

**CITY OF MONTEZUMA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016**

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**CITY OF MONTEZUMA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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FINANCIAL SECTION



Gregory D. Biggs

Certified Public Accountant

The Equitable Building 100 Peachtree
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Atlanta, Georgia 30303

Independent Auditor's Report

To The Honorable Mayor, Members of City Council, and
City Manager of the City of Montezuma, Georgia:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Montezuma, Georgia (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City'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.

Auditor's 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 of 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



Gregory D. Biggs
Certified Public Accountant

To The Honorable Mayor and Members of the City Council
of the City of Montezuma, Georgia:

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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Montezuma, Georgia, as of September 30, 2016 and the respective changes in financial position and the general fund budgetary comparisons 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 (pages 4 through 15), the Schedules of Pension Supplementary Information (pages 61 through 63) 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.



Gregory D. Biggs
Certified Public Accountant

To The Honorable Mayor and Members of the City Council
of the City of Montezuma, Georgia:

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Montezuma's basic financial statements. The combining and individual nonmajor fund financial statements, the schedule of projects undertaken with special sales tax process, the project cost schedules for the community development block grants and schedules and supplementary data schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and supplementary data schedules, the schedule of projects undertaken with special sales tax proceeds, and the project cost schedules for the community development block grants are the responsibility of management and were derived from and relate directly to the underlying additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement 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, based on our audit and the procedures performed as described above, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

In the conduct of our audit, we verified and tested expenditures of the projects of the City of Montezuma, Georgia, which were identified in the resolution or ordinance calling for imposition of the special sales and use tax authorized by Section 48-8110 OCGA. The accompanying schedule of the projects undertaken with special sales tax proceeds is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Gregory D. Biggs

July 21, 2017

City of Montezuma Management Discussion and Analysis

As the City Clerk of the City of Montezuma, I offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Montezuma for the fiscal year ended September 30, 2016.

Financial Highlights

- The assets and deferred outflows of resources of the City of Montezuma exceeded its liabilities at the fiscal year ended September 30, 2016 by approximately \$10.27 million (net position). This amount represents the net position of the City. The governmental activities reflect \$727 thousand in unrestricted net position that may be used to meet the City's ongoing obligations to citizens including the purchase of capital assets.
- The net position at the government-wide level decreased by \$156 thousand; the increase in the governmental activities was \$302 thousand and the decrease in the business-type activities was \$458 thousand. The prior year increase in the government-wide net position was \$1.26 million.
- As of the close of the fiscal year 2016, Montezuma's governmental funds reported a combined ending fund balance of approximately \$1.76 million, an increase of approximately \$177 thousand from the prior fiscal year. Approximately 47% of the total combined fund balance is unassigned and is therefore available for spending at the City's discretion.
- At the end of the Fiscal year 2016, unassigned fund balance for the general fund was approximately \$817 thousand or 43% of total general fund expenditures.
- The after-effects of the economic downturn, while improving, continued to affect the City's 2016 revenue streams. Related decreases in the most recent population census resulted in a decrease in sales tax revenue and a decrease in the City's tax digest. The City increased its millage rate for fiscal year 2016 from 10.5 to 12 to partially offset the reduction in its tax digest. The increase in millage rate contributed to an increase in property tax revenue of \$37,356.
- Over the past several years several of the City's major customers and manufacturing businesses have relocated to other cities or were critically affected by the national economic downturn. In addition to the loss of jobs, the Sewer Fund lost a substantial customer. The resultant loss in revenue has reduced the operating transfers from the Sewer Fund to the General Fund.
- An agreement between the City and an outside independent company to assume the operations of the City's Solid Waste fund has substantially reduced the annual expense of the Solid Waste fund. The agreement, which also included the sale of a substantial portion of the capital assets

City of Montezuma Management Discussion and Analysis

of the Solid Waste fund, also allowed the City to substantially reduce its long-term liabilities.

- The City used proceeds from its 2011-2016 Special Purpose Local Option Sales Tax, T-Splost proceeds and other capital grants to purchase capital assets, reduce long-term liabilities and improve infrastructure during fiscal year 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Montezuma's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements 2) fund financial statements and 3) notes to the financial statements. This report also contains supplementary information, in addition to the basic statements themselves.

The Government-wide Financial Statements

The Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The Government-wide Financial Statements consist of the Statement of Net Position and the Statement of Activities.

The Statement of Net Position

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating.

The Statement of Activities

The Statement of Activities presents information showing how the City's net position changed during fiscal year 2016. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues

City of Montezuma Management Discussion and Analysis

(governmental activities such as the general fund) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities such as the water fund). The governmental activities of the City include: General Government, Judicial, Public Safety, Public Works, Health and Welfare, Culture and Recreation, Housing and Development, and Economic Development. The business-type activities of the City include: Water System, Sewer System, Solid Waste Collection, Airport, and Fire and Emergency. During fiscal year 2016, the Stormwater Fund, which activities had been reported as a proprietary fund during the prior three (3) years, was closed. The assets, liabilities and residual fund equity were transferred back into the General Fund, where its future activities will be reported.

The government-wide financial statements include not only the City itself, but also the *Downtown Development Authority* financial information. This *component unit* is reported separately from the financial information presented for the primary City government itself.

The government-wide financial statements can be found on pages 16 through 18 of this report.

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City of Montezuma Management Discussion and Analysis

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Montezuma, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds:

- *Governmental Funds:* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, one may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate the comparison between governmental activities and governmental funds.

The City of Montezuma maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the 2011-2016 SPLOST Fund, all of which are considered to be major funds. Data from the non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements located after the notes to the financial statements.

The City of Montezuma adopts an annual departmental budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund and the Special Revenue Fund funds to demonstrate compliance with their budgets. The

City of Montezuma Management Discussion and Analysis

basic government funds are presented on page 19 through 24 of this report.

- *Proprietary Funds:* The City of Montezuma maintains six proprietary funds - five enterprise funds and one internal service fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses *Enterprise Funds* to account for its water, sewer, solid waste, airport, and fire and emergency activity. Prior to October 1, 2015, stormwater activity was accounting for as a proprietary fund. Effective October 1, 2015, the Stormwater Fund was closed and all of its assets, liabilities and fund balance were transferred back to the General Fund. All stormwater activity for fiscal year 2016 was reported in the General Fund. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its self-funded health insurance program for its employees. The basic proprietary funds financial statements are presented on pages 25 through 30 of this report.
- *Notes to the Financial Statements:* The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 31 through 60 of this report.
- *Other Information:* In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's pension plan. Required supplementary information can be found on pages 61-63 of this report.

