CITY OF MONTICELLO, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITORS' REPORT)

Year Ended June 30, 2016

CITY OF MONTICELLO, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

February 10, 2017

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, 2016, 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, 2016, 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.

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 the Net Pension Liability - City of Monticello Retirement Plan, Schedule of Contributions - City of Monticello Retirement Plan, Schedule of Notes to Required Supplementary Information - City of Monticello Retirement Plan, 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.

The other information identified above has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Bates, Carter & Co, LLP

CITY OF MONTICELLO, GEORGIA
STATEMENT OF NET POSITION
June 30, 2016

	PRIMARY GOVERNMENT			COMPONENT UNIT
ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	DOWNTOWN DEVELOPMENT AUTHORITY
Cash	$ 1,164,731	$ 91,759	$ 1,256,490	$ 15,607
Notes receivable	-	31,088	31,088	-
Receivables (net of allowance for uncollectibles)	134,128	1,087,392	1,221,520	-
Internal balances	(866,540)	866,540	-	-
Due from component units	10,000	119,613	129,613	-
Prepaid items	93,995	68,864	162,859	-
Restricted assets:				
Cash	254,464	394,589	649,053	-
Investments	-	1,449,932	1,449,932	-
Non-current assets:				
Notes receivable	-	130,318	130,318	-
Capital assets:				
Capital assets not being depreciated	12,747	90,263	103,010	-
Capital assets being depreciated	6,439,625	14,330,689	20,770,314	178,000
Less: accumulated depreciation	(2,323,662)	(6,653,295)	(8,976,957)	(48,143)
Capital assets, net of depreciation	4,128,710	7,767,657	11,896,367	129,857
TOTAL ASSETS	4,919,488	12,007,752	16,927,240	145,464
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows related to pensions	58,314	118,734	177,048	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	58,314	118,734	177,048	-
LIABILITIES				
Accounts payable	35,598	82,920	118,518	-
Accrued interest payable	-	5,905	5,905	24,299
Other accrued items	13,295	41,398	54,693	-
Due to primary government	-	-	-	129,613
Customer Deposits	-	296,963	296,963	-
Noncurrent liabilities:				
Due within one year				
Compensated absences payable	6,289	11,651	17,940	-
Notes payable	-	58,149	58,149	8,904
Capital leases payable	-	81,871	81,871	-
General obligation bonds payable	195,000	-	195,000	-
Revenue bonds payable	-	175,000	175,000	-
Due in more than one year				
Compensated absences payable	4,193	7,767	11,960	-
Notes payable	-	213,663	213,663	19,811
Capital leases payable	-	267,469	267,469	-
General obligation bonds payable	645,000	-	645,000	-
Revenue bonds payable	-	1,380,000	1,380,000	-
Net pension liability	98,578	190,759	289,337	-
TOTAL LIABILITIES	997,953	2,813,515	3,811,468	182,627
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows related to pensions	21,213	43,068	64,281	-
TOTAL DEFERRED INFLOWS OF RESOURCES	21,213	43,068	64,281	-
NET POSITION				
Net investment in capital assets	3,288,710	5,591,505	8,880,215	101,142
Restricted for:				
Capital outlay projects	326,403	-	326,403	-
Debt service	254,464	758,881	1,013,345	-
Muncipal Competitive Trust Agreement	-	1,449,932	1,449,932	-
Recreation and culture programs	1,807	-	1,807	-
Unrestricted	87,252	1,469,585	1,556,837	(138,305)
TOTAL NET POSITION	$ 3,958,636	$ 9,269,903	$ 13,228,539	$ (37,163)

The accompanying notes are an integral part of this statement.

CITY OF MONTICELLO, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

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	$ 692,598	$ 162,463	$ -	$ -	$ (530,135)	$ -	$ (530,135)	$ -
Judicial	-	-	-	-	-	-	-	-
Public safety	16,017	28,806	-	-	12,789	-	12,789	-
Public works	770,629	209,624	255,601	147,506	(157,898)	-	(157,898)	-
Public health and welfare	45,305	-	-	-	(45,305)	-	(45,305)	-
Recreation and culture	24,302	-	-	-	(24,302)	-	(24,302)	-
Housing and development	22,211	-	-	22,211	-	-	-	-
Interest	46,356	-	-	-	(46,356)	-	(46,356)	-
Total Governmental Activities	1,617,418	400,893	255,601	169,717	(791,207)	-	(791,207)	-
BUSINESS-TYPE ACTIVITIES								
Water and sewer	1,066,668	1,459,972	-	-	-	393,304	393,304	-
Electric System	3,033,794	3,186,210	-	-	-	152,416	152,416	-
Natural Gas System	2,165,533	2,596,436	-	-	-	430,903	430,903	-
Total Business-Type Activities	6,265,995	7,242,618	-	-	-	976,623	393,304	-
TOTAL PRIMARY GOVERNMENT	7,883,413	7,643,511	255,601	169,717	(791,207)	976,623	(397,903)	-
COMPONENT UNIT								
Downtown Development Authority	23,523	14,898	-	-	-	-	-	(8,625)
TOTAL COMPONENT UNIT	$ 23,523	$ 14,898	$ -	$ -	-	-	-	(8,625)
GENERAL REVENUES								
Property taxes					330,420	-	330,420	-
Sales taxes					234,600	-	234,600	-
Insurance premium taxes					153,386	-	153,386	-
Real estate recording taxes					4,048	-	4,048	-
Other taxes					104,831	-	104,831	-
Total taxes					827,285	-	827,285	-
Unrestricted investment earnings					843	20,995	21,838	-
TRANSFERS					127,849	(127,849)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					955,977	(106,854)	849,123	-
CHANGES IN NET POSITION					164,770	869,769	1,034,539	(8,625)
NET POSITION, Beginning					3,793,866	8,400,134	12,194,000	(28,538)
NET POSITION, Ending					$ 3,958,636	$ 9,269,903	$ 13,228,539	$ (37,163)

The accompanying notes are an integral part of this statement.

