CITY OF MONTICELLO, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITORS' REPORT)

Year Ended June 30, 2014

CITY OF MONTICELLO, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED June 30, 2014

TABLE OF CONTENTS

	Page
FINANCIAL SECTION	
Independent Auditors' Report	i-iii
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	1
Statement of Activities	2
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Position - Proprietary Funds	7
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	8
Statement of Cash Flows - Proprietary Funds	9
NOTES TO FINANCIAL STATEMENTS	10 - 43
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Pension Funding Progress	44
Budgetary Comparison Schedule	
-General Fund	45
-Debt Service Fund	46
COMBINING STATEMENTS AND SCHEDULES	
NONMAJOR GOVERNMENTAL FUNDS	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	47
Supplemental Budgetary Comparison Schedule	
-Drug Seizure Special Revenue Fund	48
-Hotel Motel Tax Special Revenue Fund	49
SUPPLEMENTAL INFORMATION	
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax	50
COMPLIANCE AND INTERNAL CONTROL REPORTS	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*	51-52

BatesCarter

INDEPENDENT AUDITORS' REPORT

August 4, 2015

To the Mayor and City Council
CITY OF MONTICELLO, GEORGIA
Monticello, Georgia

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the CITY OF MONTICELLO, GEORGIA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the report of other auditors, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1(D)9 to the financial statements, the City adopted GASB Statement 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and GASB Statement 65, "Items Previously Reported as Assets and Liabilities". Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Pension Funding Progress, Budgetary Comparison Schedule-General Fund and Budgetary Comparison Schedule-Debt Service Fund listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The CITY OF MONTICELLO, GEORGIA has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to

be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

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 accompanying supplementary information such as the combining and individual nonmajor fund financial statements, supplemental budgetary comparison schedules, and the accompanying Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds which is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121 for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information identified above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2015 on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CITY OF MONTICELLO, GEORGIA's internal control over financial reporting and compliance.

Barton Parker & Co, LLP

CITY OF MONTICELLO, GEORGIA
STATEMENT OF NET POSITION
June 30, 2014

	PRIMARY GOVERNMENT			COMPONENT UNIT
ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	DOWNTOWN DEVELOPMENT AUTHORITY
Cash	$ 319,985	$ 83,275	$ 403,260	$ 9,226
Notes receivable	-	28,135	28,135	-
Receivables (net of allowance for uncollectibles)	134,935	887,369	1,022,304	-
Due from component units	-	119,211	119,211	-
Prepaid items	6,625	4,692	11,317	-
Restricted assets:				
Cash	236,367	371,170	607,537	-
Investments	-	717,989	717,989	-
Non-current assets:				
Notes receivable	-	195,627	195,627	-
Capital assets:				
Capital assets not being depreciated	119,518	124,574	244,092	-
Capital assets being depreciated	6,403,235	14,055,268	20,458,503	178,000
Less: accumulated depreciation	(2,368,651)	(6,065,742)	(8,434,393)	(34,659)
Capital assets, net of depreciation	4,154,102	8,114,100	12,268,202	143,341
TOTAL ASSETS	4,852,014	10,521,568	15,373,582	152,567
LIABILITIES				
Accounts payable	162,207	87,946	250,153	-
Accrued interest payable	-	5,198	5,198	18,224
Other accrued items	28,176	73,433	101,609	(1)
Due to primary government	-	-	-	119,211
Customer Deposits	177	283,273	283,450	-
Noncurrent liabilities:				
Due within one year				
Compensated absences payable	17,094	-	17,094	-
Notes payable	-	53,132	53,132	8,019
Capital leases payable	8,553	123,692	132,245	-
General obligation bonds payable	180,000	-	180,000	-
Revenue bonds payable	-	170,000	170,000	-
Due in more than one year				
Compensated absences payable	7,326	-	7,326	-
Notes payable	-	327,396	327,396	37,021
Capital leases payable	2,990	439,397	442,387	-
General obligation bonds payable	1,030,000	-	1,030,000	-
Revenue bonds payable	-	1,725,000	1,725,000	-
TOTAL LIABILITIES	1,436,523	3,288,467	4,724,990	182,474
NET POSITION				
Net investment in capital assets	2,932,559	5,275,483	8,208,042	-
Restricted for:				
Capital outlay projects	169,036	-	169,036	
Debt service	236,367	788,381	1,024,748	
Muncipal Competitive Trust Agreement	-	717,989	717,989	
Unrestricted	77,529	451,248	528,777	(29,907)
TOTAL NET POSITION	$ 3,415,491	$ 7,233,101	$ 10,648,592	$ (29,907)

The accompanying notes are an integral part of this statement.

CITY OF MONTICELLO, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT DOWNTOWN DEVELOPMENT AUTHORITY
	.....PROGRAM REVENUES.....				....NET (EXPENSE) AND CHANGES IN NET POSITION.... .....PRIMARY GOVERNMENT.....			
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES								
General government	$ 773,916	$ 157,433	$ 27,508	$ 91,798	$ (497,177)	$ -	$ (497,177)	$ -
Judicial	7,256	-	-	-	(7,256)	-	(7,256)	-
Public safety	553,832	99,629	-	-	(454,203)	-	(454,203)	-
Public works	639,592	159,325	-	-	(480,267)	-	(480,267)	-
Public health and welfare	48,936	-	-	-	(48,936)	-	(48,936)	-
Recreation and culture	21,215	-	-	-	(21,215)	-	(21,215)	-
Housing and development	-	-	-	-	-	-	-	-
Interest	63,231	-	-	-	(63,231)	-	(63,231)	-
Total Governmental Activities	2,107,978	416,387	27,508	91,798	(1,572,285)	-	(1,572,285)	-
BUSINESS-TYPE ACTIVITIES								
Water and sewer	1,010,781	1,210,829	-	-	-	200,048	200,048	-
Electric System	2,921,917	2,930,640	-	-	-	8,723	8,723	-
Natural Gas System	2,850,311	3,060,396	-	-	-	210,085	210,085	-
Housing and development	80,000	-	-	-	-	(80,000)	(80,000)	-
Total Business-Type Activities	6,863,009	7,201,865	-	-	-	338,856	200,048	-
TOTAL PRIMARY GOVERNMENT	$ 8,970,987	$ 7,618,252	$ 27,508	$ 91,798	(1,572,285)	338,856	(1,372,237)	-
COMPONENT UNITS								
Development Authority	$ 11,614	$ 15,941	$ -	$ -	-	-	-	4,327
TOTAL COMPONENT UNITS	$ 11,614	$ 15,941	$ -	$ -	-	-	-	4,327
GENERAL REVENUES								
Property taxes					337,715	-	337,715	-
Sales taxes					392,868	-	392,868	-
Insurance premium taxes					137,059	-	137,059	-
Real estate recording taxes					3,023	-	3,023	-
Other taxes					179,288	-	179,288	-
Total taxes					1,049,953	-	1,049,953	-
Unrestricted investment earnings					563	481,763	482,326	-
Grants and contributions not restricted to a specific program					6,962	-	6,962	-
TRANSFERS					603,128	(603,127)	1	-
TOTAL GENERAL REVENUES AND TRANSFERS					1,660,606	(121,364)	1,539,242	-
CHANGES IN NET POSITION					88,321	217,492	305,813	4,327
NET POSITION, Beginning					3,354,223	7,075,270	10,429,493	(51,312)
PRIOR PERIOD ADJUSTMENT					(27,053)	5,333	(21,720)	17,078
CHANGE IN ACCOUNTING PRINCIPLE					-	(64,994)	(64,994)	-
NET POSITION, Beginning as restated					3,327,170	7,015,609	10,342,779	(34,234)
NET POSITION, Ending					$ 3,415,491	$ 7,233,101	$ 10,648,592	$ (29,907)

The accompanying notes are an integral part of this statement.