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City of Montezuma Management Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Montezuma, assets and deferred outflows exceeded liabilities and deferred inflows of resources by approximately \$ 10.27 million at the close of the fiscal year on September 30, 2016. A significant portion of the City's net position (109.95%) reflects its investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, infrastructure and construction in progress), less any related debt used to acquire those capital assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (unless sold).

The following is a condensed version of the City's Statement of Net Position:

	Governmental		<u>Primary Government</u>		Total	
	Activities		Business-type			
	2015	2016	2015	2016	2015	2016
<u>ASSETS</u>						
Current and Other Assets	\$ 2,058,744	\$ 2,249,025	\$ (625,836)	\$ (761,977)	\$ 1,432,908	\$ 1,487,048
Capital Assets (net of accumulated depreciation)	3,822,626	4,039,396	8,356,706	7,998,627	12,179,332	12,038,023
Total Assets	5,881,370	6,288,421	7,730,870	7,236,650	13,612,240	13,525,071
Deferred Outflows of Resources	-	136,423	-	67,195	-	203,618
Total Assets and Deferred Outflows Resources	5,881,370	6,424,844	7,730,870	7,303,845	13,612,240	13,728,689
<u>LIABILITIES</u>						
Long Term Liabilities	345,817	578,888	1,814,260	1,851,505	2,160,077	2,430,393
Other Liabilities	524,838	552,570	380,132	383,762	904,970	936,332
Total Liabilities	870,655	1,131,459	2,194,392	2,235,268	3,065,047	3,366,726
Deferred Inflows of Resources	65,823	46,146	51,687	41,996	117,510	88,142
Total Liabilities and deferred Inflows of Resources	936,478	1,177,605	2,246,079	2,277,264	3,182,557	3,454,868
<u>NET POSITION</u>						
Invested in Capital Assets (net of related debt)	\$ 3,484,579	\$ 3,979,815	\$ 6,633,570	\$ 6,391,214	\$ 10,118,149	\$ 10,371,029
Restricted for Loans, Capital Improvements and TSPLOST	463,529	540,172	-	-	463,529	540,172
Unrestricted	996,784	727,252	(1,148,780)	(1,364,633)	(151,996)	(637,381)
Total Net Position	\$ 4,944,892	\$ 5,247,239	\$ 5,484,790	\$ 5,026,581	\$ 10,429,682	\$ 10,273,820

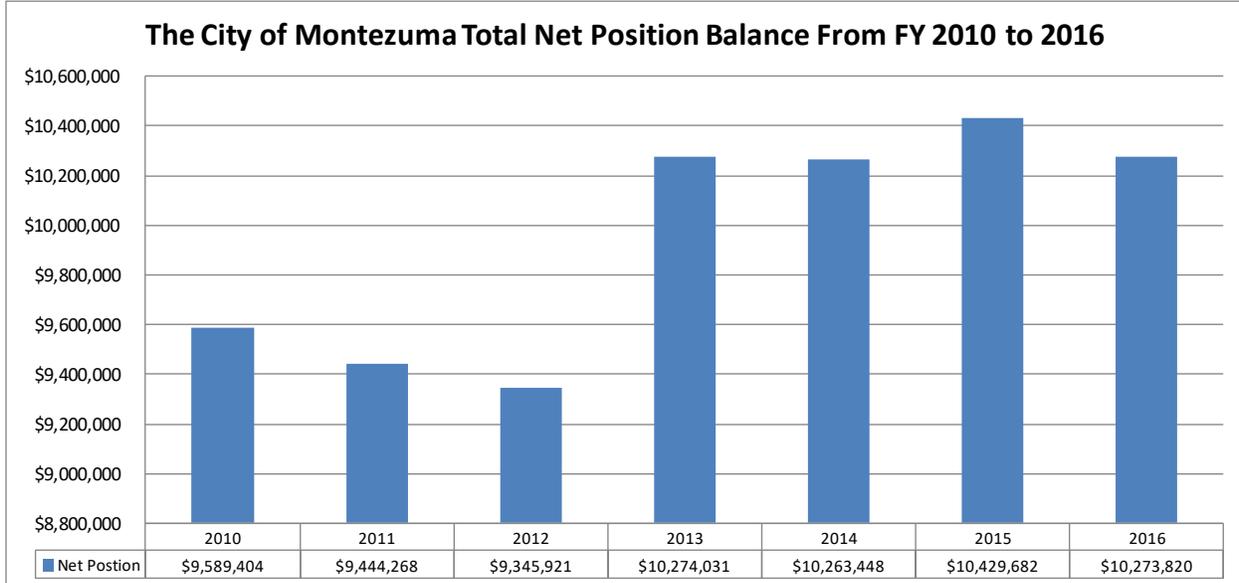
City of Montezuma Management Discussion and Analysis

A portion of the City's net position (5.3%) represents resources that are subject to external restrictions on how they may be used. The unrestricted governmental net position of approximately \$727 thousand may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of fiscal year 2016, the City is reporting positive net position of \$5.2 million for governmental activities and a net positive net position of \$5.03 million for its business-type activities. The City's Net Position decreased by \$156 thousand since September 30, 2015. The net position of governmental funds increased by \$302 thousand, while the net positions of business-type funds decreased by \$458 thousand. The majority of the increase is attributable to charges for services and a decrease in expenditures for the general fund and additional sales tax proceeds and capital grants used for capital asset purchases in the business -type funds.

The City's unrestricted net position as of September 30, 2016 is a deficit of approximately \$637 thousand.