CITY OF MONTICELLO, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	GENERAL	SPLOST	DEBT SERVICE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash	$ 849,022	$ 315,708	$ -	$ -	$ 1,164,730
Receivables (net of allowance for uncollectibles)	123,433	10,695	-	-	134,128
Interfund receivables	-	-	-	1,807	1,807
Due from component unit	10,000	-	-	-	10,000
Prepaid items	93,995	-	-	-	93,995
Restricted assets:					
Cash	-	-	254,464	-	254,464
TOTAL ASSETS	1,076,450	326,403	254,464	1,807	1,659,124
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	35,599	-	-	-	35,599
Other accrued items	13,295	-	-	-	13,295
Interfund payables	868,347	-	-	-	868,347
TOTAL LIABILITIES	917,241	-	-	-	917,241
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	46,175	-	-	-	46,175
TOTAL DEFERRED INFLOWS OF RESOURCES	46,175	-	-	-	46,175
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	963,416	-	-	-	963,416
FUND BALANCES					
Nonspendable:					
Prepaid expenditure	93,995	-	-	-	93,995
Restricted:					
Debt service	-	-	254,464	-	254,464
Capital outlay projects	-	326,403	-	-	326,403
Parks and recreation programs	-	-	-	1,807	1,807
Unassigned:	19,039	-	-	-	19,039
TOTAL FUND BALANCES	113,034	326,403	254,464	1,807	695,708
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,076,450	$ 326,403	$ 254,464	$ 1,807	$ 1,659,124

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, 2016

Total Fund Balances for Governmental Funds (page 3)		$ 695,708
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.		4,128,710
Some assets and deferred outflows are not available in the current period, and therefore, are not reported in the funds:		
Deferred charge for pension expense	58,314	58,314
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		
Property Taxes	46,175	46,175
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	(840,000)	
Compensated absences	(10,482)	
Net pension liability	(98,578)	
Deferred credit for pension expense	(21,213)	
		(970,273)
Rounding		2
Total net position of governmental activities (page 1)		$ 3,958,636

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, 2016

	GENERAL	SPLOST	DEBT SERVICE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	$ 822,390	$ -	$ -	$ 5,606	$ 827,996
Licenses and permits	43,041	-	-	-	43,041
Intergovernmental	255,601	147,506	-	22,211	425,318
Charges for services	357,823	-	-	-	357,823
Investment income	842	-	1	-	843
Miscellaneous	30	-	-	-	30
TOTAL REVENUES	1,479,727	147,506	1	27,817	1,655,051
EXPENDITURES					
Current Expenditures					
General government	553,694	-	3,800	-	557,494
Public safety	12,853	-	-	-	12,853
Public works	711,220	21,947	-	-	733,167
Public health and welfare	45,305	-	-	-	45,305
Culture and Recreation	15,044	-	-	3,799	18,843
Housing and development	-	-	-	22,211	22,211
Intergovernmental	1,500	-	-	-	1,500
Capital outlay	12,459	-	-	-	12,459
Debt service					
Principal	2,264	-	190,000	-	192,264
Interest	6	-	46,350	-	46,356
TOTAL EXPENDITURES	1,354,345	21,947	240,150	26,010	1,642,452
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	125,382	125,559	(240,149)	1,807	12,599
OTHER FINANCING SOURCES (USES)					
Transfers in	138,649	-	238,238	-	376,887
Transfers out	(238,238)	(10,800)	-	-	(249,038)
TOTAL OTHER FINANCING SOURCES (USES)	(99,589)	(10,800)	238,238	-	127,849
NET CHANGE IN FUND BALANCES	25,793	114,759	(1,911)	1,807	140,448
FUND BALANCES, Beginning of year	87,241	211,644	256,375	-	555,260
FUND BALANCES, End of year	$ 113,034	$ 326,403	$ 254,464	$ 1,807	$ 695,708

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, 2016

Net change in fund balances (page 5)		$ 140,448
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 expense in the current period.		
Capital outlays	12,459	
Depreciation expense	(188,961)	
		(176,502)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	46,175	
		46,175
Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.		
Property taxes	(46,885)	
		(46,885)
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 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	192,264	
		192,264
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	(10,482)	
Compensated absences, prior year	15,307	
Net pension liability, current year	(98,578)	
Net pension liability, prior year	69,454	
Deferred inflows, current year	58,314	
Deferred inflows, prior year	(55,280)	
		(21,265)
Contributions made after pension measurement date are reported in deferred outflows.		
Beginning of year	51,748	
End of year	(21,213)	
		30,535
Changes in net position of governmental activities (page 2)		$ 164,770

The accompanying notes are an integral part of this statement.

