CITY OF MONTICELLO, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2013

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Monticello, Georgia

June 30, 2013

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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, 2013, 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, 2013, 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 February 14, 2014, 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 34 and 35 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.

Herring CPA Group, P.C.
Tifton, Georgia
February 14, 2014

STATEMENT OF NET ASSETS

City of Monticello
Monticello, Georgia

June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Downtown Development Authority
ASSETS				
Cash	$ 129,604	$ 158,121	$ 287,725	$ 5,476
Taxes receivable-delinquent, Net	93,468	0	93,468	0
Accounts receivable, Net	41,648	870,346	911,994	0
Intergovernmental receivable	31,621	0	31,621	0
Loans Receivable	0	401,637	401,637	0
Prepaid items	29,124	15,493	44,617	0
Deferred charges	0	64,994	64,994	
Reserved assets	345,637	814,490	1,160,127	0
Construction in progress	63,408	0	63,408	0
Non-Depreciable Assets	12,746	90,263	103,009	0
Capital assets - net	4,212,225	8,209,344	12,421,569	150,163
TOTAL ASSETS	$ 4,959,481	$ 10,624,688	$15,584,169	$ 155,639
LIABILITIES				
Accounts payable	$ 101,102	$ 50,172	$ 151,274	$ 0
Salaries and wages payable	28,050	46,138	74,188	0
Due to (from) other funds	21,283	(21,065)	218	(218)
Intergovernmental Payable	0	21,613	21,613	0
Customer deposits	0	274,900	274,900	0
Compensated absences	32,616	0	32,616	0
Accrued interest	0	5,531	5,531	18,224
Notes payable - current	183,257	333,513	516,770	11,763
Notes payable - non-current	1,238,950	2,838,616	4,077,566	177,182
Total Liabilities	$ 1,605,258	$ 3,549,418	$ 5,154,676	$ 206,951
NET ASSETS				
Invested in capital assets, net of related debt	$ 2,866,172	$ 5,127,478	$ 7,993,650	$ (38,782)
Restricted for:				
Debt Retirement	345,637	814,490	1,160,127	0
Capital Projects	3,891	0	3,891	0
Unrestricted	138,523	1,133,302	1,271,825	(12,530)
TOTAL NET ASSETS	$ 3,354,223	$ 7,075,270	$10,429,493	$ (51,312)

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	$ 786,401	$ 129,014	$ 0
Public safety	542,918	27,843	0
Public works	313,987	176,293	0
Health/ welfare	81,937	0	0
Interest on long term debt	75,249	0	0
Total Governmental Activities	1,800,492	333,150	0
Business-Type Activities:			
Water and Sewer	957,225	1,277,862	0
Electrical	2,893,544	3,156,328	0
Natural Gas	2,502,284	2,802,714	0
Revolving Loan Fund	0	0	0
Total Business-Type Activities	6,353,053	7,236,904	0
Total Primary Government	$ 8,153,545	$ 7,570,054	$ 0
Component Unit:			
Downtown Development Authority	$ 15,379	$ 15,840	$ 0
General Revenues :			
Property taxes			
Hotel/Motel Tax			
Local Option Sales Tax			
Franchise Tax			
Insurance premium taxes			
Other taxes			
Alcohol beverage licenses			
Administrative Fee			
Interest			
Other revenue			
Total General Revenues			
Transfer in (out)			
Total General Revenues and Transfers			
Change in Net Assets			
NET ASSETS - July 1, 2012			
NET ASSETS - June 30, 2013			

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, 2013

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
$	83,070	$ 212,084	$ (574,317)	$ 0	$ (574,317)	$ 0
		27,843	(515,075)	0	(515,075)	0
		176,293	(137,694)	0	(137,694)	0
	0	0	(81,937)	0	(81,937)	0
	0	0	(75,249)	0	(75,249)	0
	83,070	416,220	(1,384,272)	0	(1,384,272)	0
	7,446	1,285,308	0	328,083	328,083	0
	0	3,156,328		262,784	262,784	0
	6,126	2,808,840		306,556	306,556	0
	0	0	0	0	0	0
	13,572	7,250,476	0	897,423	897,423	0
$	96,642	$ 7,666,696	$ (1,384,272)	$ 897,423	$ (486,849)	$ 0
$	0	15,840	0	0	0	$ 461
			$ 245,579	$ 0	$ 245,579	$ 0
			2,240		$ 2,240	
			251,011	0	251,011	0
			49,698	0	49,698	0
			132,372	0	132,372	0
			97,259	0	97,259	0
			106,236	0	106,236	0
			103,451	0	103,451	0
			613	407,517	408,130	0
			21,764	0	21,764	0
			1,010,223	407,517	1,417,740	0
			577,587	(577,587)	0	0
			1,587,810	(170,070)	1,417,740	0
			203,538	727,353	930,891	461
			3,150,685	6,347,917	9,498,602	(51,773)
			$ 3,354,223	$ 7,075,270	$ 10,429,493	$ (51,312)