The following chart reports the City's total net position from fiscal year 2011 – 2016:



City of Montezuma Management Discussion and Analysis

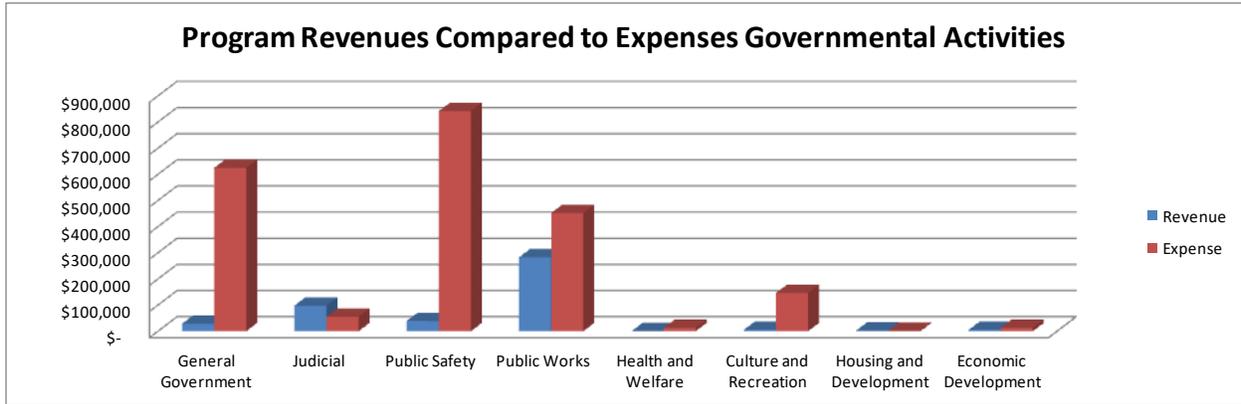
	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 227,328	\$ 193,202	\$1,814,314	1,732,961	\$2,041,642	\$1,926,163
Operating Grants	17,588	17,611	5,000	5,000	22,588	22,611
Capital Grants	306,431	251,052	501,437	145,004	807,868	396,056
General:						
Taxes	1,364,457	1,457,016	-	-	1,364,457	1,457,016
Other	39,490	52,264	72,006	36,631	111,496	88,895
Total Revenues	<u>1,955,294</u>	<u>1,971,145</u>	<u>2,392,757</u>	<u>1,919,596</u>	<u>4,348,051</u>	<u>3,890,741</u>
Expenses:						
General government	407,937	624,797	-	-	407,937	624,797
Judicial	47,185	55,281	-	-	47,185	55,281
Public Safety	513,425	841,897	-	-	513,425	841,897
Public Works	239,093	452,095	-	-	239,093	452,095
Health & Welfare	20,255	12,860	-	-	20,255	12,860
Culture & Recreation	129,965	146,458	-	-	129,965	146,458
Housing & Development	9,390	2,207	-	-	9,390	2,207
Economic Development	105,767	13,234	-	-	105,767	13,234
Interest on Long-Term Debt	5,756	3,719	-	-	5,756	3,719
Water	-	-	322,681	365,572	322,681	365,572
Sewer	-	-	645,681	622,232	645,681	622,232
Solid Waste	-	-	342,233	536,467	342,233	536,467
Airport	-	-	16,975	22,252	16,975	22,252
Fire & Emergency	-	-	205,366	347,533	205,366	347,533
Stormwater	-	-	72,392	-	72,392	-
Total Expenses	<u>1,478,773</u>	<u>2,152,547</u>	<u>1,605,328</u>	<u>1,894,056</u>	<u>3,084,101</u>	<u>4,046,603</u>
Excess (Deficiency)	476,521	(181,402)	787,429	25,540	1,263,950	(155,862)
Transfers	(268,499)	189,523	268,499	(189,523)	-	-
Indirect Cost Allocation	<u>350,605</u>	<u>294,226</u>	<u>(350,605)</u>	<u>(294,226)</u>	-	-
Change in Net Position	558,627	302,347	705,323	(458,209)	1,263,950	(155,862)
Beginning Net Position	4,974,307	4,944,892	5,289,141	5,484,790	10,263,448	10,429,682
Prior Period Adjustment	(588,042)	-	(509,675)	-	(1,097,717)	-
Ending Net Position	<u>\$ 4,944,892</u>	<u>\$ 5,247,239</u>	<u>\$ 5,484,789</u>	<u>\$ 5,026,581</u>	<u>\$ 10,429,681</u>	<u>\$ 10,273,820</u>

Governmental activities. Governmental activities increased the City's net position by approximately \$302 thousand. The governmental activities received transfers of \$189.5 thousand from the business-type activities; had these transfers not been made, the governmental activities would have reflected an increase in net position of approximately \$113 thousand. The SPLOST fund began recognizing tax revenue in the fall of 2010.

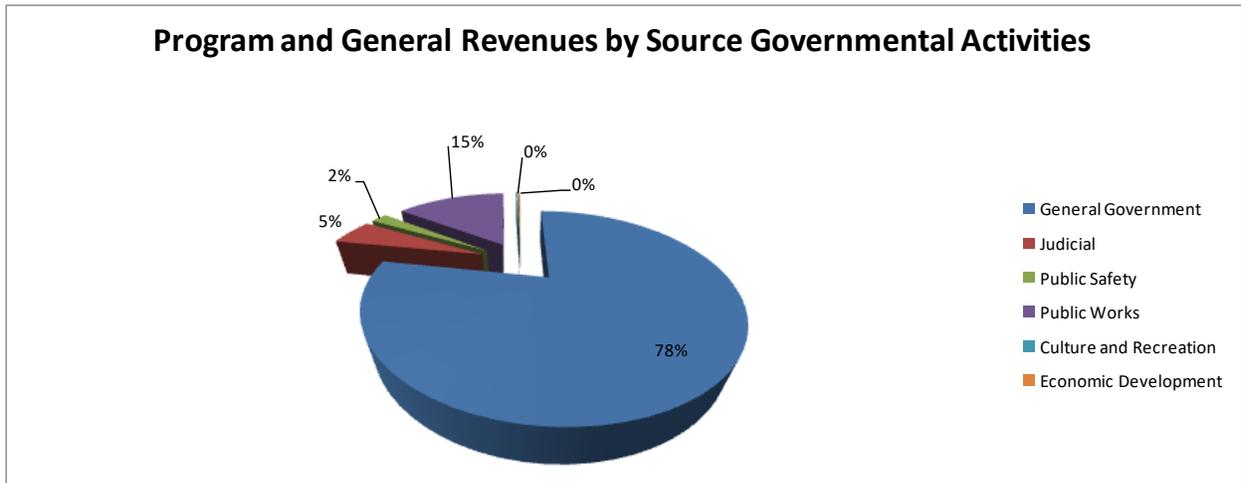
Business-type activities. Business-type activities decreased the City's net position by approximately \$458 thousand (including the \$189.5 thousand transfers to the governmental activities and \$145 thousand in capital grants). The business-type activities would have yielded a decrease in net position of approximately \$414 thousand had the transfers in and grants not occurred.