CITY OF MONTICELLO, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	GENERAL	SPLOST	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	$ 165,288	$ 154,697	$ -	$ 319,985
Receivables (net of allowance for uncollectibles)	120,595	14,339	-	134,934
Prepaid items	6,625	-	-	6,625
Restricted assets:				
Cash	-	-	236,367	236,367
TOTAL ASSETS	$ 292,508	$ 169,036	$ 236,367	$ 697,911
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 162,207	$ -	$ -	$ 162,207
Other accrued items	28,178	-	-	28,178
Customer deposits	177	-	-	177
TOTAL LIABILITIES	190,562	-	-	190,562
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	54,761	-	-	54,761
TOTAL DEFERRED INFLOWS OF RESOURCES	54,761	-	-	54,761
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	245,323	-	-	245,323
FUND BALANCES				
Nonspendable:				
Prepaid expenditure	6,625	-	-	6,625
Restricted:				
Debt service	-	-	236,367	236,367
Capital outlay projects	-	169,036	-	169,036
Unassigned:	40,560	-	-	40,560
TOTAL FUND BALANCES	47,185	169,036	236,367	452,588
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 292,508	$ 169,036	$ 236,367	$ 697,911

The accompanying notes are an integral part of this statement.

CITY OF MONTICELLO, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
For the Year Ended June 30, 2014

Total Fund Balances for Governmental Funds (page 3)		$ 452,588
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		4,154,102
Some assets and deferred outflows are not available in the current period, and therefore, are not reported in the funds:		
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		
Property Taxes	54,761	
		54,761
Some liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds, net of premium and discounts	(1,210,000)	
Compensated absences	(24,420)	
Capital leases	(11,543)	
		(1,245,963)
Rounding		3
Total net position of governmental activities (page 1)		$ 3,415,491

The accompanying notes are an integral part of this statement.

CITY OF MONTICELLO, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	GENERAL	SPLOST	DEBT SERVICE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	$ 897,657	$ 152,207	$ -	$ 2,268	$ 1,052,132
Licenses and permits	22,208	-	-	-	22,208
Intergovernmental	98,759	-	-	-	98,759
Fines and forfeitures	42,211	-	-	-	42,211
Charges for services	315,645	-	-	-	315,645
Contributions and donations	27,508	-	-	-	27,508
Investment income	564	(1)	-	1	564
Miscellaneous	36,322	-	-	-	36,322
TOTAL REVENUES	1,440,874	152,206	-	2,269	1,595,349
EXPENDITURES					
Current Expenditures					
General government	576,067	-	-	-	576,067
Judicial	7,256	-	-	-	7,256
Public safety	556,722	-	-	69	556,791
Public works	634,297	8,247	-	-	642,544
Public health and welfare	48,936	-	-	-	48,936
Recreation and culture	19,215	-	-	-	19,215
Intergovernmental	2,000	-	-	-	2,000
Capital outlay	22,495	43,362	-	-	65,857
Debt service					
Principal	25,665	-	175,000	-	200,665
Interest	906	-	62,325	-	63,231
TOTAL EXPENDITURES	1,893,559	51,609	237,325	69	2,182,562
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(452,685)	100,597	(237,325)	2,200	(587,213)
OTHER FINANCING SOURCES (USES)					
Transfers in	741,856	-	236,367	-	978,223
Transfers out	(325,271)	(47,557)	-	(2,268)	(375,096)
TOTAL OTHER FINANCING SOURCES (USES)	416,585	(47,557)	236,367	(2,268)	603,127
NET CHANGE IN FUND BALANCES	(36,100)	53,040	(958)	(68)	15,914
FUND BALANCES, Beginning of year	110,338	115,996	237,325	68	463,727
PRIOR PERIOD ADJUSTMENT	(27,053)	-	-	-	(27,053)
FUND BALANCES, Beginning of year, restated	83,285	115,996	237,325	68	436,674
FUND BALANCES, End of year	$ 47,185	$ 169,036	$ 236,367	$ -	$ 452,588

The accompanying notes are an integral part of this statement.

CITY OF MONTICELLO, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Net change in fund balances (page 5)		$ 15,914
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlays	65,857	
Depreciation expense	(200,136)	
		(134,279)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	54,761	
		54,761
Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.		
Property taxes	(56,940)	
		(56,940)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not 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. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. This adjustment combines the net change of two balances.		
Principal payments on long-term debt, including payments to refunding escrow	200,665	
		200,665
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences, current year	(24,420)	
Compensated absences, prior year	32,616	
		8,196
Rounding		4
Changes in net position of governmental activities (page 2)		$ 88,321

The accompanying notes are an integral part of this statement.

CITY OF MONTICELLO, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
ASSETS	WATER & SEWER FUND	ELECTRIC SYSTEM	NATURAL GAS SYSTEM	NONMAJOR REVOLVING LOAN FUND	TOTAL
Current Assets					
Cash	$ 2,938	$ 5,603	$ 496	$ 74,238	$ 83,275
Receivables (net of allowance for uncollectibles)	178,748	433,424	275,197	-	887,369
Notes receivable	-	-	-	28,135	28,135
Due from component units	-	-	-	119,211	119,211
Prepaid items	3,100	997	595	-	4,692
Restricted assets:					
Cash	371,170	-	-	-	371,170
Investments	-	717,989	-	-	717,989
TOTAL CURRENT ASSETS	555,956	1,158,013	276,288	221,584	2,211,841
Noncurrent Assets					
Notes receivables	-	-	-	195,627	195,627
Capital assets					
Capital assets not being depreciated	123,574	-	1,000	-	124,574
Capital assets being depreciated	8,980,067	2,449,782	2,625,419	-	14,055,268
Less: accumulated depreciation	(3,326,662)	(1,023,218)	(1,715,862)	-	(6,065,742)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	5,776,979	1,426,564	910,557	-	8,114,100
TOTAL NONCURRENT ASSETS	5,776,979	1,426,564	910,557	195,627	8,309,727
TOTAL ASSETS	6,332,935	2,584,577	1,186,845	417,211	10,521,568
LIABILITIES					
Current Liabilities					
Accounts payable	50,394	29,196	8,356	-	87,946
Accrued interest	5,198	-	-	-	5,198
Other accrued items	20,721	23,847	28,865	-	73,433
Notes payable	-	53,132	-	-	53,132
Capital leases payable	67,280	35,401	21,011	-	123,692
Revenue bonds payable	170,000	-	-	-	170,000
TOTAL CURRENT LIABILITIES	313,593	141,576	58,232	-	513,401
Noncurrent Liabilities					
Customer deposits	59,233	116,589	107,451	-	283,273
Notes payable	-	327,396	-	-	327,396
Capital leases payable	235,370	84,582	119,445	-	439,397
Revenue bonds payable	1,725,000	-	-	-	1,725,000
TOTAL NONCURRENT LIABILITIES	2,019,603	528,567	226,896	-	2,775,066
TOTAL LIABILITIES	2,333,196	670,143	285,128	-	3,288,467
NET POSITION					
Net investment in capital assets	3,579,329	926,053	770,101	-	5,275,483
Restricted for debt service	371,170	-	-	417,211	788,381
Municipal Competitive Trust Agreement	-	717,989	-	-	717,989
Unrestricted	49,240	270,392	131,616	-	451,248
TOTAL NET POSITION	$ 3,999,739	$ 1,914,434	$ 901,717	$ 417,211	$ 7,233,101

The accompanying notes are an integral part of this statement.

CITY OF MONTICELLO, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	WATER & SEWER FUND	ELECTRIC SYSTEM	NATURAL GAS SYSTEM	NONMAJOR REVOLVING LOAN FUND	TOTAL
OPERATING REVENUES					
Charges for sales and services:					
Pledged as security for revenue bonds:					
Charges for services	$ 1,210,829	$ 2,930,640	$ 2,921,707	$ -	$ 7,063,176
Other operating revenue	-	-	138,689	-	138,689
Total Operating Revenues	1,210,829	2,930,640	3,060,396	-	7,201,865
OPERATING EXPENSES					
Salaries and benefits	339,205	186,609	150,896	-	676,710
Other services and charges	295,099	2,636,346	2,547,626	80,000	5,559,071
Insurance premiums	94,622	33,503	22,870	-	150,995
Depreciation	134,646	39,581	64,776	-	239,003
Professional fees	31,330	145	11,047	-	42,522
Repairs and maintenance	37,602	1,578	42,151	-	81,331
Other operating expenses	-	-	4,522	-	4,522
Total Operating Expenses	932,504	2,897,762	2,843,888	80,000	6,754,154
OPERATING INCOME (LOSS)	278,325	32,878	216,508	(80,000)	447,711
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	138,431	274,252	67,862	1,218	481,763
Interest expense	(78,277)	(24,155)	(6,423)	-	(108,855)
Total Nonoperating Revenues (Expenses)	60,154	250,097	61,439	1,218	372,908
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	338,479	282,975	277,947	(78,782)	820,619
Transfer in	47,557	88,903	-	-	136,460
Transfer out	(268,910)	-	(394,590)	(76,087)	(739,587)
CHANGE IN NET POSITION	117,126	371,878	(116,643)	(154,869)	217,492
TOTAL NET POSITION, Beginning of year	3,938,567	1,522,684	1,041,939	572,080	7,075,270
CHANGE IN ACCOUNTING PRINCIPLE	(64,994)	-	-	-	(64,994)
PRIOR PERIOD ADJUSTMENT	9,040	19,872	(23,579)	-	5,333
TOTAL NET POSITION, Beginning of year, restated	3,882,613	1,542,556	1,018,360	572,080	7,015,609
TOTAL NET POSITION, End of year	$ 3,999,739	$ 1,914,434	$ 901,717	$ 417,211	$ 7,233,101

The accompanying notes are an integral part of this statement.