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, 2013

	General Fund	Government Complex	Capital Projects	Other Governmental Funds	Totals
ASSETS					
Cash	$ 129,536	$ 0	$ 0	$ 68	$ 129,604
Taxes receivable	93,468	0	0	0	93,468
Intergovernmental receivable	20,046	0	11,575	0	31,621
Prepaid items	29,124	0	0	0	29,124
Interfund receivable	0	0	0	0	0
Accounts receivable (Net of allowance for uncollectibles of 4,628)	41,648	0	0	0	41,648
Restricted assets	3,891	237,325	104,421	0	345,637
TOTAL ASSETS	$ 317,713	$ 237,325	$ 115,996	$ 68	$ 671,102
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$ 101,102	$ 0	$ 0	$ 0	$ 101,102
Interfund payable	21,283	0	0	0	21,283
Salaries and wages payable	28,050	0	0	0	28,050
Deferred revenue	56,940	0	0	0	56,940
Total Liabilities	207,375	0	0	0	207,375
Fund Balances:					
Unassigned	$ 81,214	$ 0	$ 0	$ 0	$ 81,214
Nonspendable Fund Balance	29,124	0	0	0	29,124
Commited Fund Balance	0	0	0	0	0
Restricted:					
Restricted for program purposes	0	0	0	68	68
Restricted for debt service	0	237,325	0	0	237,325
Capital Projects	0	0	115,996	0	115,996
Special Revenue Fund - Public Safety	0	0	0	0	0
Total Fund Balance	110,338	237,325	115,996	68	463,727
TOTAL LIABILITIES AND FUND BALANCE	$ 317,713	$ 237,325	$ 115,996	$ 68	$ 671,102

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, 2013
TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 463,727
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:		4,288,379
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		56,940
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, 2013 are:		
Capital Lease	37,207	
Compensated Absences	32,616	
Bonds payable	1,385,000	
		(1,454,823)
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES		$3,354,223

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, 2013

	General Fund	Government Complex	Capital Projects	Other Governmental Funds	Total
Revenues:					
Taxes	$ 775,919	$ 0	$ 0	$ 2,240	$ 778,159
Licenses and permits	106,236	0	0	0	106,236
Intergovernmental revenues	0	0	162,295	1,320	163,615
Fines and forfeitures	27,843	0	0	0	27,843
Charges for services	176,293	0	0	0	176,293
Other revenue	340,152	0	0	0	340,152
Total Revenues	1,426,443	0	162,295	3,560	1,592,298
Expenditures:					
Current:					
General government	686,687	0	939	0	687,626
Public safety	532,551	0	0	0	532,551
Public works	352,025	0	34,688	0	386,713
Health/ welfare	81,937	0	0	4,855	86,792
Capital Outlay:	58,063	0	0	0	58,063
Debt Service:					
Principal	32,726	165,000	0	0	197,726
Interest	3,561	71,688	0	0	75,249
Total Expenditures	1,747,550	236,688	35,627	4,855	2,024,720
Excess (Deficiency) of Revenues Over Expenditures before Transfers	(321,107)	(236,688)	126,668	(1,295)	(432,422)

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, 2013

	General Fund	Government Complex	Capital Projects	Other Governmental Funds	Total
Other Financing Sources (Uses)					
Transfers in (out)	$ 364,435	$ 252,852	$ (38,912)	$ (788)	$ 652,983
Proceeds of long-term debt	0	-	0	0	-
Total Other Financing Sources	364,435	252,852	(38,912)	(788)	652,983
Net Changes in Fund Balance	43,328	16,164	87,756	(2,083)	145,165
FUND BALANCE - July 1, 2012	67,010	221,161	28,240	2,151	318,562
FUND BALANCE - June 30, 2013	$ 110,338	$ 237,325	$ 115,996	$ 68	$ 463,727

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, 2013
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$	145,165
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:		58,063
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		(18,430)
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:		(190,055)
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:		202,261
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		6,534
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	203,538