City of Montezuma Management Discussion and Analysis

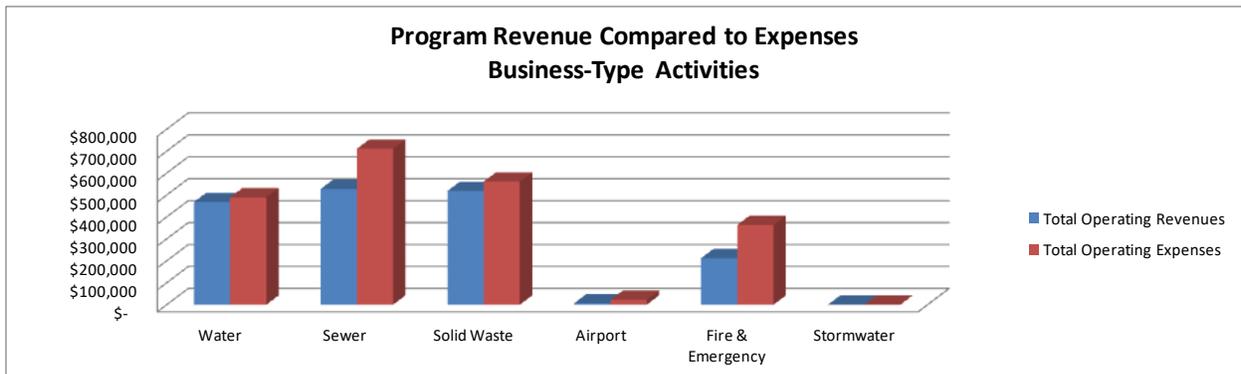
Program Revenues Compared to Expenses, Year Ended September 30, 2016:



Program Revenues for Governmental Activities, Year Ended September 30, 2016:

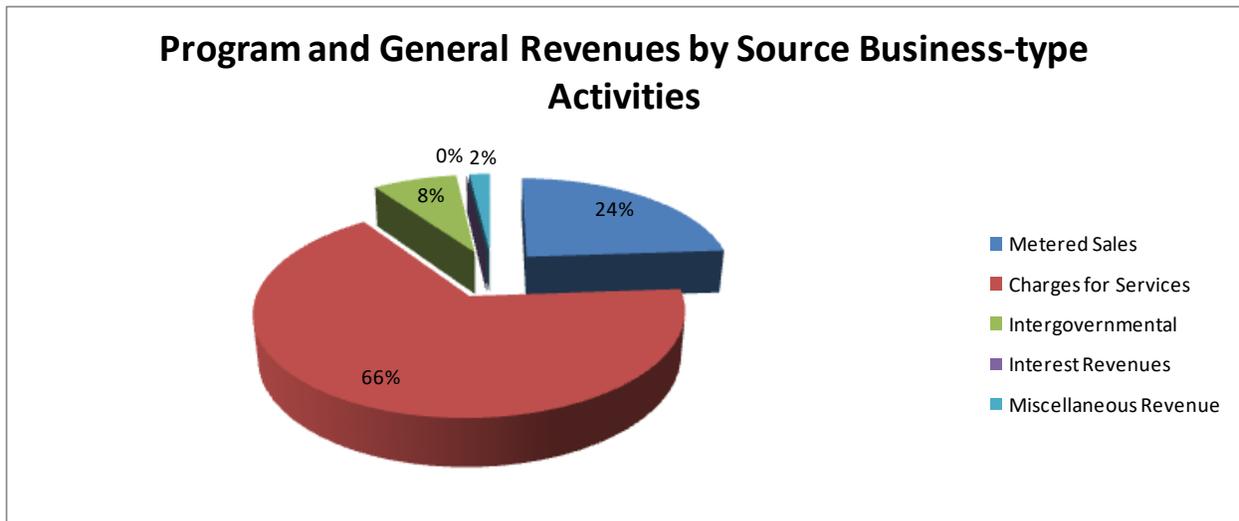


Expenses for Business-type Activities, Year Ended September 30, 2016:



City of Montezuma Management Discussion and Analysis

Program Revenues for Business-type Activities, Year Ended September 30, 2016:



Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the City's net resources available for spending at the fiscal year end.

As of the end of the fiscal year 2016, the City's governmental funds reported combined ending fund balances of approximately \$1.76 million, an increase of approximately \$177 thousand when compared with the prior year.

The General Fund is the chief operating fund of the City of Montezuma. At the end of the fiscal year 2016, unassigned fund balance of the General Fund was \$816 thousand and the total fund balance was approximately \$1.2 million. Unassigned fund balance represents approximately 43% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$101 thousand from the prior fiscal year.

Proprietary funds. The City's *proprietary funds* provide the same type information found in the government-wide financial statements, but in more detail. Unrestricted combined net position of the Water fund, Sewer Fund, Solid Waste Fund, Airport Fund, and Fire and Emergency Fund at the end of fiscal year 2016 amounted to a deficit of approximately \$1.36 million.

City of Montezuma Management Discussion and Analysis

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amounted to a decrease in appropriations of approximately \$58 thousand.

Capital Asset and Debt Administration

Capital assets: The City's investment in capital assets for its governmental and business type activities as of September 30, 2016, amounts to approximately \$11.8 million (net of accumulated depreciation). This investment in capital assets includes: land, public buildings, improvements, water and wastewater plants, machinery and equipment, infrastructure and construction in progress.

Details of the City's capital assets are contained the Notes to the Financial Statements found in note III. 5. Total governmental depreciation expense was \$171 thousand and total enterprise depreciation expense was \$308 thousand.

Long term debt: At the end of the current fiscal year, the City had total debt payable to Georgia Environmental Facilities Authority (GEFA) of approximately \$1.6 million. The City has one loan outstanding from GEFA at September 30, 2016.

Net pension liability, which is measured as the total pension liability, less the amount of the fiduciary net position totaled \$879,132 at September 30, 2016. The recognition of the pension liability was a result of the implementation of the GASB Statements No. 68 and GASB 71 accounting and financial reporting of pensions, an amendment of GASB statement 27. These pronouncements were effective with fiscal year 2015.

Additional information on the City's long-term debt can be found in the Notes to Financial Statements section (see III. 7.).