CITY OF MONTICELLO, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	WATER & SEWER FUND	ELECTRIC SYSTEM	NATURAL GAS SYSTEM	NONMAJOR REVOLVING LOAN FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customer	$ 1,199,983	$ 2,884,469	$ 3,114,096	$ -	$ 7,198,548
Payments to suppliers	(408,976)	(2,681,678)	(2,611,309)	(58,935)	(5,760,898)
Payments to employees	(338,836)	(190,347)	(149,748)	-	(678,931)
Net cash provided by (used in) operating activities	452,171	12,444	353,039	(58,935)	758,719
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in (out)	(268,910)	-	(394,590)	(76,087)	(739,587)
Net Cash provided (used) by non-capital financing activities	(268,910)	-	(394,590)	(76,087)	(739,587)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(53,495)	-	-	-	(53,495)
Transfers in/out	47,557	88,903	-	-	136,460
Principal payments on debt	(226,792)	(86,582)	(20,140)	-	(333,514)
Interest paid	(78,610)	(24,155)	(6,423)	-	(109,188)
Net cash provided (used) by capital and related financing activities	(311,340)	(21,834)	(26,563)	-	(359,737)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings	138,431	274,252	67,862	1,218	481,763
Purchase of investments	-	(266,462)	-	-	(266,462)
Principal payments received on lease receivable	-	-	-	58,664	58,664
Net cash provided (used) by investing activities	138,431	7,790	67,862	59,882	273,965
Net increase (decrease) in cash and cash equivalents	10,352	(1,600)	(252)	(75,140)	(66,640)
CASH, Beginning of year	363,756	7,203	748	149,378	521,085
CASH, End of year	$ 374,108	$ 5,603	$ 496	$ 74,238	$ 454,445
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ 278,325	$ 32,878	$ 216,508	$ (80,000)	$ 447,711
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	134,646	39,581	64,776	-	239,003
Net Non-Cash Effect of Prior Period Adjustment	9,040	19,872	(23,579)	-	5,333
(Increase) decrease in:					
Accounts receivable	(24,139)	(72,672)	79,788	-	(17,023)
Prepaid expenses	5,962	2,753	2,086	-	10,801
Increase (decrease) in:					
Accounts payable	43,715	(12,912)	6,973	-	37,776
Amounts held in trust	4,253	6,629	(2,509)	-	8,373
Other accrued items	369	(3,738)	1,148	-	(2,221)
Due to other governments	-	53	7,848	21,065	28,966
Net cash provided by (used in) operating activities	$ 452,171	$ 12,444	$ 353,039	$ (58,935)	$ 758,719

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the CITY OF MONTICELLO, GEORGIA (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

(A) REPORTING ENTITY

The reporting entity consists of the following:

- The primary government;
- Organizations for which the primary government is financially accountable;

For financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP.

The City is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose a specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Blended component units, although legally separate entities, are, in substance, part of the City's operation, and accordingly, data from these units are combined with data of the City. Discrete presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Brief descriptions of the discretely presented component unit follows:

MONTICELLO DOWNTOWN DEVELOPMENT AUTHORITY - The Monticello Downtown Development Authority ("DDA") is governed by a board appointed by the City Council and Mayor. The DDA was created for the purpose of developing and promoting a healthy and prosperous downtown within the context of cultural and historical preservation. The DDA is required to submit an operating budget to the City Council for approval each year. The City Council determines a monthly allocation that it pays to the DDA for its operations. The City also pays the salary and some other expenses related to downtown development. The DDA is a component unit of the City.

The DDA did not issue separate financial statements for the year ended June 30, 2014.

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds 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 FINANCIAL STATEMENT PRESENTATION

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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 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 measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property taxes as available if they are collected within 60 days of the end of the current fiscal year for which they are levied. Other revenues susceptible to accrual are considered available if they are collected within 90 days of the end of the current fiscal period for which they are imposed. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales tax, franchise taxes, licenses, charges for services, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 accounted for in another fund.

The *SPLOST Capital Projects Fund* accounts for funds received from a local 1% sales tax reserved for construction of various capital projects.

The *Debt Service Fund* is the City's primary fund to pay debt obligations for the goverment complex.

The City reports the following major proprietary funds:

The *Water and Sewer System Fund* is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

The *Electric System Fund* is used to account for the provision of electricity services to the businesses and residents of the City. Activities of the fund include administration, operations and maintenance of the electric system and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for electric system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

The *Natural Gas System Fund* is used to account for the provision of natural gas services to the residents of the City. Activities of the fund include administration, operations and maintenance of the gas system and billing and collection activities This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for gas system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used are not eliminated in the process of consolidation. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

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. 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

(D) ASSETS, LIABILITIES AND NET POSITION OR EQUITY

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits that are not restricted, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded as fair value based on quoted market prices as of the balance sheet date. Increases or decreases in fair value during the year are recognized as part of investment income.

Receivables and Payables

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

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

All trade and property tax receivables are shown net of an allowance of uncollectibles.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are normally levied by October 20th of each year. The 2014 property taxes were levied October 20, 2014, and were due December 20, 2014. The taxes are subject to lien after March 20, 2015. Interest and penalties are assessed on taxes not paid by this date.

The City's property taxes were levied on the assessed values of all real and personal property including mobile homes and motor vehicles located in the City.

The City's tax levy is recognized as revenue when levied and uncollected taxes are recorded as unavailable revenue in the general fund and fire district special revenue fund.

Inventories and Prepaid Items

Inventories, consisting of expendable supplies, not held for resale are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather then when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The costs of governmental fund-type prepaids are recorded as expenditures when consumed rather than when purchased.

Restricted Assets

Certain funds are held by the General and Enterprise Funds in accounts restricted for customer deposits, debt service, capital expenditures, and the Municipal Competitive Trust Agreement with the Municipal Electric Authority of Georgia. These funds are held in cash and/or investments as allowed by State law and the requirments of the related debt agreements. The investments are stated at fair value and the City records all investment revenue earned on these investments in the appropriate fund.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, culverts, 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 with an initial, individual cost of $5,000 and an estimated useful life in excess of five years or more. 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. Roads, bridges, and culverts acquired prior to July 1, 2004 have not been reported.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. Interest was not capitlized during during 2014.

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

Building	30-40 years
Natural Gas system	10-40 years
Electric System	10-33 years
Water and sewer system	10-30 years
Machinery and equipment	5-10 years
Furniture, fixtures, and equipment	10-15 years
Computer equipment	5-10 years
Other infrastructure	20-40 years
Vehicles	5-15 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has only one type of item that qualifies for reporting in this category. It is the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amortization is part of the interest expense for the year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. This item only arises under the modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, "Accounting for Compensated Absences," no liability is reported for unpaid accumulated sick leave because the benefits are paid only upon illness of an employee, and the amount of such payments cannot be reasonably estimated. 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.

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, or proprietary fund type statement of net position.

Bond Premiums and Discounts

Cumulative effect of a change in accounting principle:

> Bond and loan issuance costs are expensed as incurred. These previously had been deferred and amortized. During 2014, the City implemented GASB Statement 65 *"Items Previously Reported As Assets and Liabilities."* For the Water and Sewer Fund, $64,994 related to revenue bonds, were written off as the cumulative effect of a change in accounting principle.