CITY OF MONTICELLO, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
ASSETS	WATER & SEWER FUND	ELECTRIC SYSTEM	NATURAL GAS SYSTEM	NONMAJOR REVOLVING LOAN FUND	TOTAL
Current Assets					
Cash	$ -	$ 8,486	$ -	$ 83,273	$ 91,759
Receivables (net of allowance for uncollectibles)	311,734	558,819	216,839	-	1,087,392
Notes receivable	-	-	-	31,088	31,088
Interfund receivables	231,436	230,061	405,043	-	866,540
Due from component units	-	-	-	119,613	119,613
Prepaid items	36,309	17,299	15,256	-	68,864
Restricted assets:					
Cash	394,589	-	-	-	394,589
Investments	-	1,449,932	-	-	1,449,932
TOTAL CURRENT ASSETS	974,068	2,264,597	637,138	233,974	4,109,777
Noncurrent Assets					
Notes receivables	-	-	-	130,318	130,318
Capital assets					
Capital assets not being depreciated	89,263	-	1,000	-	90,263
Capital assets being depreciated	9,084,787	2,488,895	2,757,007	-	14,330,689
Less: accumulated depreciation	(3,670,692)	(1,138,340)	(1,844,263)	-	(6,653,295)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	5,503,358	1,350,555	913,744	-	7,767,657
TOTAL NONCURRENT ASSETS	5,503,358	1,350,555	913,744	130,318	7,897,975
TOTAL ASSETS	6,477,426	3,615,152	1,550,882	364,292	12,007,752
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows related to pension	54,671	38,547	25,516	-	118,734
TOTAL DEFERRED OUTFLOWS OF RESOURCES	54,671	38,547	25,516	-	118,734
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	6,532,097	3,653,699	1,576,398	364,292	12,126,486
LIABILITIES					
Current Liabilities					
Accounts payable	29,314	21,298	32,308	-	82,920
Accrued interest	4,756	1,011	138	-	5,905
Other accrued items	11,400	21,214	8,784	-	41,398
Compensated absences payable	3,182	4,597	3,872	-	11,651
Notes payable	-	58,149	-	-	58,149
Capital leases payable	44,057	14,947	22,867	-	81,871
Revenue bonds payable	175,000	-	-	-	175,000
TOTAL CURRENT LIABILITIES	267,709	121,216	67,969	-	456,894
Noncurrent Liabilities					
Customer deposits	61,475	131,404	104,084	-	296,963
Compensated absences payable	2,121	3,065	2,581	-	7,767
Net pension liability	87,346	61,110	42,303	-	190,759
Notes payable	-	213,663	-	-	213,663
Capital leases payable	143,809	49,001	74,659	-	267,469
Revenue bonds payable	1,380,000	-	-	-	1,380,000
TOTAL NONCURRENT LIABILITIES	1,674,751	458,243	223,627	-	2,356,621
TOTAL LIABILITIES	1,942,460	579,459	291,596	-	2,813,515
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows related to pension	19,927	14,142	8,999	-	43,068
TOTAL DEFERRED INFLOWS OF RESOURCES	19,927	14,142	8,999	-	43,068
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	1,962,387	593,601	300,595	-	2,856,583
NET POSITION					
Net investment in capital assets	3,760,491	1,014,795	816,219	-	5,591,505
Restricted for debt service	394,589	-	-	364,292	758,881
Municipal Competitive Trust Agreement	-	1,449,932	-	-	1,449,932
Unrestricted	414,630	595,371	459,584	-	1,469,585
TOTAL NET POSITION	$ 4,569,710	$ 3,060,098	$ 1,275,803	$ 364,292	$ 9,269,903

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, 2016

	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	$ 1,402,695	$ -	$ -	$ -	$ 1,402,695
Charges for services	-	3,186,210	2,490,273	-	5,676,483
Other operating revenue	-	-	106,163	-	106,163
Intergovernmental	2,613	-	-	-	2,613
Miscellaneous Income	54,664	-	-	-	54,664
Total Operating Revenues	1,459,972	3,186,210	2,596,436	-	7,242,618
OPERATING EXPENSES					
Salaries and benefits	308,337	198,129	153,267	-	659,733
Other services and charges	291,702	2,687,147	1,851,453	-	4,830,302
Insurance premiums	106,178	59,740	55,692	-	221,610
Depreciation	171,390	57,626	64,035	-	293,051
Professional fees	21,112	2,234	6,988	-	30,334
Repairs and maintenance	103,395	12,230	24,648	-	140,273
Other operating expenses	-	-	4,837	-	4,837
Total Operating Expenses	1,002,114	3,017,106	2,160,920	-	6,180,140
OPERATING INCOME	457,858	169,104	435,516	-	1,062,478
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	-	9,147	-	9,106	18,253
Investment earnings-pledged as security for revenue bonds	2,742	-	-	-	2,742
Interest expense	(64,554)	(16,688)	(4,613)	-	(85,855)
Total Nonoperating Revenues (Expenses)	(61,812)	(7,541)	(4,613)	9,106	(64,860)
INCOME (LOSS) BEFORE TRANSFERS	396,046	161,563	430,903	9,106	997,618
Transfer in	10,800	-	-	-	10,800
Transfer out	(34,647)	(33,628)	(33,628)	(36,746)	(138,649)
CHANGE IN NET POSITION	372,199	127,935	397,275	(27,640)	869,769
TOTAL NET POSITION, Beginning of year	4,197,511	2,932,163	878,528	391,932	8,400,134
TOTAL NET POSITION, End of year	$ 4,569,710	$ 3,060,098	$ 1,275,803	$ 364,292	$ 9,269,903

