile home tax	26,500	26,500	25,721	(779)
Intangible tax	3,000	3,000	447	(2,553)
Real estate transfer tax	600	600	956	356
Franchise tax	21,000	21,000	25,492	4,492
Alcoholic beverages licenses	95,000	95,000	91,588	(3,412)
Insurance premium tax	130,000	130,000	124,624	(5,376)
Federal grants	0	0	33,668	33,668
Business and occupational tax	38,000	38,000	42,936	4,936
Contributions and donations from private sources	0	0	58,083	58,083
Payment in lieu of taxes	0	0	5,291	5,291
Election qualifying fee	0	0	2,052	2,052
Charges for services-sanitation	135,000	135,000	136,180	1,180
Fines and forfeitures	15,000	15,000	15,745	745
Interest revenue	1,000	1,000	821	(179)
Competitive Trust	492,213	492,213	0	(492,213)
Insurance Reimbursement	1,000	1,000	8,344	7,344
Miscellaneous revenue	209,000	209,000	270,978	61,978
Total Revenues	1,658,513	1,658,513	1,393,704	(264,809)

(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, 2012

	Original Budget	Final Budget	Actual	Variance
Expenditures:				
General government	$1,099,943	$ 1,099,943	$ 715,022	$ (384,921)
Public safety	412,313	412,313	466,132	53,819
Public works	475,236	475,236	389,471	(85,765)
Health/ welfare	79,340	79,340	80,409	1,069
Total Expenditures	2,066,832	2,066,832	1,651,034	(415,798)
Excess of Revenues Over Expenditures	(408,319)	(408,319)	(257,330)	150,989
Other Financing Sources (Uses)				
Transfers in	424,319	424,319	892,652	468,333
Transfers out	(16,000)	(16,000)	(340,587)	(324,587)
Borrowed Funds	0	0	0	0
Total Other Financing Sources (Uses)	408,319	408,319	552,065	143,746
Deficiency of Revenues and Other Financing Sources Over Expenditures	$ 0	$ 0	294,735	$ 294,735
FUND BALANCE - July 1, 2011			(229,096)	
FUND BALANCE - June 30, 2012			$ 65,639	

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

GENERAL FUND

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2012

	Original Budget	Final Budget	Actual	Variance
General Government:				
Clerks Office:				
Personal services	$ 209,637	$ 209,637	$ 177,510	$ (32,127)
Supplies	48,100	48,100	61,682	13,582
Other services and charges	216,261	216,261	174,802	(41,459)
Capital Outlays	1,000	1,000	1,554	554
	474,998	474,998	415,548	(59,450)
Mayor and Council:				
Personal services	61,860	61,860	53,937	(7,923)
Supplies	0	0	878	878
Other services and charges	73,960	73,960	0	(73,960)
Capital Outlays	0	0	0	0
	135,820	135,820	54,815	(81,005)
Maintenance and Shop				
Personal services	94,993	94,993	97,395	2,402
Supplies	14,650	14,650	15,749	1,099
Other services and charges	0	0	0	0
Capital Outlays	0	0	0	0
	109,643	109,643	113,144	3,501
Management				
Personal services	92,477	92,477	85,009	(7,468)
Supplies	3,000	3,000	8,014	5,014
Other services and charges	0	0	0	0
Debt service	5,837	5,837	5,837	0
	101,314	101,314	98,860	(2,454)
Non-Departmental				
Personal services	24,800	24,800	22,361	(2,439)
Supplies	0	0	294	294
Debt service	253,368	253,368	0	(253,368)
Capital Outlays	0	0	10,000	10,000
	278,168	278,168	32,655	(245,513)
Public Safety				
Personal services	355,685	355,685	400,287	44,602
Supplies	24,980	24,980	35,114	10,134
Other services and charges	4,000	4,000	1,266	(2,734)
Debt Service	27,648	27,648	29,465	1,817
	412,313	412,313	466,132	53,819
Public Works				
Personal services	210,575	210,575	202,545	(8,030)
Supplies	26,150	26,150	23,063	(3,087)
Other services and charges	48,911	48,911	19,179	(29,732)
Garbage and landfill fees	132,000	132,000	127,553	(4,447)

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

GENERAL FUND

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2012

	Original Budget	Final Budget	Actual	Variance
Capital Outlays	57,600	57,600	17,131	(40,469)
	475,236	475,236	389,471	(85,765)
Health and Welfare				
Personal services	10,040	10,040	9,235	(805)
Supplies	9,300	9,300	11,305	2,005
Other services and charges	0	0	40,000	40,000
Capital Outlays	60,000	60,000	19,869	(40,131)
	79,340	79,340	80,409	1,069
Total Expenditures	$ 2,066,832	$ 2,066,832	$ 1,651,034	$ (415,798)