Premiums and discount are deferred and amortized over the lives of the bonds and loans on a straight-line basis, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Fund Equity/Net Position

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund balance - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable - Fund balances are reported as nonspendable when the amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash like inventories and prepaid items) or (b) legally or contractually required to be maintained intact.

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution prior to the end of the fiscal year. In order to modify or rescind the commitment, the the City Council must adopt another resolution.

Assigned - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's finance director to assign fund balances.

Unassigned - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all other governmental funds.

Net Position - Net position represent the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt used for the acquisition, construction, or improvement of those assets. In determining the outstanding balance of any borrowing, proceeds of that debt which has not been spent is deducted. Accounts payable for costs related to acquisition, construction, or improvement of those capital assets is considered debt for this calculation. Net position are reported as restricted as described in the fund balance section above. All other net position are reported as unrestricted.

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

Net Investment in Capital Assets

The "net investment in capital assets" reported on the government-wide statement of net position as of June 30, 2014 are as follows:

Net investment in capital assets:	Governmental Activities	Business Activities
Cost of capital assets	$ 6,522,751	$ 14,179,842
Accumulated depreciation	(2,368,651)	(6,065,742)
Book value	4,154,100	8,114,100
Capital leases related debt	(11,541)	(563,089)
Unspent construction proceeds	-	-
Revenue bonds related to capital assets	(1,210,000)	(1,895,000)
Notes payable related to capital assets	-	(380,528)
Net investment in capital assets	$ 2,932,559	$ 5,275,483

Management Estimates

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

Allocation of Indirect Cost

The City allocates indirect costs for general government services, such as finance, personnel, purchasing, legal, technology, management, etc., to its business-type activities. Allocations are charged to programs based on use of general government services determined by various allocation methodologies. These charges are separately reported in the statement of activities.

NOTE 2 - FUND BALANCE/NET POSITION

The government-wide statement of net position reports $405,403 of restricted net position, of which none is restricted by enabling legislation.

Additional details related to fund balances at the governmental fund level are presented below:

Restricted:	
Debt Service Fund	
Debt service - For unspent funds from bond issues and funds paid into bond sinking funds for future debt payments restricted by creditors	236,367
SPLOST	
SPLOST - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum	169,036
Total Restricted Fund Balance	$ 405,403

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) BUDGETARY INFORMATION

Annual appropriated budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Special Revenue Funds. Project-length budgets are adopted for capital projects funds. Budgets for planning and management purposes only are adopted for the Proprietary (Enterprise) Funds on a GAAP basis, except that long-term debt borrowings are budgeted as revenues and depreciation expense is not budgeted. Budget amounts are as originally adopted, or as amended by the Mayor and City Council. Some individual revisions were material in relation to the original appropriations.

Budgeting Policy

- Prior to year end, the City Manager submits to the Mayor and City Council a proposed operating budget for the upcoming fiscal year. The operating budget includes proposed expenditures and revenues for the General Fund and Special Revenue Funds.

- Public Hearings are conducted to obtain taxpayer comments, giving notice thereof at least ten days in advance by publication in the offical organ of the City.

- The budget is then approved by the Mayor and City Council at a regular meeting and becomes the basis for the millage levied by them.

- The City Manager has the authority, upon approval by the Mayor and City Council, to transfer funds from one budget line item to another. Management may not make any increases in the budget without the prior approval of the Mayor and City Council and an amendment to the budget.

- The legal level of budgetary control is the department level within the General Fund. Incresaes 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 City Council.

- 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 sdopted on a basis consistent with GAAP.

- Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were amended. All appropriations lapse at the end of the fiscal year.

- Proprietary (Enteprise) Fund budgets are prepared and utilized as a management tool to assess the operations of the enterprise funds.

Encumbrances

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General, Special Revenue, or Proprietary Funds. The City of Monticello has no recorded encumbrances at June 30, 2014.

(B) EXCESS OF REVENUES AND EXPENDITURES OVER APPROPRIATIONS

There are no excesses of expenditures over appropriations at the department level (the legal level of control).

(C) DEFICIT FUND EQUITY

At June 30, 2014, no funds had deficit fund equity.

NOTE 4 - DEPOSITS AND INVESTMENTS

As of June 30, 2014, the City had the following investments, some of which are cash equivalents:

		INVESTMENT MATURITIES (in Years)		
Investment Type	Fair Value	Less Than 1	1-5	Rating (1)
Municipal Competitive Trust:				
Short-term Portfolio	$ 717,989	$ 717,989	$ -	AAAm
Total	$ 717,989	$ 717,989	$ -	
Maximum Investment		100.00%	0.00%	

1. Standard & Poor's

Cash per Statement of Net position (page 1)	
Cash	$ 403,260
Restricted cash	607,537
Deposits	$ 1,010,797
Investments Statement of Net position (page 1)	
Investments	$ -
Restricted Investments	717,989
Investments as listed above	$ 717,989

The City is involved in an external investment pool, the Municipal Competitive Trust, which is administered by the Municipal Electric Authority of Georgia ("MEAG"), a governmental entity. Due to the anticipated deregulation of the retail sale of electricity in the state of Georgia, the City entered into a Municipal Competitive Trust agreement with the Municipal Electric Authority of Georgia ("MEAG"). The City purchases for resale, electric power from MEAG. The City is a beneficiary of this trust, and the City and MEAG deposit monies in the trust from time to time. All monies are held by the trustee, NC Shareholder Services, for the City's benefit and are invested in investment securities. The pool is not registered with the SEC as an investment company. The City has recorded the assets in the Electric System Enterprise Fund. The Municipal Competitive Trust permits the investment of funds in direct obligations of the United States Government, direct and general obligations of states, certain Federal agency discount notes and repurchase agreements collateralized by securities, which would otherwise be permissible under the laws of the State of Georgia. The fair value of the City's position in the pool changes with market conditions, and is calculated based on the fair market value of net assets held in the pool at the close of each business day. The pool determines participant's shares sold and redeemed based on the market value per share at the close of business day of the sale or redemption.

Interest rate risk. Interest rate risk is the risk that changes in interest rates may adversely affect an investment's fair value. Since the price of a bond fluctuates with market interest rates, the risk that an investor faces is that the price of a bond held in a portfolio will decline if market interest rates rise. 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 government to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; certificates of deposits of banks insured by FDIC; the State of Georgia Local Government Investment Pool; repurchase agreements; bonds, debentures, notes or other evidence of indebtedness of any solvent corporation subject to certain conditions. The City has no investment policy that would further limit its investment choices. At June 30, 2014, the ratings of its investments are shown above.

Concentration of credit risk. The City places no limit on the amount it may invest in any one issuer. External investment pools are excluded from the concentration of credit risk requirement; therefore, the Municipal Competitive Trust is exempt from this requirement.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no policy on custodial credit risk.

Custodial credit risk - deposits. In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City may exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions, if the funds are otherwise adequately secured. As of June 30, 2014, all of the City's deposits were insured or was adequately collateralized with securities held by the pledging financial institution's name.

As of June 30, 2014, of the City's bank balance of $1,010,797 was adequately collateralized with securities held by the pledging financial institution's name.
State statutes require collateral pledged in the amount of 110% of deposits. Depositories may secure deposits of public funds using the dedicated method or the pooled method as described below.

> Under the dedicated method, a depository shall secure the deposits of each of its public depositors separately.
>
> Under the pooled method, a depository shall secure deposits of public bodies which have deposits with it through a pool of collateral established by the depository with a custodian for the benefit of public bodies having deposits with such depository as set forth in code Section 45-8-13.1.

The City utilized both methods to secure deposits of public funds.