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, 2016

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	$ 1,329,158	$ 3,123,856	$ 2,594,854	$ -	$ 7,047,868
Payments to suppliers	(682,273)	(2,701,830)	(2,359,644)	-	(5,743,747)
Payments to employees	(316,819)	(198,031)	(153,725)	-	(668,575)
Net cash provided by (used in) operating activities	330,066	223,995	81,485	-	635,546
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in (out)	(34,647)	(33,628)	(33,628)	(36,746)	(138,649)
Net Cash provided (used) by non-capital financing activities	(34,647)	(33,628)	(33,628)	(36,746)	(138,649)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(10,800)	(27,575)	(24,060)	-	(62,435)
Transfers in/out	10,800	-	-	-	10,800
Principal payments on debt	(215,228)	(74,379)	(21,921)	-	(311,528)
Interest paid	(64,966)	(16,708)	(4,644)	-	(86,318)
Net cash provided by (used in) capital and related financing activities	(280,194)	(118,662)	(50,625)	-	(449,481)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings	2,742	9,147	-	9,106	20,995
Purchase of investments	-	(75,701)	-	-	(75,701)
Principal payments received on lease receivable	-	-	-	31,955	31,955
Net cash provided by (used in) investing activities	2,742	(66,554)	-	41,061	(22,751)
Net increase (decrease) in cash and cash equivalents	17,967	5,151	(2,768)	4,315	24,665
CASH, Beginning of year	376,622	3,335	2,768	78,958	461,683
CASH, End of year	$ 394,589	$ 8,486	$ -	$ 83,273	$ 486,348
RECONCILIATION OF CASH					
Cash	$ 394,589	$ 8,486	$ -	$ 83,273	$ 486,348
Total Cash	$ 394,589	$ 8,486	$ -	$ 83,273	$ 486,348
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ 457,858	$ 169,104	$ 435,516	$ -	$ 1,062,478
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	171,390	57,626	64,035	-	293,051
(Increase) decrease in:					
Accounts receivable	(141,239)	(86,019)	(11,302)	-	(238,560)
Deferred outflows for pension	(2,954)	(2,338)	(544)	-	(5,836)
Prepaid expenses	3,216	(1,264)	(1,473)	-	479
Increase (decrease) in:					
Accounts payable	76	3,763	19,848	-	23,687
Compensated absences	(6,615)	(685)	(1,309)	-	(8,609)
Customer deposits	10,425	23,665	9,720	-	43,810
Net pension liability	27,246	19,076	13,156	-	59,478
Other accrued items	(1,307)	1,221	956	-	870
Deferred inflows for pension	(24,852)	(17,176)	(12,717)	-	(54,745)
Due to other governments	-	(602)	(2,307)	-	(2,909)
Interfund balances	(163,178)	57,624	(432,094)	-	(537,648)
Net cash provided by (used in) operating activities	$ 330,066	$ 223,995	$ 81,485	$ -	$ 635,546

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. Discretely 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. The City only presents one component unit, the Monticello Downtown Development Authority.

Brief description 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, 2016.

(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 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 government complex.

The City reports the following major proprietary funds:

The *Water & Sewer 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 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 unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(D) 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 2015 property taxes were levied October 20, 2016, and were due December 20, 2016. The taxes are subject to lien after March 20, 2017. 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 deposits and investments are held by the Debt Service Fund 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 requirements 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 capitalized during 2016.

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

Buildings & Improvements	15-50 years
Distribution Systems	10-50 years
Machinery and equipment	5-10 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. The deferred charge in pension expense represents contributions made into the defined benefit pension plan after the measurement date. These contributions will be recognized as pension expense in the next fiscal 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 two types of items that qualify for reporting in this category. One is the deferred charge in pension expense represents contributions made into the defined benefit pension plan after the measurement date. These contributions will be recognized as pension expense in the next fiscal year. Another 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 revenue from one source: 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. Debt issuance costs are included in their entirety in expenditures/expenses in the year they are incurred.

Bond Premiums and Discounts

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 Clerk 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 represents 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 is reported as restricted as described in the fund balance section above. All other net position is 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, 2016 are as follows:

Net investment in capital assets:	Governmental Activities	Business-Type Activities	Component Unit
Cost of capital assets	$ 6,452,372	$ 14,420,952	$ 178,000
Accumulated depreciation	(2,323,662)	(6,653,295)	(48,143)
Net book value	4,128,710	7,767,657	129,857
Capital leases related debt	-	(349,340)	-
Revenue bonds related to capital assets	(840,000)	(1,555,000)	(28,715)
Notes payable related to capital assets	-	(271,812)	-
Net investment in capital assets	$ 3,288,710	$ 5,591,505	$ 101,142

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 $582,674 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	254,464
SPLOST Fund	
SPLOST - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum	326,403
Nonmajor Funds	
Recreation and culture programs -	-
Hotel/Motel Fund - For funds restricted for tourist attraction and economic growth.	1,807
Total Nonmajor Fund Restrictions	1,807
Total Restricted Fund Balance	$ 582,674

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, Debt Service 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, Debt Service 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 official 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 the City.

- 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. Increases in the total appropriations of a department, whether accomplished through an increase in estimated revenues or through a transfer of appropriations among departments, require the approval of the Mayor and 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 adopted 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 (Enterprise) 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, Debt Service, Special Revenue, or Proprietary Funds. The City of Monticello has no recorded encumbrances at June 30, 2016.

(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, 2016, no funds had deficit fund equity.