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, 2013

	Water and Sewer Fund	Electrical	Natural Gas	Revolving Loan Fund	Total
ASSETS					
CURRENT ASSETS					
Cash	$ 792	$ 7,203	$ 748	$ 149,378	$ 158,121
Accounts receivable - net	154,609	360,752	354,985	0	870,346
Due from (to) other funds	0	0	0	21,065	21,065
Prepaid items	9,062	3,750	2,681	0	15,493
Restricted Assets:					
Municipal Competitive Trust	0	451,527	0	0	451,527
Debt Service Sinking	98,864	0	0	0	98,864
Renewal and Extension	36,281	0	0	0	36,281
2010 CDBG cash	8	0	0	0	8
Debt Service Reserve	227,810	0	0	0	227,810
Total Current Assets	527,426	823,232	358,414	170,443	1,879,515
LONG-TERM ASSETS					
Loans Receivable	0	0	0	401,637	401,637
Bond Issuance costs, net	64,994	0	0	0	64,994
	64,994	0	0	401,637	466,631
Capital Assets:					
Land	89,263	0	1,000	0	90,263
Distribution System	7,795,782	1,945,173	2,172,273	0	11,913,228
Buildings	178,990	0	0	0	178,990
Construction in progress	0	0	0	0	0
Machinery and Equipment	986,109	504,609	453,146	0	1,943,864
	9,050,144	2,449,782	2,626,419	0	14,126,345
Less: accumulated depreciation	(3,192,015)	(983,637)	(1,651,086)	0	(5,826,738)
Total capital assets	5,858,129	1,466,145	975,333	0	8,299,607
TOTAL ASSETS	$ 6,450,549	$ 2,289,377	$ 1,333,747	$ 572,080	$ 10,645,753
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 6,679	$ 42,109	$ 1,384	$ 0	$ 50,172
Accrued payroll liabilities	20,352	15,137	10,649	0	46,138
Customer deposits	54,980	109,960	109,960	0	274,900
Intergovernmental payable		12,394	9,219	0	21,613
Current portion of notes payable	66,791	86,582	20,140	0	173,513
Payable from restricted assets:					
Current portion of revenue bonds	160,000	0	0	0	160,000
Accrued interest	5,531	0	0	0	5,531
Total Current Liabilities	314,333	266,182	151,352	0	731,867
Noncurrent Liabilities					
Revenue bonds payable, net of amortized discount	1,895,000	0	0	0	1,895,000
Notes payable	302,649	500,511	140,456	0	943,616
	2,197,649	500,511	140,456	0	2,838,616
TOTAL LIABILITIES	2,511,982	766,693	291,808	0	3,570,483
NET ASSETS					
Invested in capital assets, net of related debt	3,428,158	879,052	814,737	0	5,121,947
Restricted for debt retirement	362,963	451,527	0	0	814,490
Unrestricted	147,446	192,105	227,202	572,080	1,138,833
TOTAL NET ASSETS	$ 3,938,567	$ 1,522,684	$ 1,041,939	$ 572,080	$ 7,075,270

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, 2013

	Water and Sewer Fund	Electrical	Natural Gas	Revolving Loan Fund	Total
Operating Revenues:					
Charges for services	$ 1,249,645	$3,155,168	$ 2,688,303	$ 0	$ 7,093,116
Other	28,217	1,160	114,411	0	143,788
Total Operating Revenues	1,277,862	3,156,328	2,802,714	0	7,236,904
Operating Expenses:					
Personal services and employee benefits	374,785	230,000	172,681	0	777,466
Purchased/contracted services	108,749	189,215	91,946	0	389,910
Supplies	216,538	2,390,253	2,153,880	0	4,760,671
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	4,554	0	4,554
Depreciation	163,184	57,517	72,601	0	293,302
Amortization	5,954	0	0	0	5,954
Total Operating Expenses	869,210	2,866,985	2,495,662	0	6,231,857
Operating Income	408,652	289,343	307,052	0	1,005,047
Non-Operating Revenues (Expenses):					
Interest revenues	$ 2,711	$ 404,068	$ 0	$ 738	$ 407,517
Grants	7,446	0	6,126	0	13,572
Intergovernmental	0	0	0	0	0
Interest expense	(88,015)	(26,559)	(6,622)	0	(121,196)
Total Non-Operating Revenues (Expenses)	(77,858)	377,509	(496)	738	299,893
Income (Loss) before Transfers	330,794	666,852	306,556	738	1,304,940
Transfers in (out)	(78,097)	(347,688)	(151,802)	0	(577,587)
Change in Net Assets	252,697	319,164	154,754	738	727,353
NET ASSETS - July 1, 2012	3,685,870	1,203,520	887,185	571,342	6,347,917
NET ASSETS - June 30, 2013	$ 3,938,567	$1,522,684	$ 1,041,939	$ 572,080	$ 7,075,270