Economic Factors and Next Year's Budget

Mayor and Council approved a millage rate of 12.0 mills for the 2015 tax digest which was collected mainly in late 2016. The increase in millage helped to mitigate the adverse of the decrease in the City's tax digest over the past several years. The Mayor and council is approved a millage rate of 12.0 mills for fiscal year 2017 and also increased licensing and other use fees for fiscal year 2017.

The City has frozen its defined benefit plan. All eligible employees are now covered by a defined contribution plan.

City of Montezuma Management Discussion and Analysis

During fiscal year 2017, the City entered into a substantial agreement with a commercial company to dispose of certain landfill waste. The contract will be accounted for in the City's sewer fund and is expected to generate approximately \$350,000 in the first year of the agreement. The City is optimistic that the new incentives will continue to improve the City's financial condition and the opportunities for its citizens.

Requests for information:

This financial report is designed to provide a general overview of the City of Montezuma's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be address to Joyce Hardy, City Clerk, 478-472-8144.

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BASIC FINANCIAL STATEMENTS

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CITY OF MONTEZUMA, GEORGIA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Development Authority
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 350,059	\$ 4,916	\$ 354,975	\$ 28,554
Accounts Receivable (net)	313,377	340,819	654,196	-
Interest Receivable	-	-	-	-
Taxes Receivable (net)	13,463	-	13,463	-
Loans Receivable (net)	235,001	-	235,001	-
Internal Balances	1,112,118	(1,112,118)	-	-
Intergovernmental Receivable	225,007	-	225,007	-
Restricted Assets:				
Cash	-	4,406	4,406	-
Unamortized Debt Issue Costs	-	-	-	-
Capital Assets (not subject to depreciation)	358,037	1,048,497	1,406,534	111,770
Capital Assets (net of accumulated depreciation)	3,681,359	6,136,392	9,817,751	237,929
Construction in Progress, non depreciated	-	813,738	813,738	-
Total Assets	6,288,421	7,236,650	13,525,071	378,253
Deferred Outflows of Resources	136,423	67,195	203,618	-
Total Assets and Deferred Outflows of Resources	6,424,844	7,303,845	13,728,689	378,253
<u>LIABILITIES</u>				
Accounts Payable	420,622	123,420	544,042	-
Accrued Interest Payable	305	5,741	6,046	-
Accrued Wages Payable and Payroll Taxes	35,031	23,133	58,164	-
Accrued Compensated Absences	29,744	43,286	73,030	-
Unearned Grant Revenue	37,528	-	37,528	-
Due to Other Governments	-	-	-	-
Customer Deposits	-	89,042	89,042	375
Capital Leases Payable	29,340	-	29,340	-
Notes Payable	-	99,140	99,140	-
Noncurrent Liabilities, due in one year or more:				
Net Pension Liability	535,900	343,232	879,132	-
Accrued Compensated Absences	12,747	-	12,747	-
Capital Leases Payable	30,241	-	30,241	-
Notes Payable	-	1,508,273	1,508,273	-
Total Liabilities	1,131,459	2,235,267	3,366,726	375
Deferred Inflows of Resources	46,146	41,996	88,142	-
Total Liabilities and Deferred Inflows of Resources	1,177,605	2,277,263	3,454,868	375
<u>NET POSITION</u>				
Net Investments in Capital Assets	3,979,815	6,391,214	10,371,029	349,699
Restricted for:				
Capital Projects	132,728	-	132,728	-
Loans	336,744	-	336,744	-
TSPLOST	65,570	-	65,570	-
Library Endowment	4,170	-	4,170	-
Hotel Motel Tax	960	-	960	-
Unrestricted	727,252	(1,364,633)	(637,381)	28,179
Total Net Position	\$ 5,247,239	\$ 5,026,581	\$ 10,273,820	\$ 377,878

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

CITY OF MONTEZUMA, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

FUNCTIONS/PROGRAMS	Expenses	Indirect Expense Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	\$ 624,797	\$ (294,226)	\$ 11,466	\$ 16,971	\$ -
Judicial	55,281	-	97,796	-	-
Public Safety	841,897	-	-	-	39,460
Public Works	452,095	-	71,322	-	211,592
Health and Welfare	12,860	-	-	-	-
Culture and Recreation	146,458	-	4,567	640	-
Housing and Development	2,207	-	2,976	-	-
Economic Development	13,234	-	5,075	-	-
Interest on Long-Term Debt	3,719	-	-	-	-
Total Governmental Activities	<u>2,152,547</u>	<u>(294,226)</u>	<u>193,202</u>	<u>17,611</u>	<u>251,052</u>
Business-type Activities:					
Water	365,572	126,097	467,798	-	-
Sewer	622,232	126,097	527,578	-	-
Solid Waste	536,467	25,219	518,416	-	-
Airport	22,252	-	7,020	-	145,004
Fire & Emergency	347,533	16,813	212,149	5,000	-
Stormwater	-	-	-	-	-
Total Business-type Activities	<u>1,894,056</u>	<u>294,226</u>	<u>1,732,961</u>	<u>5,000</u>	<u>145,004</u>
Total Primary Government	<u>\$ 4,046,603</u>	<u>\$ -</u>	<u>\$ 1,926,163</u>	<u>\$ 22,611</u>	<u>\$ 396,056</u>
Component Unit:					
Development Authority	<u>19,105</u>	<u>-</u>	<u>10,082</u>	<u>-</u>	<u>-</u>
Total Component Unit	<u>19,105</u>	<u>-</u>	<u>10,082</u>	<u>-</u>	<u>-</u>

General Revenues:
Property Taxes
Sales Tax
Franchise Tax
Insurance Premium Tax
Alcoholic Beverage Tax
Hotel/Motel Taxes
Other Taxes
Unrestricted Investment Earnings
Miscellaneous
Transfers
Total General Revenues and Transfers