NOTE 4 - DEPOSITS AND INVESTMENTS

As of June 30, 2016, 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	$ 1,449,932	$1,449,932	$ -	AAAm
Total	$ 1,449,932	$1,449,932	$ -	
Maximum Investment		100.00%	0.00%	

1. Standard & Poor's

Cash per Statement of Net Position (page 1)	
Cash	$ 1,256,490
Restricted cash	649,053
Total Cash and Restricted Cash	$ 1,905,543
Investments per Statement of Net Position (page 1)	
Restricted Investments	$ 1,449,932
Investments as listed above	$ 1,449,932

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, 2016, 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, 2016, 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, 2016, of the City's bank balance of $1,905,543 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 enterprise funds are summarized below:

	General Fund	SPLOST Fund	Water & Sewer Fund	Electric System Fund	Natural Gas System Fund	NONMAJOR Revolving Loan Fund
Receivables:						
Property Taxes	$ 49,622	$ -	$ -	$ -	$ -	$ -
Other taxes	8,842	-	-	-	-	-
Accounts	17,208	-	321,375	576,102	216,839	-
Intergovernmental	49,180	10,695	-	-	-	-
Notes	-	-	-	-	-	161,406
Total Gross Receivables	124,852	10,695	321,375	576,102	216,839	161,406
Less: Allowance for Uncollectibles	(1,419)	-	(9,641)	(17,283)	-	-
Total Net Receivables	$ 123,433	$ 10,695	$ 311,734	$ 558,819	$ 216,839	$ 161,406

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)	$ 46,175	$ -
Total unavailable/ unearned revenue for governmental funds	$ 46,175	$ -

The notes receivable in the business-type activities consisted of the following at June 30, 2016:

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 local business. The note matures April 1, 2018.	$	7,918
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.		153,488
Total note receivable, net		161,406
Less: Current portion		(31,088)
Long-term portion	$	130,318

At June 30, 2016, scheduled maturities of the notes receivable were the following:

2017	$	37,868
2018		40,143
2019		36,369
2020		36,369
2021		30,307
Total maturities of notes receivable		181,056
Less interest		(19,650)
Total net book value of notes receivable	$	161,406

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental funds for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land and land improvements	$ 12,747	$ -	$ -	$ -	$ 12,747
Construction in progress	499,541	-	-	(499,541)	-
Total non-depreciable capital assets	512,288	-	-	(499,541)	12,747
Depreciable Assets:					
Buildings and improvements	5,384,286	-	-	499,541	5,883,827
Machinery and equipment	364,659	12,459	-	-	377,118
Vehicles	178,680	-	-	-	178,680
Total depreciable capital assets	5,927,625	12,459	-	499,541	6,439,625
Less Accumulated Depreciation for:					
Buildings and improvements	(1,672,193)	(163,955)	-	-	(1,836,148)
Machinery and equipment	(292,714)	(21,305)	-	-	(314,019)
Vehicles	(169,794)	(3,701)	-	-	(173,495)
Total accumulated depreciation	(2,134,701)	(188,961)	-	-	(2,323,662)
Total depreciable capital assets, net	3,792,924	(176,502)	-	-	4,115,963
Governmental activities capital assets, net	$ 4,305,212	$ (176,502)	$ -	$ -	$ 4,128,710

Additions to governmental activities capital assets for fiscal year ending June 30, 2016 consist of the following:

Capital Outlay	$ 12,459
Total Additions	$ 12,459
Depreciable capital assets additions	$ 12,459
Total Additions	$ 12,459

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

Governmental Activities:	
General Government	$ 141,796
Public Safety	3,164
Public Works	40,041
Culture and Recreation	3,960
Total depreciation expense: Governmental Activities	$ 188,961

Capital asset activity for business-type funds for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Business-type Activities:					
Non-Depreciable Assets:					
Land and land improvements	$ 90,263	$ -	$ -	$ -	$ 90,263
Construction in progress	173,422	34,860	-	(208,281)	-
Total non-depreciable capital assets	263,685	34,860	-	(208,281)	90,263
Depreciable Assets:					
Buildings and improvements	179,870	-	-	-	179,870
Distribution systems	12,897,101	27,575	-	208,281	13,132,957
Machinery and equipment	1,017,862	-	-	-	1,017,862
Total depreciable capital assets	14,094,833	27,575	-	208,281	14,330,689
Less Accumulated Depreciation for:					
Buildings and improvements	(137,971)	(1,163)	-	-	(139,134)
Water & sewer system	(5,228,177)	(286,144)	-	-	(5,514,321)
Machinery and equipment	(994,096)	(5,744)	-	-	(999,840)
Total accumulated depreciation	(6,360,244)	(293,051)	-	-	(6,653,295)
Total depreciable capital assets, net	7,734,589	(265,476)	-	208,281	7,677,394
Business-type activities capital assets, net	$ 7,998,274	$ (230,616)	$ -	$ -	$ 7,767,657

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

Business-type Activities:	
Water & Sewer	$ 171,390
Electric System	57,626
Natural Gas System	64,035
Total depreciation expense: Business-type Activities	$ 293,051

Discretely Presented Component Unit

Activity for the Downtown Development Authority for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Governmental activities:					
Depreciable assets:					
Buildings and improvements	$ 178,000	$ -	$ -	$ -	$ 178,000
Total depreciable capital assets	178,000	-	-	-	178,000
Less Accumulated Depreciation for:					
Buildings	(41,401)	(6,742)	-	-	(48,143)
Total accumulated depreciation	(41,401)	(6,742)	-	-	(48,143)
Total depreciable capital assets, net	136,599	(6,742)	-	-	129,857
Governmental activities capital assets, net	$ 136,599	$ (6,742)	$ -	$ -	$ 129,857