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

STATEMENT OF CASH FLOWS

CHANGES IN NET ASSETS-PROPRIETARY FUNDS

City Of Monticello
Monticello, Georgia

Year Ended
June 30, 2013

	Water and Sewer Fund	Electrical	Natural Gas	Revolving Loan Fund	Total
Cash Flows from Operating Activities:					
Cash Received from Customers	$ 1,354,494	$ 3,157,868	$ 2,697,714	$ 0	$ 7,210,076
Cash Payments for Goods and Services	(487,193)	(2,684,654)	(2,355,977)		(5,527,824)
Cash Payment to Employees	(368,238)	(229,999)	(172,711)	0	(770,948)
Net Cash Provided by Operating Activities	499,063	243,215	169,026	0	911,304
Cash Flows from Non-Capital Financing Activities:					
Transfers from (to) Other Funds	(78,097)	(347,688)	(151,802)	0	(577,587)
Net Cash Used by Non-Capital Financing Activities	(78,097)	(347,688)	(151,802)	0	(577,587)
Cash Flows from Capital and Related Financing Activities:					0
Acquisition of Capital Assets	(50,578)	(10,353)	(10,554)	0	(71,485)
Interest paid on notes payable	(87,505)	(26,559)	(6,622)	0	(120,686)
Principal paid on notes payable	(52,919)	(75,305)	(17,728)	0	(145,952)
Principal paid on revenue bonds	(195,000)	0	0	0	(195,000)
Disbursement of loan proceeds				(19,411)	(19,411)
Interest and fees paid on revenue bonds	(37,800)	0	0	0	(37,800)
Net Cash Used by Capital and Related Financing Activities	(423,802)	(112,217)	(34,904)	(19,411)	(590,334)
Cash Flows from Investing Activities:					
Interest revenue	2,711	404,068	0	738	407,517
Deposits to restricted accounts	0	0	17,814	0	17,814
Disbursements from restricted assets	0	(185,296)	0	0	(185,296)
Net Cash Provided used by Investing Activities	2,711	218,772	17,814	738	240,035
Net Increase (Decrease) in Cash and Restricted Cash	(125)	2,082	134	(18,673)	(16,582)
Cash and Restricted Cash - July 1, 2012	917	5,121	614	168,051	174,703
Cash and Restricted Cash - June 30, 2013	$ 792	$ 7,203	$ 748	$ 149,378	$ 158,121
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income	$ 408,652	$ 289,343	$ 307,052	$ 0	$ 1,005,047
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation and Amortization	169,138	57,517	72,601	0	299,256
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(58,151)	(140,202)	(204,033)	0	(402,386.00)
(Increase) Decrease in due from other funds	0	-	0	0	0
Increase (Decrease) in Accounts Payable	(21,716)	34,272	(8,848)	0	3,708
Increase (Decrease) in customers' Deposits	1,142	2,284	2,284	0	5,710
Net Cash Provided by Operating Activities	$ 499,065	$ 243,214	$ 169,056	$ -	$ 911,335

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 Government Complex Fund is the City's primary fund to pay debt obligations for the government complex.

The Capital Projects account is the City's primary fund for accounting for Special Local Option Sales Tax revenue and the corresponding expenditures.

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.

For the classification of fund balances the City considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and (2) unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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.

N. Prior Period Adjustment

Net Assets for the Governmental Activities were overstated at June 30, 2012. The beginning Net Assets were adjusted on the Statement of Activities and Changes in Net Assets for the Governmental Activities.

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.

Excess of Expenditures over Appropriations:

The following cost centers had expenditures in excess of appropriations for the fiscal year ended June 30, 2013:

Public Safety – The $7,942 excess of expenditures over appropriations is attributable to other services and supplies being under budgeted.

Health and Welfare – The $15,049 excess of expenditures over appropriations is attributable to supplies being under budgeted.

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, 2013, none of the City's cash deposits were exposed to custodial credit risk.

Investments – Investments are stated at fair value.

As of June 30, 2013, the City had investments in U.S. Government Securities and in the Municipal Competitive Trust totaling $451,527 as follows:

Investment Type	Fair Value	Credit Quality
U.S. Securities	$451,527	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, 2013 were 93.3% 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 has been recognized as revenue.