NOTE 5 - RECEIVABLES

Receivables as of year-end for the City's individual major funds and nonmajor governmental and Internal Service Funds in the aggregate. The City does not maintain an allowance for uncollectible accounts due to the utilization of a third party collection agency after a 90 day aging period:

	General Fund	SPLOST	Water & Sewer Fund	Electric System Fund	Natural Gas System Fund	Revolving Loan Fund
Receivables:						
Property Taxes	$ 78,762	$ -	$ -	$ -	$ -	$ -
Accounts	22,368	-	80,538	437,231	275,197	-
Intergovernmental	20,370	14,339	-	-	-	-
Notes	-	-	-	-	-	223,762
Total Gross Receivables	121,500	14,339	80,538	437,231	275,197	223,762
Less: Allowance for Uncollectibles	(905)	-	(1,790)	(3,807)	-	-
Total Net Receivables	$ 120,595	$ 14,339	$ 78,748	$ 433,424	$ 275,197	$ 223,762

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	UNAVAILABLE	UNEARNED
Property taxes (General Fund)	$ 54,761	$ -
Total unavailable/ unearned revenue for governmental funds	$ 54,761	$ -

The notes receivable in the business-type activities consisted of the following at June 30, 2014:

Note receivable made to a local business through the Community Development Block Grant - Employment Incentive Program. Original amount of note was $20,000. Payments receivable in monthly installments of $377 over 5 years, including interest at 5%. Collateralized by personal guarantees of the principals of the Company. The note matures April 1, 2018.	$ 15,769
Note receivable made to The Jasper County Division of Family and Children Services (DFCS) for office renovations and rehabilitation dated March 2001. Original amount of note was $400,000. Payments receivable in monthly installments of $3,031 over 20 years, including interest at 5%. The note matures April 1, 2021.	207,993
Total note receivable, net	223,762
Less: Current portion	(29,856)
Long-term portion	$ 193,906

At June 30, 2014, scheduled maturities of the notes receivable were the following:

2015	$ 37,867
2016	40,898
2017	40,898
2018	40,143
2019	36,369
2020 - 2021	66,677
Total maturities of notes receivable	262,852
Less interest	(39,090)
Total net book value of notes receivable	$ 223,762

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental funds for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land and land improvements	$ 12,746	$ -	$ -	$ 1	$ 12,747
Construction in progress	63,408	43,362	-	1	106,771
Total non-depreciable capital assets	76,154	43,362	-	2	119,518
Depreciable Assets:					
Buildings and improvements	5,384,506	-	-	4,013	5,388,519
Machinery and equipment	456,122	-	-	(4,013)	452,109
Vehicles	540,112	22,495	-	-	562,607
Total depreciable capital assets	6,380,740	22,495	-	-	6,403,235
Less Accumulated Depreciation for:					
Buildings and improvements	(1,380,068)	(148,650)	-	3	(1,528,715)
Machinery and equipment	(320,439)	(26,932)	-	-	(347,371)
Vehicles	(468,008)	(24,557)	-	-	(492,565)
Total accumulated depreciation	(2,168,515)	(200,139)	-	3	(2,368,651)
Total depreciable capital assets, net	4,212,225	(177,644)	-	5	4,034,584
Governmental activities capital assets, net	$ 4,288,379	$ (134,282)	$ -	$ 7	$ 4,154,102

Additions to governmental activities capital assets for fiscal year ending June 30, 2014 consist of the following:

Capital Outlay	$ 65,857
Donated assets	-
Total Additions	$ 65,857
Non-depreciable capital assets additions	$ 43,362
Depreciable capital assets additions	22,495
Total	$ 65,857

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	$ 137,622
Public Safety	36,490
Public Works	19,311
Recreation and Culture	6,713
Rounding	3
Total depreciation expense: Governmental Activities	$ 200,139

Capital asset activity for business-type funds for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Business-type Activities:					
Non-Depreciable Assets:					
Land and land improvements	$ 90,264	$ -	$ -	$ -	$ 90,263
Construction in progress	-	34,311	-	-	34,311
Total non-depreciable capital assets	90,264	34,311	-	-	124,574
Depreciable Assets:					
Buildings and improvements	178,990	-	-	(22,020)	156,970
Water and sewer system	8,367,709	-	-	22,016	8,389,725
Electric system	2,058,244	-	-	-	2,058,244
Natural gas system	2,437,594	-	-	-	2,437,594
Machinery and equipment	993,544	-	-	19,191	1,012,735
Total depreciable capital assets	14,036,081	-	-	19,187	14,055,268
Less Accumulated Depreciation for:					
Buildings and improvements	(138,280)	(1,673)	-	-	(139,953)
Machinery and equipment	(987,170)	(4,424)	-	-	(991,594)
Distribution System	(4,701,288)	(232,907)	-	-	(4,934,195)
Total accumulated depreciation	(5,826,738)	(239,004)	-	-	(6,065,742)
Total depreciable capital assets, net	8,209,343	(239,004)	-	19,187	7,989,526
Business-type activities capital assets, net	$ 8,299,607	$ (204,693)	$ -	$ 19,187	$ 8,114,100

Depreciation expense was charged to business-type functions as follows:

Business-type Activities:	
Water and Sewer System	$ 134,647
Electric System	39,581
Natural Gas System	64,776
Total depreciation expense: Business-type Activities	$ 239,004

The City has authorized construction projects. The remaining costs are split between the portion of the contracts that have been entered into for which the work had not been done prior to June 30, 2014, and the remainder of the authorized project expenditure for which contracts have not been entered into as of year end. The source of financing for the remaining project cost is noted below:

	Expended To Date	Contracts in Progress	Authorized Not Obligated	Source
Governmental Activities:				
Sidewalk Repairs and Improvements	$ 106,771	$ -	$ (106,771)	SPLOST
Total Governmental Activities	$ 106,771	$ -	$ (106,771)	
Business-type Activities				
Sewer System Improvements	$ 34,311	$ -	$ (34,311)	SPLOST
Total Business-type Activities	$ 34,311	$ -	$ (34,311)	

Discretely Presented Component Units

Activity for Downtown Development Authority for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Business-type activities:					
Depreciable assets:					
Buildings and improvements	$ 178,000	$ -	$ -	$ -	$ 178,000
Total depreciable capital assets	178,000	-	-	-	178,000
Less Accumulated Depreciation for:					
Buildings	(27,837)	(6,822)	-	-	(34,659)
Total accumulated depreciation	(27,837)	(6,822)	-	-	(34,659)
Total depreciable capital assets, net	150,163	(6,822)	-	-	143,341
Governmental activities capital assets, net	$ 150,163	$ (6,822)	$ -	$ -	$ 143,341

NOTE 7 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
General obligation bonds	$ 1,385,000	$ -	$ (175,000)	$ 1,210,000	$ 180,000	$ 1,030,000
Capital leases	36,532	-	(24,989)	11,543	8,553	2,990
Compensated absences	32,616	24,420	(32,616)	24,420	17,094	7,326
Governmental activities long-term liabilities	$ 1,454,148	$ 24,420	$ (232,605)	$ 1,245,963	$ 205,647	$ 1,040,316
Business-type Activities:						
Revenue bonds	$ 2,055,000	$ -	$ (160,000)	$ 1,895,000	$ 170,000	$ 1,725,000
Notes payable	431,316	-	(50,788)	380,528	53,132	327,396
Capital Leases	681,989	-	(118,900)	563,089	123,691	439,398
Business-type activities long-term liabilities	$ 3,168,305	$ -	$ (489,688)	$ 4,733,617	$ 516,823	$ 4,216,794
Component Unit:						
Notes Payables	$ 52,657	$ -	$ (7,609)	$ 45,047	$ 8,019	$ 37,028
Component Unit long-term liabilitiess	$ 52,657	$ -	$ (7,609)	$ 45,047	$ 8,019	$ 37,028

Notes payable, capital leases and compensated absences are generally liquidated by the general fund. The revenue bonds, capital leases and note payable for business type activity are liquidated by the Electric, Gas, and Water and Sewer enterprise funds. Compensated absences for business type activities are liquidated by each of the enterprise funds.

GENERAL OBLIGATION BONDS

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The general obligation bond was issued in the original amount of $1,550,000 with an interest rate of 5.000%.