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

City of Monticello
Monticello, Georgia

June 30, 2012

	SPECIAL REVENUE			DEBT SERVICE	CAPITAL PROJECTS	
	Drug Seizure	Hotel Motel	Summer Food	Government Complex	Capital Projects	Total
ASSETS						
Cash	$ 128	$ 0	$ 1,371	$ 0	$ 939	$ 2,438
Restricted cash and cash equivalents	0	0	0	221,161	0	221,161
Due from General Fund	0	652	0			
Due from other governments	0	0	0	0	0	0
TOTAL ASSETS	$ 128	$ 652	$ 1,371	$ 221,161	$ 939	$ 223,599
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Due to general fund	0	0	0	0	0	0
Total Liabilities	0	0	0	0	0	0
Fund Balance:						
Fund balance - restricted	128	652	1,371	221,161	939	224,251
Total Fund Balance	128	652	1,371	221,161	939	224,251
TOTAL LIABILITIES AND FUND BALANCE	$ 128	$ 652	$ 1,371	$ 221,161	$ 939	$ 224,251

SCHEDULE OF REVENUES, EXPENSES AND CHANGES

IN FUND BALANCE-SPECIAL REVENUE FUNDS

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2012

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	$ 2,504	$ 0	$ 0	$ 0	$ 2,504
Intergovernmental	0	0	12,454	0	394,244	406,698
Investment income					540	540
Contributions from private sources	0	0	0	0	0	0
Total Revenues	0	2,504	12,454	0	394,784	409,742
Expenditures:						
Personal services-salaries and wages	$ 0	$ 0	$ 12,894	$ 0	$ 0	$ 12,894
SS and medicare contributions	0	0	0	0	0	0
Debt Service: Principal	0	0	0	1,768,368	0	1,768,368
Debt Service: Interest	0	0	0	0	0	0
Capital outlays	0	0	0	0	0	0
Tourism	0	2,224	0	0	0	2,224
Program administration	0	0	31,297	2,400	714,297	747,994
Total Expenditures	0	2,224	44,191	1,770,768	714,297	2,531,480

SCHEDULE OF REVENUES, EXPENSES AND CHANGES

IN FUND BALANCE-SPECIAL REVENUE FUNDS

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2012

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	$ 280	$ (31,737)	$ (1,770,768)	$ (319,513)	$ (2,121,738)
Transfer in	1	0	49,439	216,970	0	266,410
Transfer out	0	0	0	0	0	0
Net Transfers	1	0	49,439	216,970	0	266,410
Excess of Revenues Over Expenditures after Transfers	1	280	17,702	(1,553,798)	(319,513)	$ (1,855,328)
Other Financing Sources (Uses)						
Proceeds of general long-term liabilities	0	0	0	1,550,000	0	1,550,000
Discounts on bonds sold	0	0	0	(7,750)	0	(7,750)
Issuance cost	0	0	0	(71,016)	0	(71,016)
Net Other Financing Sources (Uses)	0	0	0	1,471,234	0	1,471,234
Net Change in Fund Balance	1	280	17,702	(82,564)	(319,513)	(384,094)
FUND BALANCE - July 1, 2011	127	372	(16,331)	303,725	320,452	608,345
FUND BALANCE - June 30, 2012	$ 128	$ 652	$ 1,371	$ 221,161	$ 939	$ 224,251

SCHEDULE OF PROJECTS USING SPECIAL

PURPOSE LOCAL OPTION SALES TAX PROCEEDS

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2012

Project	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
a) Roads, Streets and Bridges	$ 300,000	$ 1,100,000	$ 288,699	$714,297	$1,002,996	91%
b) Purchase of land for industrial park	358,000	0	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	$ 1,450,000	$ 603,699	$714,297	$1,317,996	91%

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

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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, 2012, which collectively comprise the City of Monticello, Georgia's basic financial statements and have issued our report thereon dated November 22, 2012. 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 12-1 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, 2012.

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.
Tifton, Georgia
November 22, 2012

CITY OF MONTICELLO, GEORGIA
123 WEST WASHINGTON STREET
MONTICELLO, GEORGIA 31064

Corrective Action Plan

In the Independent Auditor's Report for the year ending June 30, 2012, our auditors, Herring CPA Group, P. C., noted:

11-1 **That the City of Monticello does not have a complete segregation of duties.**

We concur with this finding.

However, due to the size of our budget, it is necessary for all clerical personnel to help with the collections of the city even though the same personnel are responsible for making deposits and general ledger functions. We are a small city and cannot justify adding staff whose only function would be the collection of bills. We have to the best of our ability separated duties between our three office personnel in order to initiate the most effective internal control available in our circumstances.

Brian Standifer
Mayor, City of Monticello