5. ACCOUNTS RECEIVABLE

At June 30, 2013, accounts receivable consisted of the following:

	Governmental Activities	Business-Type Activities	Total
General Fund:			
Property Tax	$ 93,468	$ 0	$ 93,468
Garbage Fees	41,648	0	41,648
Electric Fund – electric fees	0	360,752	360,752
Water and Sewer Fund – Fees	0	154,609	154,609
Natural Gas Fund – Fees	0	354,985	354,985
	135,116	870,346	1,005,462
Allowance for doubtful accounts	(4,628)	(81,297)	(85,925)
	$ 130,488	$ 789,049	$ 919,537

6. CHANGES IN CAPITAL ASSETS

Capital asset activity for the primary government for the fiscal year ended June 30, 2013 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	124,740	0	61,332	63,408
Total capital assets not being Depreciated	137,486	0	61,332	76,154
Buildings and improvements	5,277,611	106,895	0	5,384,506
Machinery and equipment	456,122	0	0	456,122
Vehicles	527,612	12,500	0	540,112
	6,261,345	119,395	0	6,380,740
Less accumulated depreciation:				
Buildings and improvements	1,235,473	144,595	0	1,380,068
Machinery and equipment	292,360	28,079	0	320,439
Vehicles	450,627	17,381	0	468,008
Total accumulated depreciation	1,978,460	190,055	0	2,168,515
Total capital assets, net	4,282,885	(70,660)	0	4,212,225
Governmental capital assets, net	4,420,371	(70,660)	61,332	4,288,379
Business-type Activities:				
Capital Assets not being depreciated				
Land	90,264	0	0	90,264
Construction in Progress	2,637	0	2,637	0
Total capital assets not being Depreciated	92,901	0	2,637	90,264
Buildings and improvements	178,990	0	0	178,990
Machinery and equipment	993,544	0	0	993,544
Distribution system	12,810,332	71,485	18,270	12,863,547
	13,982,866	71,485	18,270	14,036,081
Less accumulated depreciation:				
Buildings and improvements	134,618	3,662	0	138,280
Machinery and equipment	983,114	4,056	0	987,170
Distribution system	4,415,703	285,585	0	4,701,288
Total accumulated depreciation	5,533,435	293,303	0	5,826,738
Total capital assets, net	8,542,331	(221,818)	20,907	8,209,343
Business-type capital assets, net	$8,542,331	$ (221,818)	$ 20,907	$ 8,299,607

Buildings and improvements were overstated for the year ended June 30, 2012 and a correction was made in the beginning balance column June 30, 2012 in the Governmental Activities.

Depreciation was charged to functions as follows:

Governmental activities:	
General government	$ 135,656
Public Safety	32,150
Public Works	14,748
Health and Welfare	7,501
	$ 190,055
Business-type activities:	
Water and Sewer	$ 163,184
Electrical	57,517
Natural gas	72,601
	$ 293,302

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%	$1,385,000

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

Year Ended June 30,	Principal	Interest
2014	$ 175,000	$ 62,325
2015	180,000	54,450
2016	190,000	46,350
2017	195,000	37,800
2018	205,000	29,025
2019-2020	440,000	29,925
	$1,385,000	$259,875

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, 2013 are as follows:

Water and Sewer upgrades	3.5%	$2,055,000

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30,	Principal	Interest
2014	$ 160,000	$ 66,375
2015	170,000	62,375
2016	170,000	58,125
2017	175,000	53,875
2018	180,000	49,500
2019-2023	985,000	153,564
2024	215,000	8,063
	$2,055,000	$451,877

Notes Payable – Business-Type Activities

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, 2013 was $431,316.

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

Year Ended June 30,	Principal	Interest
2014	$ 50,789	$ 18,452
2015	53,132	16,108
2016	55,584	13,656
2017	58,149	11,091
2018	60,832	8,407
2019-2020	152,830	8,305
	$ 431,316	$ 76,019

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, 2013 was $575,151.

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

Year Ended June 30,	Principal	Interest
2014	$ 72,109	$ 22,995
2015	75,227	19,877
2016	78,478	16,409
2017	81,870	14,450
2018	85,411	16,841
2019-2020	182,056	14,151
	$ 575,151	$ 104,723

The City obtained a $268,284 loan in September 2010 to purchase equipment. The loan is to be repaid in 60 monthly installments of $4,885, including interest at 3.53%. The outstanding balance at June 30, 2013 was $126,637.