Changes in Net Position
Net Position - Beginning
Net Position - Ending

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

**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Development Authority
\$ (302,134)	\$ -	\$ (302,134)	
42,515	-	42,515	
(802,437)	-	(802,437)	
(169,181)	-	(169,181)	
(12,860)	-	(12,860)	
(141,251)	-	(141,251)	
769	-	769	
(8,159)	-	(8,159)	
(3,719)	-	(3,719)	
<u>(1,396,456)</u>	<u>-</u>	<u>(1,396,456)</u>	
-	(23,871)	(23,871)	
-	(220,751)	(220,751)	
-	(43,270)	(43,270)	
-	129,772	129,772	
-	(147,197)	(147,197)	
<u>-</u>	<u>-</u>	<u>-</u>	
<u>-</u>	<u>(305,317)</u>	<u>(305,317)</u>	
<u>(1,396,456)</u>	<u>(305,317)</u>	<u>(1,701,773)</u>	
<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,023)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,023)</u>
640,194	-	640,194	-
323,136	-	323,136	-
193,887	-	193,887	-
199,367	-	199,367	-
43,313	-	43,313	-
12,040	-	12,040	-
45,079	-	45,079	-
17	2	19	-
52,247	36,629	88,876	-
<u>189,523</u>	<u>(189,523)</u>	<u>-</u>	<u>-</u>
<u>1,698,803</u>	<u>(152,892)</u>	<u>1,545,911</u>	<u>-</u>
302,347	(458,209)	(155,862)	(9,023)
-	-	-	-
<u>4,944,892</u>	<u>5,484,790</u>	<u>10,429,682</u>	<u>386,901</u>
<u>\$ 5,247,239</u>	<u>\$ 5,026,581</u>	<u>\$ 10,273,820</u>	<u>\$ 377,878</u>

CITY OF MONTEZUMA, GEORGIA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2016

	<u>General Fund</u>	<u>2011-2016 SPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 93,594	\$ 85,584	\$ 170,881	\$ 350,059
Taxes Receivable (net)	13,463	-	-	13,463
Accounts Receivable (net)	69,383	-	782	70,165
Interest Receivable	-	-	-	-
Loans Receivable (net)	-	-	235,001	235,001
Due from Other Funds	1,251,081	-	-	1,251,081
Due from Other Governments	64,837	47,144	5,153	117,134
Advances to Other Funds	398,733	-	-	398,733
Total Assets	<u>\$ 1,891,091</u>	<u>\$ 132,728</u>	<u>\$ 411,817</u>	<u>\$ 2,435,636</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Accounts and Contracts Payable	\$ 92,744	\$ -	\$ 416	\$ 93,160
Accrued Wages and Payroll		-		
Taxes Payable	35,031	-	-	35,031
Unearned Grant Revenue	37,528	-	-	37,528
Due to Other Funds	490,701	-	3,957	494,658
Escrowed Funds	19,415	-	-	19,415
Tax Anticipation Note	-	-	-	-
Total Liabilities	<u>675,419</u>	<u>-</u>	<u>4,373</u>	<u>679,792</u>
Deferred Inflows of Resources - Unavailable Grant Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>675,419</u>	<u>-</u>	<u>4,373</u>	<u>679,792</u>
Fund Balances:				
Nonspendable:				
Advances to Other Funds	398,733	-	-	398,733
Noncurrent Loans Receivable	-	-	235,001	235,001
Restricted for:				
Capital Projects	-	132,728	-	132,728
Loans	-	-	101,743	101,743
TSPLOST	-	-	65,570	65,570
Library Endowment	-	-	4,170	4,170
Hotel Motel	-	-	960	960
Unassigned	816,939	-	-	816,939
Total Fund Balances	<u>1,215,672</u>	<u>132,728</u>	<u>407,444</u>	<u>1,755,844</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,891,091</u>	<u>\$ 132,728</u>	<u>\$ 411,817</u>	<u>\$ 2,435,636</u>

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

CITY OF MONTEZUMA, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2016

Total Fund Balances for Governmental Funds	\$ 1,755,844
Total Net Position for Governmental Activities in the Statement of Net Assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,039,396
Deferred results from Pension Plan	90,277
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Assets.	
Capital Leases	\$ (59,581)
Accrued Interest on Capital Leases	(305)
Compensated Absences	(42,492)
Pension Liability	<u>(535,900)</u>
Total Net Position of Governmental Activities	<u>\$ 5,247,239</u>

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

CITY OF MONTEZUMA, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>General Fund</u>	<u>2011-2016 SPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
Taxes	\$ 1,379,238	\$ -	\$ 77,778	\$ 1,457,016
Licenses and Permits	9,838	-	-	9,838
Intergovernmental	16,971	272,601	-	289,572
Charges for Services	382,255	-	-	382,255
Fines and Forfeitures	91,467	-	-	91,467
Investment Income	17	7	5,075	5,099
Miscellaneous	52,852	-	35	52,887
Total Revenues	<u>\$ 1,932,638</u>	<u>\$ 272,608</u>	<u>\$ 82,888</u>	<u>\$ 2,288,134</u>
<u>EXPENDITURES</u>				
Current:				
General Government	\$ 542,411	\$ -	\$ -	\$ 542,411
Judicial	54,321	-	-	54,321
Public Safety	789,728	-	-	789,728
Public Works	353,591	-	-	353,591
Health and Welfare	12,860	-	-	12,860
Culture and Recreation	119,378	-	-	119,378
Housing and Development	2,207	-	-	2,207
Economic Development	8,280	-	4,954	13,234
Debt Service:				
Principal Reduction	-	28,466	-	28,466
Interest	-	2,703	-	2,703
Capital Outlay:				
General Government	-	-	-	-
Public Safety	-	8,291	-	8,291
Public Works	-	-	-	-
Health and Welfare	-	-	-	-
Total Expenditures	<u>1,882,776</u>	<u>39,460</u>	<u>4,954</u>	<u>1,927,190</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>49,862</u>	<u>233,148</u>	<u>77,934</u>	<u>360,944</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of Capital Assets	-	-	-	-
Proceeds from Capital Lease	-	-	-	-
Transfers In	125,659	-	-	125,659
Transfers Out	<u>(74,751)</u>	<u>(163,355)</u>	<u>(71,084)</u>	<u>(309,190)</u>
Total Other Financing Sources (Uses)	<u>50,908</u>	<u>(163,355)</u>	<u>(71,084)</u>	<u>(183,531)</u>
Net Change in Fund Balances	100,770	69,793	6,850	177,413
Fund Balances - Beginning of Year	<u>1,114,902</u>	<u>62,935</u>	<u>400,594</u>	<u>1,578,431</u>
Fund Balances - End of Year	<u>\$ 1,215,672</u>	<u>\$ 132,728</u>	<u>\$ 407,444</u>	<u>\$ 1,755,844</u>

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

**CITY OF MONTEZUMA, 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 SEPTEMBER 30, 2016**

Net Change in Fund Balance - Total Governmental Funds \$ 177,413

Total Change in Net Position reported for Governmental Activities in the Statement of Activities is 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 is reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation

Depreciation Expense	(171,400)
Capital Outlay	8,291

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

<u>SPLOST Revenue</u>	
Fiscal Year 2016 Deferred Revenues Ending Balance	-
Fiscal Year 2015 Deferred Revenues Ending Balance	(21,549)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources in governmental funds. Neither transaction has any effect on net position.