NOTE 7 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
General obligation bonds	$ 1,030,000	$ -	$ (190,000)	$ 840,000	$ 195,000	$ 645,000
Capital leases	2,264	-	(2,264)	-	-	-
Compensated absences	15,307	23,891	(28,716)	10,482	6,289	4,193
Net pension liability	69,454	40,302	(11,178)	98,578	-	98,578
Governmental activities long-term liabilities	$ 1,117,025	$ 64,193	$ (232,158)	$ 949,060	$ 201,289	$ 747,771
Business-type Activities:						
Revenue bonds	$ 1,725,000	$ -	$ (170,000)	$ 1,555,000	$ 175,000	$ 1,380,000
Notes payable	327,396	-	(55,584)	271,812	58,149	213,663
Capital Leases	435,281	-	(85,941)	349,340	81,871	267,469
Net pension liability	131,280	82,309	(22,830)	190,759	-	190,759
Compensated absences	28,026	43,081	(51,689)	19,418	11,651	7,767
Business-type activities long-term liabilities	$ 2,646,983	$ 125,390	$ (386,044)	$ 2,386,329	$ 326,671	$ 2,059,658
Component Unit:						
Downtown Development Authority						
Notes Payables	$ 37,166	$ -	$ (7,451)	$ 29,715	$ 8,904	$ 20,811
Component Unit long-term liabilities	$ 37,166	$ -	$ (7,451)	$ 2,176,152	$ 8,904	$ 20,811

General obligation bonds, capital leases and compensated absences are generally liquidated by the General Fund. The revenue bonds, capital leases and notes payable for business type activities are liquidated by the Electric System, Natural Gas System, and Water & Sewer enterprise funds. Compensated absences for business type activities are liquidated by each of the respective enterprise funds.

GENERAL OBLIGATION BONDS

The City issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The general obligation bonds were 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 the City. The bonds were issued as 20 year serial bonds with equal amounts of principal maturing each year. Minimum future annual debt service requirements for the general obligation bonds, as of June 30, 2016, are as follows:

June 30	Principal	Interest	Total
2017	$ 195,000	$ 37,800	$ 232,800
2018	205,000	29,025	234,025
2019	215,000	19,800	234,800
2020	225,000	10,125	235,125
Total	$ 840,000	$ 96,750	$ 936,750

BUSINESS TYPE ACTIVITIES

As of June 30, 2016, 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 & Sewer Fund subject to payment of reasonable and necessary costs of operating and maintaining the fund's facilities and systems. Revenue bonds outstanding as of June 30, 2016 was $1,555,000.

The annual revenue bond debt service requirements to amortize this debt as of June 30, 2016, are as follows:

June 30	Principal	Interest	Total
2017	$ 175,000	$ 53,875	$ 228,875
2018	180,000	49,500	229,500
2019	185,000	45,000	230,000
2020	190,000	38,063	228,063
2021	195,000	30,938	225,938
2022-2024	630,000	47,625	677,625
Total	$ 1,555,000	$ 265,001	$ 1,820,001

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 thirty-nine and five years, respectively. The capital lease to finance the automated meter reading is allocated to the business-type activities. 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% for the vehicles. This year, $21,492 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, 2016, are as follows:

June 30	Principal	Interest	Total
2017	$ 81,871	$ 13,233	$ 95,104
2018	85,410	9,694	95,104
2019	89,103	6,001	95,104
2020	92,956	2,149	95,105
Total	$ 349,340	$ 31,077	$ 380,417

As of June 30, 2016, the capital assets purchased under these capital lease agreements are as follows:

	Business-Type Activities
Utility infrastructure	$ 867,351
Vehicles	167,081
Less accumulated depreciation	(115,302)
Net	$ 919,130

NOTES PAYABLE

The City obtained a MEAG notes payable 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 notes payable were used to finance the upgrade of the City's electrical system. As of June 30, 2016, The outstanding balance was $271,812.

The annual debt service requirements to amortize this debt as of June 30, 2016, are as follows:

June 30	Principal	Interest	Total
2017	$ 58,149	$ 11,091	$ 69,240
2018	60,832	8,408	69,240
2019	63,640	5,600	69,240
2020	89,191	2,874	92,065
Total	$ 271,812	$ 27,973	$ 299,785

COMPONENT UNIT

As of June 30, 2016, 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 6, 2018. The note payable was used to refinance the Downtown Development Authority's old debt. As of June 30, 2016, the outstanding balance was $28,715.

The annual debt service requirements to amortize this debt as of June 30, 2016, are as follows:

June 30	Principal	Interest	Total
2017	$ 8,904	$ 1,296	$ 10,200
2018	19,811	599	20,410
Total	$ 28,715	$ 1,895	$ 30,610

NOTE 8- INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of June 30, 2016, is as follows:

	Due From
	General
Due To	
Other nonmajor governmental funds	$ 1,807
Water & Sewer	231,436
Electric System	230,061
Natural Gas System	405,043
Total	$ 868,347

These balances resulted from (1) the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, (2) the time lag between the dates that transactions are recorded in the accounting system, (3) the time lag between the dates that payments between funds are made, (4) short-term loans, and (5) to fund capital projects.

Interfund transfers as of the year ended June 30, 2016 are as follows:

	Transfers Out						
Transfers In	General Fund	SPLOST Fund	Natural Gas System Fund	Electric System Fund	Water & Sewer Fund	Nonmajor Revolving Loan Fund	Total
General Fund	$ -	$ -	$ 33,628	$ 33,628	$ 34,647	$ 36,746	$ 138,649
Debt Service Fund	238,238	-	-	-	-	-	238,238
Water & Sewer Fund	-	10,800	-	-	-	-	10,800
Total	$ 238,238	$ 10,800	$ 33,628	$ 33,628	$ 34,647	$ 36,746	$ 387,687

Transfers are used to supplement operating budgets.