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

Year Ended June 30,	Principal	Interest
2014	$ 55,048	$ 3,594
2015	57,018	1,615
2016	14,571	86
	$ 126,637	$ 5,295

Notes Payable – Governmental Activities

The City obtained a $213,988 loan in June 2010 to purchase equipment. The loan is to be repaid in 120 monthly installments of $2,219, including interest at 4.24%. The outstanding balance at June 30, 2013 was $167,182.

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

Year Ended June 30,	Principal	Interest
2014	$ 20,216	$ 6,414
2015	21,090	5,538
2016	22,002	4,627
2017	22,953	3,675
2018	23,946	2,683
2019-2020	56,975	2,215
	$ 167,182	$ 25,152

Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Amount due in One Year
Governmental Activities:					
General Obligation Bonds	$ 1,550,000	$ 0	$ 165,000	$ 1,385,000	$ 175,000
Notes Payable	62,798	0	25,591	37,207	26,505
Compensated Absences	39,150	0	11,670	27,480	39,150
	$ 1,651,948	$ 0	$ 202,261	$ 1,449,687	$ 240,655
Business-Type Activities:					
Bonds Payable:	$ 2,250,000	$ 0	$ 195,000	$ 2,250,000	$ 160,000
Notes Payable	1,263,080	0	145,951	1,263,079	155,535
	$ 3,513,080	$ 0	$ 340,951	$ 3,172,129	$ 315,536

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
Hotel/Motel Tax Fund	General Fund	652
		$ 21,717

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	$ 252,852	$ 252,852
Gas Fund	151,802	0	151,802
Non major funds			
Water and Sewer Fund	78,097	0	78,097
Electric Fund	347,688	0	347,688
	$ 577,587	$ 252,852	$ 830,439

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, 2013, the outstanding debt of MEAG was approximately $5.925 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately $306,966 at June 30, 2013.

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, 2013 was $1,214,546 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, 2013, 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	39
Terminated employees entitled to benefits but not yet receiving them	22
Current Active Employees:	
Vested	29
Nonvested	9
Total membership in the plan	99
Total current year covered payroll	$1,067,523

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, 2013. 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 $153,757 for the year ended June 30, 2013, which includes amortization of past service costs over 30 years. This contribution amounted to 14.0% of the total covered payroll. The City's total payroll was $1,067,523 and the covered payroll was $1,067,523. 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.

	2011	2012	2013
Actuarial value of assets	$1,925,536	$2,036,749	$2,157,989
Actuarial accrued liability	2,056,365	2,330,772	$2,544,490
Funded ratio	93%	87%	85%
Total unfunded actuarial liability (funding excess)	130,829	294,023	386,501
Annual covered payroll	1,180,857	974,804	1,067,523
Ratio of unfunded (excess) to annual covered payroll	11.1%	30.0%	36.0%
Actual contribution as a percentage of covered payroll			
Three year trend information			
Annual pension cost	175,365	136,753	153,757
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 Commission and is required to pay annual dues thereto: During its year ended June 30, 2013, the City paid $1,942 in such dues. Membership in a Regional Commission (RC) is required by the OCGA Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC 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 RC. Separate financial statements may be obtained from:

Northeast Georgia Regional Commission 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, 2013 are as follows:

Expenditure by purpose	Amount	Tax Receipts	Percentage
Better Hometown	$ 1,344	$ 2,240	60%
Chamber of Commerce	896	0	40%
	$ 2,240	$ 2,240	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, 2013

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Real property	$ 247,000	$ 247,000	$ 245,579	$ (1,421)
Local option sales and use taxes	271,000	271,000	251,011	(19,989)
Motor vehicle and mobile home tax	21,200	21,200	52,698	31,498
Intangible tax	525	525	1,466	941
Real estate transfer tax	400	400	796	396
Franchise tax	26,000	26,000	49,698	23,698
Alcoholic beverages licenses	86,800	86,800	106,236	19,436
Insurance premium tax	124,624	124,624	132,372	7,748
Federal grants	25,000	25,000	22,020	(2,980)
Business and occupational tax	43,000	43,000	42,299	(701)
Contributions and donations from private sources	0	0	27,926	27,926
State Government Grants	0	0	61,050	61,050
Charges for services-sanitation	150,868	150,868	176,293	25,425
Fines and forfeitures	22,000	22,000	27,843	5,843
Interest revenue	800	800	613	(187)
Administrative Fee	80,000	80,000	103,451	23,451
Insurance Reimbursement	1,000	1,000	5,231	4,231
Miscellaneous Revenue	63,144	62,844	16,533	(46,311)
Rents and Royalties	110,000	110,000	103,328	(6,672)
Total Revenues	1,273,361	1,273,061	1,426,443	153,382