Principal Payments	28,466
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Pension related deferred items reported in the statement of activities that do not require the use of current financial resources to governmental funds.

Deferred Inflows/Outflows of Resources	162,926
----------------------------------------	---------

Pension liability 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.

Change in Pension Liability	(265,588)
-----------------------------	-----------

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. This adjustment combines the net changes of the following:

Accrued Interest on Capital Leases	145
Compensated Absences	10,589

Capital assets were transferred to proprietary funds; no entry is made at the governmental fund level. The capital asset transfer is treated as a transfer out at the government-wide level. 373,054

Change in Net Position of Governmental Activities \$ 302,347

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

CITY OF MONTEZUMA, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>With</u>
<u>REVENUES</u>				<u>Final Budget</u>
Taxes	\$ 1,423,146	\$ 1,379,500	\$ 1,379,238	\$ (262)
Licenses and Permits	17,975	10,000	9,838	(162)
Intergovernmental	14,500	16,971	16,971	-
Charges for Services	386,821	382,300	382,255	(45)
Fines and Forfeitures	113,300	91,500	91,467	(33)
Investment Income	-	-	17	17
Miscellaneous	25,060	52,852	52,852	-
Total Revenues	<u>1,980,802</u>	<u>1,933,123</u>	<u>1,932,638</u>	<u>(485)</u>
 <u>EXPENDITURES</u>				
Current:				
General Government:				
Mayor and Council	61,115	72,000	71,455	(545)
Board of Elections	6,850	6,000	5,946	(54)
Administration	364,540	401,000	400,628	(372)
Public Buildings	67,875	64,500	64,382	(118)
Total General Government	<u>500,380</u>	<u>543,500</u>	<u>542,411</u>	<u>(1,089)</u>
Judicial:				
Municipal Court	52,664	54,500	54,321	(179)
Total Judicial	<u>52,664</u>	<u>54,500</u>	<u>54,321</u>	<u>(179)</u>
Public Safety:				
Police	795,127	790,000	788,716	(1,284)
Animal Control	1,000	1,050	1,012	(38)
Total Public Safety	<u>796,127</u>	<u>791,050</u>	<u>789,728</u>	<u>(1,322)</u>
Public Works:				
Streets	251,392	224,000	223,712	(288)
Stormwater	58,840	50,000	49,836	(164)
Cemetery	77,622	80,500	80,043	(457)
Total Public Works	<u>387,854</u>	<u>354,500</u>	<u>353,591</u>	<u>(909)</u>
Health and Welfare:				
Mosquito Control	18,673	12,900	12,860	(40)
Total Health and Welfare	<u>18,673</u>	<u>12,900</u>	<u>12,860</u>	<u>(40)</u>

(Continued)

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

**CITY OF MONTEZUMA, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>With Final Budget</u>
<u>EXPENDITURES (Continued):</u>				
Current (Continued):				
Culture and Recreation:				
Parks	54,681	51,000	52,179	1,179
Library	75,073	70,000	67,199	(2,801)
Total Culture and Recreation	<u>129,754</u>	<u>121,000</u>	<u>119,378</u>	<u>(1,622)</u>
Housing and Development:				
Building Inspections	8,325	1,250	1,212	(38)
Planning and Zoning	500	1,000	995	(5)
Code Enforcement	850	-	-	-
Total Housing and Development	<u>9,675</u>	<u>2,250</u>	<u>2,207</u>	<u>(43)</u>
Economic Development:				
Total Other Departments	<u>24,500</u>	<u>10,000</u>	<u>8,280</u>	<u>(1,720)</u>
Total Expenditures	<u>1,919,627</u>	<u>1,889,700</u>	<u>1,882,776</u>	<u>(6,924)</u>
Total Judicial				
(Deficiency) of Revenues (Under)				
Expenditures	<u>61,175</u>	<u>43,423</u>	<u>49,862</u>	<u>6,439</u>
<u>OTHER FINANCING SOURCES</u>				
Sales of Capital Assets	-	-	-	-
Transfers In	56,000	125,660	125,659	(1)
Transfers Out	<u>(74,751)</u>	<u>(75,000)</u>	<u>(74,751)</u>	<u>249</u>
Total Other Financing Sources	<u>(18,751)</u>	<u>50,660</u>	<u>50,908</u>	<u>248</u>
Net Change in Fund Balance	42,424	94,083	100,770	6,687
Fund Balance - Beginning of Year	<u>1,114,902</u>	<u>1,114,902</u>	<u>1,114,902</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,157,326</u>	<u>\$ 1,208,985</u>	<u>\$ 1,215,672</u>	<u>\$ 6,687</u>