NOTE 9 - RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

Plan Description

The City's defined benefit pension plan, City of Monticello Retirement Plan (CRP), provides retirement and death benefits to plan members and beneficiaries. CRP is affiliated with 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.

Participant counts as of January 1, 2016 (the most recent actuarial valuation date) and covered compensation (base on covered earnings for the preceding year) are shown below:

Retirees, beneficiaries and disables receiving benefits	43
Terminated plan participants entitled to but not yet receiving benefits	24
Active employees participating in the Plan	29
Total number of Plan participants	96
Covered compensation for active participants	$ 738,908
Contributions as a percentage of covered-employee payroll	22.76%

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 annual City contribution meets or exceeds the minimum funding requirements of Georgia Statute 47-20.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the January 1, 2016 valuation was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary Increases (including inflation)	3.75% - 8.75%
Net investment rate of return	7.75%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females set forward two years for males and set forward one year for females.

The actuarial assumptions used in the 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return*
Domestic equity	50%	5.95%
International equity	15	6.45
Fixed income	25	1.55
Real estate	10	3.75
Cash	-	-
TOTAL	100%	

* Rates shown are net of the 3.25% assumed rate of inflation

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Change in the Net Pension Liability

	Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2014	$ 2,821,488	$ 2,620,754	$ 200,734
Changes for the year:			
Service cost	55,733	-	55,733
Interest	212,210	-	212,210
Difference between expected and actual experience	(34,008)	-	(34,008)
Contribution-employer	-	124,654	(124,654)
Net investment income	-	31,442	(31,442)
Benefit payments	(166,582)	(166,582)	-
Administrative expense	-	(10,764)	10,764
Other charges	-	-	-
Net changes	67,353	(21,250)	88,603
Balances at September 30, 2015	$ 2,888,841	$ 2,599,504	$ 289,337

The following presents the City's net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1 % Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	$ 604,447	$ 289,337	$ 20,094

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City recognized pension expense of $42,034. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 58,361
Changes of assumptions	-	5,920
Net difference between projected and actual earnings on pension plan investments	85,942	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	91,106	-
TOTAL	$ 177,048	$ 64,281

City contributions subsequent to the measurement date of $91,106 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	$ (35,606)
2018	6,003
2019	17,339
2020	33,925
Thereafter	-

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 member 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 any 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 $2,593,359 at June 30, 2016.

In 1999, the City approved a resolution adopting the provisions of the Municipal Competitive Trust (the "Trust"), which was created by MEAG for the mutual benefit of MEAG and its

wholesale customers which have elected to become beneficiaries. The Trust was established to provide MEAG and the Trust's beneficiaries a means to mitigate the expected differential between market rates for power and the costs of power generated by MEAG facilities, after deregulation of the electric industry.

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

Flexible Operating Trust Account

This account is available to the City for withdrawal without restriction.

Credit 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, 2016 was $1,449,932.

NATURAL 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 with 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 therefrom is interrupted, interfered with, curtailed or terminated in whole or in part, or whether or not any of its natural gas suppliers or transporters defaults in its 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 to 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 $1,798,434 at June 30, 2016.

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 39. The Housing Authority is a legally separate 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 $- for payment in lieu of taxes from the Housing Authority for the year ended June 30, 2016.

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, is a member 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 $7,715 to the NEGRC for the year ended June 30, 2016. 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, 2016, the City collected $5,606 in Hotel and Motel taxes of which $2,242 was required to be spent to promote tourism, conventions, and trade shows. For the year ended June 30, 2016, 40% of tax receipts were expended for these purposes under OCGA-48-13-51. The City complied with the requirements of this law.

CITY OF MONTICELLO, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE NET PENSION LIABILITY -
CITY OF MONTICELLO RETIREMENT PLAN
For the Year Ended June 30, 2016
"Unaudited"

For the Year Ended June 30,	2016	2015
Net pension liability	$ 289,337	$ 200,734
Covered-employee payroll	$ 738,908	$ 1,013,456
Net pension liability as a percentage of its covered-employee payroll	39.16%	19.81%
Plan fiduciary net position as a percentage of the total pension liability	89.98%	92.89%

NOTE: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CITY OF MONTICELLO, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS -
CITY OF MONTICELLO RETIREMENT PLAN
For the Year Ended June 30, 2016
"Unaudited"

For the Year Ended June 30,	2016	2015
Contractually required contribution	$ 91,106	$ 132,043
Contributions in relation to the contractually required contribution	168,178	195,223
Contribution deficiency (excess)	$ (77,072)	$ (63,180)
City's covered-employee payroll	$ 738,908	$ 1,013,456
Contributions as a percentage of covered-employee payroll	22.76%	19.26%

NOTE: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CITY OF MONTICELLO, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
CITY OF MONTICELLO RETIREMENT PLAN
For the Year Ended June 30, 2016
"Unaudited"

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of contributions are calculated as of January 1, 2016. The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended June 30, 2016 reported in that schedule:

Valuation Date	January 1, 2016
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed Level Dollar for remaining unfunded liability
Remaining Amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
Asset Valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less that the market value at end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Net investment rate of return	7.75%
Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%

CITY OF MONTICELLO, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2016
(Required Supplementary Information)