(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, 2013

	Original Budget	Final Budget	Actual	Variance
Expenditures:				
General government	$ 880,625	$ 880,625	$ 746,349	$ (134,276)
Public safety	524,609	524,609	532,551	7,942
Public works	439,375	439,375	386,713	(52,662)
Health/ welfare	66,888	66,888	81,937	15,049
Total Expenditures	1,911,497	1,911,497	1,747,550	(163,947)
Excess of Revenues Over Expenditures	(638,136)	(638,436)	(321,107)	317,329
Other Financing Sources (Uses)				
Transfers in	876,761	877,061	617,287	(259,774)
Transfers out	(238,625)	(238,625)	(252,852)	(14,227)
Borrowed Funds	0	0	0	0
Total Other Financing Sources (Uses)	638,136	638,436	364,435	(274,001)
Deficiency of Revenues and Other Financing Sources Over Expenditures	$ 0	$ 0	43,328	$ 43,328
FUND BALANCE - July 1, 2012			67,010	
FUND BALANCE - June 30, 2013			$ 110,338	

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

GENERAL FUND

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2013

	Original Budget	Final Budget	Actual	Variance
General Government:				
Clerks Office:				
Personal services	$ 206,663	$ 206,663	$ 185,518	$ (21,145)
Supplies	43,570	43,570	49,480	5,910
Purchased Services	208,288	208,288	223,471	15,183
Other services and charges	2,657	2,657	2,672	15
Capital Outlays	1,500	1,500	0	(1,500)
	462,678	462,678	461,141	(1,537)
Mayor and Council:				
Personal services	63,071	63,071	61,660	(1,411)
Supplies	1,000	1,000	386	(614)
Purchased Services	11,000	11,000	6,516	(4,484)
Other services and charges	100,000	100,000	2,500	(97,500)
	175,071	175,071	71,062	(104,009)
Maintenance and Shop				
Personal services	42,344	42,344	54,082	11,738
Supplies	20,104	20,104	6,793	(13,311)
Purchased Services	63,553	63,553	45,701	(17,852)
Capital Outlays	600	600	12,500	11,900
	126,601	126,601	119,076	(7,525)
Management				
Personal services	88,114	88,114	75,742	(12,372)
Supplies	3,300	3,300	1,023	(2,277)
Purchased Services	4,915	4,915	2,624	(2,291)
Debt service	1,946	1,946	1,946	0
	98,275	98,275	81,335	(16,940)
Non-Departmental				
Purchased Services	18,000	18,000	13,735	(4,265)
Supplies	0	0	0	0
Debt service	0	0	0	0
Capital Outlays	0	0	0	0
	18,000	18,000	13,735	(4,265)
Public Safety				
Personal services	424,184	424,184	408,646	(15,538)
Supplies	35,600	35,600	47,086	11,486
Capital Outlays	9,310	9,310	11,153	1,843
Other services and charges	27,866	27,866	39,860	11,994
Debt Service	27,649	27,649	25,806	(1,843)
	524,609	524,609	532,551	7,942
Public Works				
Personal services	206,056	206,056	217,581	11,525
Supplies	35,284	35,284	25,296	(9,988)

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

GENERAL FUND

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2013

	Original Budget	Final Budget	Actual	Variance
Other services and charges	15,367	15,367	9,471	(5,896)
Garbage and landfill fees	132,150	132,150	127,770	(4,380)
Debt Service	8,793	8,793	6,595	(2,198)
Capital Outlays	41,725	41,725	0	(41,725)
	439,375	439,375	386,713	(52,662)
Health and Welfare				
Personal services	30,000	30,000	0	(30,000)
Supplies	16,833	16,833	15,251	(1,582)
Other services and charges	18,555	18,555	66,686	48,131
Capital Outlays	1,500	1,500	0	(1,500)
	66,888	66,888	81,937	15,049
Total Expenditures	$ 1,911,497	$ 1,911,497	$ 1,747,550	$ (163,947)

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

City of Monticello
Monticello, Georgia

June 30, 2013

	SPECIAL REVENUE
	Drug Seizure
ASSETS	
Cash	$ 68
Restricted cash and cash equivalents	0
Due from General Fund	0
Due from other governments	0
TOTAL ASSETS	$ 68
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	$ 0
Due to general fund	0
Total Liabilities	0
Fund Balance:	
Fund balance - restricted	68
Total Fund Balance	68
TOTAL LIABILITIES AND FUND BALANCE	$ 68