General obligation bonds are direct obligations and pledge the full faith and credit of this City. The bonds generally are issued as 20 year serial bonds with equal amounts of principal maturing each year. Minimum future annual debt service requirments for the general obligation bonds, as of June 30, 2014, are as follows:

June 30	Principal	Interest	Total
2015	$ 180,000	$ 54,450	$ 234,450
2016	190,000	46,350	236,350
2017	195,000	37,800	232,800
2018	205,000	29,025	234,025
2019	215,000	19,800	234,800
2020-2024	225,000	10,125	235,125
Total	$ 1,210,000	$ 197,550	$ 1,407,550

CAPITAL LEASES

Vehicles are acquired under a capital lease agreement which bears interest at 3.520%. The vehicles have an estimated usful life of five years. The capital lease to finance the vehicles is allocated between governmental activities and business-type activities. The governmental activities allocation is 15% and the business-type activities allocation is 85%. This year, $3,950 was included in depreciation expense. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimal lease payments as of the inception date. Minimum future lease obligations for these leases, as of June 30, 2014, are as follows:

June 30	Principal	Interest	Total
2015	$ 8,553	$ 241	$ 8,794
2016	2,990	13	3,003
Total	$ 11,543	$ 254	$ 11,797

As of June 30, 2014, the capital assets purchased under these capital lease agreements are as follows:

	Governmental Activities
Vehicles	$ 41,047
Less accumulated depreciation	(19,357)
Net	$ 2,333

BUSINESS TYPE ACTIVITIES

As of June 30, 2014, the the long-term debt payable from proprietary fund resources consisted of the following:

REVENUE BONDS PAYABLE

Water and Sewerage Revenue Refunding Bonds Series 2012:
On June 1, 2012, the City issued the City of Monticello, GA Water and Sewerage Revenue Refunding Bonds Series 2012. The bonds bear interest at annual rate of 3.50%, payable annually December 1. Principal payments on the bonds are due each December 1.

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. The amount being netted against the new debt and amortized over the remaining life of the original issue. Revenue bonds oustanding as of June 30, 2014 was .

The annual revenue bond debt service requirements to amortize this debt as of June 30, 2014, are as follows:

June 30	Principal	Interest	Total
2015	$ 170,000	$ 62,375	$ 232,375
2016	170,000	58,125	228,125
2017	175,000	53,875	228,875
2018	180,000	49,500	229,500
2019	185,000	45,000	230,000
2020 -2024	1,015,000	116,625	1,131,625
Total	$ 45,047	$ 385,500	$ 2,280,500

CAPITAL LEASES

The City has financed the purchase of an automated meter reading system and various vehicles under capital lease agreements which bear interest at various rates from 3.520% to 4.240%. The system and vehicles have estimated useful lives of thrity-nine and five years, respectively. The capital lease to finance the vehicles is allocated between governmental activities and business-type activities. The governmental activities allocation is 15% and the business-type activities allocation is 85%. This year, $19,642 was included in depreciation expense. The lease agreements qualify as a capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimal lease payments as of the inception date. Minimum future lease obligations for these leases, as of June 30, 2014, are as follows:

June 30	Principal	Interest	Total
2015	$ 123,691	$ 21,243	$ 144,934
2016	91,163	16,699	107,862
2017	81,871	13,233	95,104
2018	85,410	9,694	95,104
2019	89,103	6,001	95,104
2020-2024	91,851	2,149	94,000
Total	$ 563,089	$ 69,019	$ 632,108

As of June 30, 2014, the capital assets purchased under these capital lease agreements are as follows:

	Governmental Activities
Utility infrastructure	$ 778,169
Vehicles	227,237
Less accumulated depreciation	(328,537)
Net	$ 676,869

NOTES PAYABLE

The City obtained a MEAG loan in the original amount of $750,000 dated November 1, 2005, monthly installments of $5,770, interest rate of 4.520% with final maturity dated November 1, 2020. The note payable was used to finance the upgrade of the City's electrical system. As of June 30, 2014, Thie outstanding balance was .

The annual debt service requirements to amortize this debt as of June 30, 2014, are as follows:

June 30	Principal	Interest	Total
2015	$ 53,132	$ 16,108	$ 69,240
2016	55,584	13,656	69,240
2017	58,149	11,091	69,240
2018	60,832	8,408	69,240
2019	63,640	5,600	69,240
2020-2024	89,191	2,874	92,065
Total	$ 380,528	$ 57,737	$ 438,265

COMPONENT UNITS

As of June 30, 2014, the long-term debt payable by the Downtown Development Authority consisted of the following:

The Downtown Development Authority obtained a loan in the original amount of $55,250 dated February 6, 2013, monthly installments of $850, interest rate of 5.250% with final maturity dated February 18, The note payable was used to finance the upgrade of the City's electrical system. As of June 30, 2014, The outstanding balance was .

The annual debt service requirements to amortize this debt as of June 30, 2014, are as follows:

June 30	Principal	Interest	Total
2015	$ 8,019	$ 2,181	$ 10,200
2016	8,450	1,750	10,200
2017	8,904	1,293	10,197
2018	19,674	599	20,273
Total	$ 45,047	$ 5,823	$ 50,870

NOTE 8 - INTERFUND BALANCES AND ACTIVITY

Interfund transfers as of the year ended June 30, 2014 are as follows:

	Transfers Out						
Transfers In	General Fund	SPLOST	Other nonmajor governmental funds	Natural Gas System	Water and Sewer Fund	Nonmajo Revolving Loan Fund	Total
General Fund	$ 1	$ -	$ 2,268	$ 394,590	$ 268,910	$ 76,087	$ 741,856
Debt Service Fund	236,367	-	-	-	-	-	236,367
Water and Sewer Fund	-	47,557	-	-	-	-	47,557
Electric System	88,903	-	-	-	-	-	88,903
Total	$ 325,271	$ 47,557	$ 2,268	$ 394,590	$ 268,910	$ 76,087	$ 1,114,683

Transfers are used to supplement operating budgets.

NOTE 9 - RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

(A) PLAN DESCRIPTION

The City has a non-contributory plan covering all full-time employees, which provided pension benefits and death and disability benefits for all employees. The Plan is administered by the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employee retirement system administered by the Georgia Municipal Association (GMA). GMEBS acts as a common investment and administrative agent for participating cities in Georgia. The Georgia Constitution enables the governing authority of the City, the City Council, to establish, and amend from time-to-time, the contribution rates for the City and its plan participants. The Plan issues a stand-alone report. This report may be obtained from: Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia 30303.

The GMA, in its role as Plan Sponsor, has the sole authority to amend the provisions of the GMEBS Plan. The City has the authority to amend the adoption agreement, which defines the specific benefit provisions of the Plan.

All full-time employees are eligible to prticiptate in the Plan after completing one year of service. Employees become vested after 10 years of service. Members become eligable to retire at the age of 55 or 65, depending on years of service. The City's covered payroll for employees

participating in the Plan as of January 1, 2014, (the most recent actuarial valuation date) was $1,013,456 (based on covered earnings of preceding year).

Upon eligibility to retire, participants are entitled to an annual benefit in the amount og 1.5% of the average monthly earnings for the period of the 5 highest years prior to retirement. The benefit provisions and contribution requirements are established by GMEBS and the Adoption Agreement executed by the City.

(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 revenie as billed 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 te valuation of investments at the end of each month during the period. The City currently has no investements in, loans to, or leases with parties related to the pension plan.

(C) FUNDING POLICY

The City is required to contribute at an actuarially determined rate. Section 47-20 of the Georgia Code set forth minimum funding standards for state and local governmental pension plans. Administrative expenses are based on total covered compensation of active plan participants and are added to the state-required annual funding requirement. City employees are not required to contribute to the Plan. The City contributes the entire cost of the Plan, using the actuarial basis described in the annual valuation report.

Contributions totaling $315,461 ($315,461 employer and $0 employee) were made in accordance with actuarially determined contribution requirements determined by an actuarial valuation performed as of January 1, 2014. Employer contributions attributable to the 2013 Plan Year were made in 2014. The employer contribution represents 10.5% of covered payroll (using the prior year's earnings as a base).

(D) ANNUAL PENSION COST

The City's contributions to the Plan for the years ended June 30, 2014, 1905, and 1904 were $315,461, $321,341, and $315,885, respectively, and were equal to the required contribution for each year.