	BUDGET AMOUNTS ORIGINAL	BUDGET AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 87,241	$ 87,241	$ 87,241	$ -
RESOURCES (INFLOWS)				
Taxes	831,860	831,860	822,390	(9,470)
Licenses and permits	17,000	17,000	43,041	26,041
Intergovernmental	7,200	259,200	255,601	(3,599)
Charges for services	359,138	359,138	357,823	(1,315)
Investment income	29,660	29,660	842	(28,818)
Miscellaneous	1,000	1,000	30	(970)
Transfers in	114,968	114,968	138,649	23,681
Total Resources (Inflows)	1,360,826	1,612,826	1,618,376	5,550
AMOUNTS AVAILABLE FOR APPROPRIATION	1,448,067	1,700,067	1,705,617	5,550
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Mayor and council	84,619	84,619	79,563	5,056
Finance	541,884	541,884	479,013	62,871
General engineering	9,950	9,950	7,576	2,374
Total General Government	636,453	636,453	566,152	70,301
Public Safety				
Police	500	500	5	495
Fire	12,946	12,946	12,847	99
Total Public Safety	13,446	13,446	12,852	594
Public Works				
Public works	285,113	537,113	536,881	232
Solid waste and recycling	135,469	135,469	123,876	11,593
Garage	62,489	62,489	52,735	9,754
Total Public Works	483,071	735,071	713,492	21,579
Public Health and Welfare				
Public welfare	58,711	58,711	45,305	13,406
Total Public Health and Welfare	58,711	58,711	45,305	13,406
Parks	17,761	17,761	16,544	1,217
Total Culture and Recreation	17,761	17,761	16,544	-
Transfers out	238,625	238,625	238,238	387
TOTAL CHARGES TO APPROPRIATIONS	1,448,067	1,700,067	1,592,583	92,474
CHANGE IN FUND BALANCE	(87,241)	(87,241)	25,793	113,034
FUND BALANCE, End of year	$ -	$ -	$ 113,034	$ 113,034

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
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016
(Required Supplementary Information)

	BUDGET AMOUNTS ORIGINAL	BUDGET AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 256,375	$ 256,375	$ 256,375	$ -
RESOURCES (INFLOWS)				
Transfer in	-	241,000	238,238	(2,762)
Total Resources (Inflows)	-	241,000	238,238	(2,762)
AMOUNTS AVAILABLE FOR APPROPRIATION	256,375	497,375	494,613	(2,762)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General government	-	241,000	240,149	851
TOTAL CHARGES TO APPROPRIATIONS	-	241,000	240,149	851
CHANGE IN FUND BALANCE	-	-	(1,911)	(1,911)
FUND BALANCE, End of year	$ 256,375	$ 256,375	$ 254,464	$ (1,911)

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 BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

	SPECIAL REVENUE FUND	
	HOTEL MOTEL TAX	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS		
Interfund receivables	1,807	1,807
TOTAL ASSETS	$ 1,807	$ 1,807
LIABILITIES		
Liabilities		
Restricted:		
Recreation and culture programs	1,807	1,807
TOTAL FUND BALANCES	1,807	1,807
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,807	$ 1,807

CITY OF MONTICELLO, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	SPECIAL REVENUE FUNDS		
	HOTEL MOTEL TAX	CDBG GRANT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Taxes	$ 5,606	$ -	$ 5,606
Intergovernmental	-	22,211	22,211
TOTAL REVENUES	5,606	22,211	27,817
EXPENDITURES			
Current Expenditures			
Culture and Recreation	3,799	-	3,799
Housing and development	-	22,211	22,211
Debt service			
TOTAL EXPENDITURES	3,799	22,211	26,010
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	1,807	-	1,807
FUND BALANCES, Beginning of year	-	-	-
FUND BALANCES, End of year	$ 1,807	$ -	$ 1,807

CITY OF MONTICELLO, GEORGIA
HOTEL MOTEL TAX SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	BUDGET AMOUNTS ORIGINAL	BUDGET AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ -	$ -	$ -	$ -
RESOURCES (INFLOWS)				
Taxes	-	4,000	5,606	1,606
Total Resources (Inflows)	-	4,000	5,606	1,606
AMOUNTS AVAILABLE FOR APPROPRIATION	-	4,000	5,606	1,606
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Culture and Recreation	-	4,000	3,799	201
TOTAL CHARGES TO APPROPRIATIONS	-	4,000	3,799	201
CHANGE IN FUND BALANCE	-	-	1,807	1,807
FUND BALANCE, End of year	$ -	$ -	$ 1,807	$ 1,807

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
CDBG GRANT SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	BUDGET AMOUNTS ORIGINAL	BUDGET AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ -	$ -	$ -	$ -
RESOURCES (INFLOWS)				
Intergovernmental	-	23,000	22,211	(789)
Total Resources (Inflows)	-	23,000	22,211	(789)
AMOUNTS AVAILABLE FOR APPROPRIATION	-	23,000	22,211	(789)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Housing and development	-	23,000	22,211	789
TOTAL CHARGES TO APPROPRIATIONS	-	23,000	22,211	789
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, 2016

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	EXPENDITURES PRIOR YEARS	EXPENDITURES CURRENT YEAR
Sidewalk Repairs and Improvements	$ 295,700	$ 295,700	$ 168,523	$ 21,947
Hospital	100,000	100,000	-	-
Water Supply and Treatment	357,300	357,300	-	-
Sewer System Improvements	197,000	197,000	122,465	10,800
Totals	$ 950,000	$ 950,000	$ 290,988	32,747

Total of all SPLOSTS above	**$ 32,747**

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

Expenditures	$ 21,947
Transfers out	10,800
Total	**$ 32,747**

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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*

February 10, 2017

To the Mayor and City Council
CITY OF MONTICELLO, 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, 2016, and the related notes to the financial statements, which collectively comprise the CITY OF MONTICELLO, GEORGIA's basic financial statements and have issued our report thereon dated February 10, 2017.

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