SCHEDULE OF REVENUES, EXPENSES AND CHANGES

IN FUND BALANCE-SPECIAL REVENUE FUNDS

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2013

Program Activity	SPECIAL REVENUE Drug Seizure	Hotel Motel Tax	Summer Food	Total
Revenues:				
Hotel / motel taxes	$ 0	$ 2,240	$ 0	$ 2,240
Intergovernmental	0	0	1,320	1,320
Investment income				0
Contributions from private sources	0	0	0	0
Total Revenues	0	2,240	1,320	3,560
Expenditures:				
Personal services-salaries and wages	$ 0	$ 0	$ 0	$ 0
SS and medicare contributions	0	0	0	0
Debt Service: Principal	0	0	0	0
Debt Service: Interest	0	0	0	0
Capital outlays	0	0	0	0
Tourism	0	2,103	0	2,103
Program administration	60	0	2,691	2,751
Total Expenditures	60	2,103	2,691	4,854

SCHEDULE OF REVENUES, EXPENSES AND CHANGES

IN FUND BALANCE-SPECIAL REVENUE FUNDS

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2013

Program Activity	SPECIAL REVENUE Drug Seizure	Hotel Motel Tax	Summer Food	Total
Excess of Revenues Over Expenditures before Transfers	$ (60)	$ 137	$ (1,371)	$ (1,294)
Transfer in	0	0	0	0
Transfer out	0	(789)	0	(789)
Net Transfers	0	(789)	0	(789)
Excess of Revenues Over Expenditures after Transfers	(60)	(652)	(1,371)	$ (2,083)
Other Financing Sources (Uses)				
Proceeds of general long-term liabilities	0	0	0	0
Discounts on bonds sold	0	0	0	0
Issuance cost	0	0	0	0
Net Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	(60)	(652)	(1,371)	(2,083)
FUND BALANCE - July 1, 2012	128	652	1,371	2,151
FUND BALANCE - June 30, 2013	$ 68	$ 0	$ 0	$ 68

SCHEDULE OF PROJECTS USING SPECIAL

PURPOSE LOCAL OPTION SALES TAX PROCEEDS

City of Monticello
Monticello, Georgia

Year Ended
June 30, 2013

Project	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
a) Sidewalk Repairs/Improvements	$ 295,700	$ 295,700	$ 46,674	$ 58,300	$ 104,974	36%
b) Hospital	100,000	100,000	0	0	0	0%
c) Water Supply and Treatment	357,300	357,300	-	0	0	0%
d) Sewer System Improvements	197,000	197,000	0	15,300	15,300	8%
TOTAL	$ 950,000	$ 950,000	$ 46,674	$ 73,600	$ 120,274	13%

HERRING
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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, each major fund, the discretely presented component unit and the aggregate remaining fund information of City of Monticello, Georgia, as of and for the year ended June 30, 2013, which collectively comprise the City of Monticello, Georgia's basic financial statements and have issued our report thereon dated February 14, 2014. 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

Management of City of Monticello, Georgia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Monticello's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose expressing an opinion on the effectiveness of City of Monticello, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined below. However, as described in the accompanying schedule of findings and questioned cost, we identified a certain deficiency in internal control over financial reporting to be significant deficiencies, for example 2013-1 and 2013-2.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct

misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency of a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2013-1 and 2013-2 to be a significant defiency.

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.

City of Monticello's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit City of Monticello's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, City Council, 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
February 14, 2014

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
Significant deficiencies(s) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial Statements noted?	No

SECTION II-FINANCIAL STATEMENT FINDINGS

2013-1 FINDING **Expenditures exceeding budget**

Criteria: Budget to actual numbers were not periodically reviewed with the budget being amended as needed.

Condition: The City was in violation of State budget statutes for the year ended June 30, 2013 because certain departmental expenditures exceeded their budget at the legal level of control. The Georgia Statutes define the legal level of control, at a minimum, to be at the department level. The departments and the budget analysis follow:

	EXPENDITURES		
	BUDGETED	ACTUAL	(EXCESS)
General Fund:			
Department:			
Police	$ 524,609	$ 532,551	$ 7,942
Health and Welfare	$ 66,888	$ 81,937	$ 15,049

Effect: Expenditures are not managed in accordance with budget statutes and actions of the City Council.

Recommendation: Emphasize management of expenditures and periodic comparison to the budget.

Management's response: Management agrees with the finding and will periodically monitor budget and make amendments as necessary.

2013-2 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.