The Schedule of Pension Funding Progress included in the required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. The data for the most current year are as follows:

Actuarial Date of January 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll [(b-a)/c]
2013	$2,288,174	$2,583,232	$295,058	88.6%	$1,013,456	29.1%

The annual required contribution and percentage contributed for the current year and preceding two years are as follows:

Fiscal Year June 30	Annual Pension Cost	Actual City Contribution	Percentage of APC Contributed	Net Pension Obligation
2014	$ 315,461	$ 315,461	100.0 %	$ (346,716)
2013	$ 153,757	$ 321,341	209.0 %	$ (346,716)
2012	$ 136,753	$ 315,885	231.0 %	$ (179,132)

The information was determined as part of the actuarial valuation as of January 1, 2014. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2014
Actuarial Cost method	Projected Unit Credit
Amortization method (see below)	Level Percent of Pay (Closed)
Remaining amortization period	average 10 years
(The estimated amortization period for all unfunded liabilities combined into one amount.)	
Asset valuation method	Market Value, smoothed
Actuarial assumptions:	
Investment rate return*	7.75%
Projected salary increases*	3.5%
*Includes inflation at	3.0%
Cost-of-living adjustments	3.5%
Post-retirement benefit increases	N/A

The amortization of the unfunded actuarial accrued liability is level dollar over 30 years for the initial unfunded accrued liability, 15 years for actuarial gains and losses, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods.

The City's annual pension cost and net pension obligation for the pension plan for the current year were determined as follows:

Derivation of annual pension cost:	2014	2013
Annual required contribution	$ 262,073	$ 280,187
Interest on net pension obligation	11,557	11,772
Amortization of net pension obligation	41,831	29,382
Annual pension cost	315,461	321,341
Contributions made with interest	(315,461)	(321,341)
Increase (decrease) in net pension obligation	-	-
Net pension obligation, beginning of year	-	-
Net pension obligation, end of year	$ -	$ -

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Because the assets are held in trust for the employees, they are not assets of the City and are not reported in these financial statements.

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks in terms of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as port of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance program for memeber local governments. The Georgia Municipal Association (GMA) 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 apy 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 Government 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 members governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, an all expenses incurred for investigation, negotiation of defense.

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

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

The City has Potential Liability under MEAG and MGAG Contracts as follows:

ELECTRICAL SYSTEM

The City has entered into Power Sales Contracts with the Municipal Electric Authority of Georgia ("MEAG") pursuant to which the City purchases electric power and energy for resale to its customers. MEAG was created by the State of Georgia for the purpose of owning and operating electric generation and transmission facilities to supply bulk electric power to political subdivisions of Georgia which owned and operated electric distribution systems as of March 18, 1975.

Under the terms of its Power Sales Contracts with MEAG, the City is obligated to take from MEAG, and MEAG is obligated to provide, all electric power and energy required by the City in excess of the amount received by the City as an allotment from federally owned projects through the Southeastern Power Administration ("SEPA"). An allotment of SEPA power has been assigned by the City to MEAG and is transmitted to the City by MEAG through Georgia's Integrated Transmission System for a separate charge. Under its Power Sales Contracts with MEAG, the City has the right to receive additional power as needed from the Integrated Transmission System.

The price paid by the City to MEAG under its Power Sales Contracts is intended to cover the City's share of all the costs of MEAG, including debt service on MEAG's long-term debt. The amounts required to be paid to MEAG under the Power Sales Contracts are payable first from revenues of the City's electrical system. To the extent the required payments are not made from revenues of the City's electric system or other funds, the City is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make such payments. Payments by the City are required to be made by the City whether or not MEAG's facilities or any part thereof are operating or operable or the output therefrom is interrupted, interfered with, curtailed or terminated in whole or in part. In addition, the City may be obligated to purchase additional power, subject to contractual limitations, in the event other MEAG participants default.

Payments to MEAG are made monthly on net obligations based upon long-term contracts and power supply needs. The total payments under these contracts amounted to $2,451,920 at June 30, 2014.

In 1999, the City approved a resolution adopting the provisions of the Municipal Competitve 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 estabiliched 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 brienf descritiption of each fund:

Flexible Operating Trust Account

This account is available to the City for withdrawal withough restriction.

Credit Supporting Operation 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, 2014 was $1,611,659 but the Reserve Funded Debt Account in the amount of $891,851 is not recorded as an asset of the City

GAS SYSTEM

The City has entered into a gas supply contract and certain supplemental gas supply contracts with the Municipal Gas Authority of Georgia ("MGAG") under which the City buys natural gas for resale to its customers. Under such contracts wiht MGAG, the city is obligated to take from MGAG, and MGAG is obligated to provide all of the City's natural gas requirements. The price paid by the City to MGAG under its contracts is intended to cover the City's share of all the costs of MGAG, including scheduled debt service of MGAG. Such payments are required to be made by the City whether or not the MGAG's facilities or natural gas properties or any part thereof are operating or operable or the output thereform is interrupted, interfered with, curtailed or terminated in whole or in part, or whehter or not any of its natural gas suppliers or transporters defaults in ints obligations under its gas supply or transportation contracts with MGAG. To the extent the required payments are not made from the revenues of the system or other funds, the city is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient ot make such payments.

Payments to MGAG are made monthly on net obligations based upon long-term contracts. The total payments under these contracts amounted to $2,511,692 at June 30, 2014.

GRANTS

Amounts received or receivable for grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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 government expects such amounts, if any, to be immaterial.

NOTE 12 - RELATED PARTY ORGANIZATIONS AND TRANSACTIONS

The Housing Authority of the CITY OF MONTICELLO, GEORGIA is considered a related organization of the City based upon the criteria in GASB Statement 14. The Housing Authority is a legally seperate entity having a board comprised of members majority appointed by the City Council and Mayor. The City is not financially accountable for the Authority. The City has no significant influence over the management, budget, or policies of the Housing Authority. The Authority reports independently. The City received $3,380 for payment in lieu of taxes from the Housing Authority for the year ended June 30, 2014.

NOTE 13 - LITIGATION

The City is a party to legal proceedings that normally occur in governmental operations. As of the date of this financial statement, no awards in these cases have been made against the City. The results of any litigation, however, contain elements of uncertainty, and liability, if any, which might result from these proceedings, would not, in the opinion of management, have a material adverse effect on the ability of the City to meet its financial obligations. accordingly, no provision for loss has been recorded.

NOTE 14 - CERTAIN SIGNIFICANT ESTIMATES

As discussed in NOTE 1, estimates are used in the preparation of these financial statements. Several of the estimates qualified as a significant estimate, in that it is reasonably possible that the estimate will change in the near term due to one or more future confirming events and this change will have a material effect on the financial statements.

The estimate for unbilled revenue related to enterprise funds is a significant estimate. The estimate is calculated based on the subsequent month billing schedule after year end.

The estimate for accumulated depreciation on capital assets qualifies as a significant estimate. This estimate is based on the original or estimated cost of the assets, depreciated over the estimated useful lives using the straight line method.

NOTE 15 - NORTHEAST GEORGIA REGIONAL COMMISSION

The City, in conjunction with cities and counties in the ten (10) county Piedmont, Georgia area are members of the Northeast Georgia Regional Commission (NEGRC). Membership in a regional commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the regional commissions. Each county and municipality in the state is required by law to pay minimum annual dues to the regional commission. The City paid annual dues in the amount of $6,544 to the NEGRC for the year ended June 30, 2014. The NEGRC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The County board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the nonpublic Board member from a County.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines regional commissions as public agencies and instrumentalities of their members. Georgia laws also provide that the member governments are liable for any debts or obligations of a regional commission beyond its resources. (O.C.G.A. 50-8-39.1)

Separate financial statements for the NEGRC may be obtained from: Northeast Georgia Regional Commission, 305 Research Drive, Athens, Georgia 30605.

NOTE 16 - HOTEL/MOTEL TAX

During the year ended June 30, 2014, the City collected $2,268 in Hotel/Motel taxes of which $907 was required to be spent to promote tourism, conventions, and trade shows. For the year ended June 30, 2014, 40% of tax receipts were expended for these purposes under OCGA-48-13-51. The City complied with the requirements of this law.

NOTE 17 - PRIOR PERIOD ADJUSTMENTS

On July 1, 2013, the City restated its financial statements for the fiscal year ended June 30, 2013. The restatement is related to an understatement of allowance for bad debts recorded following funds:

	Adjustment Amount Increase (Decrease) to Net Assets
Business-type activities:	
Water and sewer unbilled revenue adjusment	$ 9,040
Electric fund unbilled revenue adjustment	19,872
Gas fund unbilled revenue adjustment	(23,579)
Total adjustments to net assets - business-type activities	$ 5,333
Governmental activities:	
Garbage unbilled revenue adjustment	$ 27,053
Total adjustments to net assets - governmental activities	$ 27,053

CITY OF MONTICELLO, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION FUNDING PROGRESS
For the Year Ended June 30, 2014
"Unaudited"

Actuarial Valuation Date (1/1)	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Annual Covered Payroll (prior year)	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
2009	$ 1,376,128	$ 2,094,905	65.7 %	$ 718,777	$ 1,455,696	49.4 %
2010	$ 1,764,929	$ 2,035,270	86.7 %	$ 270,341	$ 1,163,349	23.2 %
2011	$ 1,907,872	$ 2,171,358	87.9 %	$ 263,486	$ 1,043,985	25.2 %
2012	$ 2,036,749	$ 2,330,772	87.4 %	$ 294,023	$ 974,804	30.2 %
2013	$ 2,157,989	$ 2,544,490	84.8 %	$ 386,501	$ 1,067,523	36.2 %
2014	$ 2,288,174	$ 2,583,232	88.6 %	$ 295,058	$ 1,013,456	29.1 %

See Note 9 to the financial statements for the actuarial methods and significant assumptions used to determine the Actuarial Required Contribution for the current year and the funded status of the plan.

Analysis of the dollar amounts of actuarial value of assets available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets available for benefits 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 financial stronger or weaker. Generally, the greater this percentage, the stronger the Plan.

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 analysis of the Plan's progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

CITY OF MONTICELLO, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2014
(Required Supplementary Information)

	BUDGET AMOUNTS ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 83,285	$ 83,285	$ 83,285	$ -
RESOURCES (INFLOWS)				
Taxes	759,250	759,250	897,657	138,407
Licenses and permits	21,210	21,210	22,208	998
Intergovernmental	-	88,785	98,759	9,974
Fines and forfeitures	30,500	30,500	42,211	11,711
Charges for services	397,600	397,600	315,645	(81,955)
Contributions and donations	-	-	27,508	27,508
Investment income	138,660	138,660	564	(138,096)
Miscellaneous	*1,000*	*1,000*	36,322	35,322
Transfers in	666,769	665,769	741,856	76,087
Total Resources (Inflows)	2,014,989	2,102,774	2,182,730	79,956
AMOUNTS AVAILABLE FOR APPROPRIATION	2,098,274	2,186,059	2,266,015	79,956
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Mayor and council	226,853	122,861	71,403	51,458
Administative	97,424	97,424	61,080	36,344
Finance	455,765	455,765	435,026	20,739
General engineering	12,000	12,000	8,560	3,440
Total General Government	792,042	688,050	576,069	111,981
Judicial				
Municipal court	7,259	7,259	7,256	3
Total Judicial	7,259	7,259	7,256	3
Public Safety				
Police	517,341	581,000	580,874	126
Fire	11,863	15,500	15,387	113
Total Public Safety	529,204	596,500	596,261	239
Public Works				
Public works	265,207	394,000	393,375	625
Solid waste and recycling	136,150	155,500	155,020	480
Garage	121,562	95,500	95,427	73
Total Public Works	522,919	645,000	643,822	1,178
Public Health and Welfare				
Public welfare	69,420	69,420	48,936	20,484
Total Public Health and Welfare	69,420	69,420	48,936	20,484
Parks	17,850	21,250	21,215	35
Total Recreation and Culture	17,850	21,250	21,215	-
Transfers out	-	325,552	325,271	281
TOTAL CHARGES TO APPROPRIATIONS	1,938,694	2,353,031	2,218,830	113,401
CHANGE IN FUND BALANCE	76,295	(250,257)	(36,100)	214,157
FUND BALANCE, End of year	$ 159,580	$ (166,972)	$ 47,185	$ 214,157

NOTES TO THE BUDGETARY COMPARISON SCHEDULE
1. The budgetary basis of accounting used in this schedule is the same as GAAP.

CITY OF MONTICELLO, GEORGIA
DEBT SERVICE FUND
SUPPLEMENTAL BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2014

	BUDGET AMOUNTS ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 237,325	$ 237,325	$ 237,325	$ -
RESOURCES (INFLOWS)				
Transfer in	236,367	236,367	236,367	-
Total Resources (Inflows)	236,367	236,367	236,367	-
AMOUNTS AVAILABLE FOR APPROPRIATION	473,692	473,692	473,692	-
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General government	237,325	237,325	237,325	-
TOTAL CHARGES TO APPROPRIATIONS	237,325	237,325	237,325	-
CHANGE IN FUND BALANCE	(958)	(958)	(958)	-
FUND BALANCE, End of year	$ 236,367	$ 236,367	$ 236,367	$ -

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

1. The budgetary basis of accounting used in this schedule is the same as GAAP.

CITY OF MONTICELLO, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	SPECIAL REVENUE FUNDS		
	CONFISCATED ASSETS	HOTEL MOTEL TAX	SUBTOTAL SPECIAL REVENUE FUNDS
REVENUES			
Taxes	$ -	$ 2,268	$ 2,268
Investment income	1	-	1
TOTAL REVENUES	1	2,268	2,269
EXPENDITURES			
Current Expenditures			
Public safety	69	-	69
Debt service			
TOTAL EXPENDITURES	69	-	69
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(68)	2,268	2,200
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(2,268)	(2,268)
TOTAL OTHER FINANCING SOURCES (USES)	-	(2,268)	(2,268)
NET CHANGE IN FUND BALANCES	(68)	-	(68)
FUND BALANCES, Beginning of year	68	-	68
FUND BALANCES, End of year	$ -	$ -	$ -

CITY OF MONTICELLO, GEORGIA
DRUG SEIZURE SPECIAL REVENUE FUND
SUPPLEMENTAL BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2014

	BUDGET AMOUNTS ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 68	$ 68	$ 68	$ -
RESOURCES (INFLOWS)				
Investment income	-	-	1	1
Total Resources (Inflows)	-	-	1	1
AMOUNTS AVAILABLE FOR APPROPRIATION	68	68	69	1
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public safety	100	100	69	31
TOTAL CHARGES TO APPROPRIATIONS	100	100	69	31
CHANGE IN FUND BALANCE	(100)	(100)	(68)	32
FUND BALANCE, End of year	$ (32)	$ (32)	$ -	$ 32

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

1. The budgetary basis of accounting used in this schedule is the same as GAAP.

CITY OF MONTICELLO, GEORGIA
HOTEL MOTEL TAX SPECIAL REVENUE FUND
SUPPLEMENTAL BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2014

	BUDGET AMOUNTS ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ -	$ -	$ -	$ -
RESOURCES (INFLOWS)				
Taxes	2,500	2,500	2,268	(232)
Total Resources (Inflows)	2,500	2,500	2,268	(232)
AMOUNTS AVAILABLE FOR APPROPRIATION	2,500	2,500	2,268	(232)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Transfers out	2,500	2,500	2,268	232
TOTAL CHARGES TO APPROPRIATIONS	2,500	2,500	2,268	232
FUND BALANCE, End of year	$ -	$ -	$ -	$ -

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

1. The budgetary basis of accounting used in this schedule is the same as GAAP.

CITY OF MONTICELLO, GEORGIA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the Year Ended June 30, 2014

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	EXPENDITURES PRIOR YEARS	EXPENDITURES CURRENT YEAR
Sidewalk Repairs and Improvements	$ 295,700	$ 295,700	$ 104,974	$ 51,609
Hospital	100,000	100,000	-	-
Water Supply and Treatment	357,300	357,300	-	-
Sewer System Improvements	197,000	197,000	15,300	47,557
Totals	$ 950,000	$ 950,000	$ 120,274	99,166

Total of all SPLOSTS above **$ 99,166**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (page 5)

Expenditures	$ 51,609
Transfers in and out	47,557
Total	**$ 99,166**

BatesCarter
Exceeding expectations. Always.

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

August 4, 2015

To the Mayor and City Council
CITY OF MONTICELLO, GEORGIA, Georgia
Monticello, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2014, which collectively comprise the CITY OF MONTICELLO, GEORGIA's basic financial statements and have issued our report thereon dated August 4, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Bates, Carter & Co., LLP