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

**CITY OF MONTEZUMA, GEORGIA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2016**

<u>ASSETS</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Airport</u>
Current Assets:				
Cash and Cash Equivalents	\$ 2,496	\$ 1,475	\$ 71	\$ 769
Accounts Receivable (net)	86,405	116,025	92,989	-
Due from Other Funds	667,459	5,887	56,773	-
Intergovernmental Receivable	-	-	-	-
Restricted Assets:				
Cash	4,406	-	-	-
Total Current Assets	<u>760,766</u>	<u>123,387</u>	<u>149,833</u>	<u>769</u>
Long-term Assets:				
Capital Assets not subject to depreciation	1,707	803,008	-	243,782
Property, Plant & Equipment (net)	1,163,194	4,506,944	8,918	231,524
Construction in Progress	-	-	-	813,738
Total Assets	<u>1,925,667</u>	<u>5,433,339</u>	<u>158,751</u>	<u>1,289,813</u>
Deferred Outflow of Resources - Pension	<u>12,217</u>	<u>16,290</u>	<u>18,326</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,937,884</u>	<u>\$ 5,449,629</u>	<u>\$ 177,077</u>	<u>\$ 1,289,813</u>
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts and Contracts Payable	\$ 12,118	\$ 18,494	\$ 50,591	\$ 4,292
Accrued Interest	-	2,679	3,062	-
Accrued Wages and Payroll Taxes	4,415	6,569	5,326	-
Compensated Absences Payable	3,715	11,705	16,179	-
Due to Other Funds	144,243	589,264	345,127	121,322
Customer Deposits - Restricted Assets	89,042	-	-	-
Notes Payable	-	99,140	-	-
Capital Leases Payable	-	-	-	-
Total Current Liabilities	<u>253,533</u>	<u>727,851</u>	<u>420,285</u>	<u>125,614</u>
Long-term Liabilities:				
Advance from Other Funds	-	-	398,733	-
Accrued Pension Contributions	-	-	-	-
Net Pension Liability	72,061	70,334	79,125	-
Notes Payable	-	1,508,273	-	-
Total Liabilities	<u>325,594</u>	<u>2,306,458</u>	<u>898,143</u>	<u>125,614</u>
Deferred Inflows of Resources	<u>9,985</u>	<u>7,048</u>	<u>7,930</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>335,579</u>	<u>2,313,506</u>	<u>906,073</u>	<u>125,614</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	1,164,901	3,702,539	8,918	1,289,044
Restricted for Capital Improvements	-	-	-	-
Unrestricted	437,404	(566,416)	(737,914)	(124,845)
Total Net Position	<u>1,602,305</u>	<u>3,136,123</u>	<u>(728,996)</u>	<u>1,164,199</u>
Total Liabilities and Net Position	<u>\$ 1,937,884</u>	<u>\$ 5,449,629</u>	<u>\$ 177,077</u>	<u>\$ 1,289,813</u>

CITY OF MONTEZUMA, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION (Continued)
SEPTEMBER 30, 2016

<u>ASSETS</u>	<u>Fire & Emergency</u>	<u>Stormwater</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
Current Assets:				
Cash and Cash Equivalents	\$ 105	\$ -	\$ 4,916	\$ -
Accounts Receivable (net)	45,400	-	340,819	243,212
Due from Other Funds	73,386	-	803,505	85,813
Intergovernmental Receivable	-	-	-	107,873
Restricted Assets:				
Cash	-	-	4,406	-
Total Current Assets	<u>118,891</u>	<u>-</u>	<u>1,153,646</u>	<u>436,898</u>
Long-term Assets:				
Capital Assets not subject to depreciation	-	-	1,048,497	-
Property, Plant & Equipment (net)	225,812	-	6,136,392	-
Construction in Progress	-	-	813,738	-
Total Assets	<u>344,703</u>	<u>-</u>	<u>9,152,273</u>	<u>436,898</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 365,065</u>	<u>\$ -</u>	<u>\$ 9,219,468</u>	<u>\$ 436,898</u>
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts and Contracts Payable	\$ 37,925	\$ -	\$ 123,420	\$ 308,047
Accrued Interest	-	-	5,741	-
Accrued Wages and Payroll Taxes	6,823	-	23,133	-
Compensated Absences Payable	11,687	-	43,286	-
Due to Other Funds	316,935	-	1,516,891	128,851
Customer Deposits - Restricted Assets	-	-	89,042	-
Notes Payable	-	-	99,140	-
Capital Leases Payable	-	-	-	-
Total Current Liabilities	<u>373,370</u>	<u>-</u>	<u>1,900,653</u>	<u>436,898</u>
Long-term Liabilities:				
Advance from Other Funds	-	-	398,733	-
Accrued Pension Contributions	-	-	-	-
Net Pension Liability	121,712	-	343,232	-
Notes Payable	-	-	1,508,273	-
Total Liabilities	<u>495,082</u>	<u>-</u>	<u>4,150,891</u>	<u>436,898</u>
Deferred Inflows of Resources	<u>17,033</u>	<u>-</u>	<u>41,996</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>512,115</u>	<u>-</u>	<u>4,192,887</u>	<u>436,898</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	225,812	-	6,391,214	-
Restricted for Capital Improvements	-	-	-	-
Unrestricted	<u>(372,862)</u>	<u>-</u>	<u>(1,364,633)</u>	<u>-</u>
Total Net Position	<u>(147,050)</u>	<u>-</u>	<u>5,026,581</u>	<u>-</u>
Total Liabilities and Net Position	<u>\$ 365,065</u>	<u>\$ -</u>	<u>\$ 9,219,468</u>	<u>\$ 436,898</u>

CITY OF MONTEZUMA, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEPTEMBER 30, 2016

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Airport</u>
<u>OPERATING REVENUES</u>				
Metered Sales	\$ 458,588	\$ -	\$ -	\$ -
Charges for Services	9,210	527,578	518,416	7,020
Total Operating Revenues	<u>467,798</u>	<u>527,578</u>	<u>518,416</u>	<u>7,020</u>
<u>OPERATING EXPENSES</u>				
Personal Services	233,409	318,573	223,172	-
Purchased / Contracted Services	115,799	81,769	295,134	9,299
Supplies	38,336	43,197	16,486	620
Heat, Light and Power	38,414	95,901	-	1,221
Depreciation	63,615	171,516	26,488	11,112
Total Operating Expenses	<u>489,573</u>	<u>710,956</u>	<u>561,280</u>	<u>22,252</u>
Operating Income (Loss)	<u>(21,775)</u>	<u>(183,378)</u>	<u>(42,864)</u>	<u>(15,232)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Intergovernmental	-	-	-	145,004
Interest Revenues	-	2	-	-
Miscellaneous Revenue	17,947	14,200	75	-
Interest Expense	(67)	(35,344)	-	-
Other Costs	(2,029)	(2,029)	(406)	-
Total Nonoperating Revenues	<u>15,851</u>	<u>(23,171)</u>	<u>(331)</u>	<u>145,004</u>
Income before Contributions and and Transfers	(5,924)	(206,549)	(43,195)	129,772
Capital Contributions	-	-	-	-
Transfers In	32,267	139,131	-	13,313
Transfers Out	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Position	(3,657)	(67,418)	(43,195)	143,085
Net Position - Beginning	<u>1,605,962</u>	<u>3,203,541</u>	<u>(685,801)</u>	<u>1,021,114</u>
Net Position - Ending	<u>\$ 1,602,305</u>	<u>\$ 3,136,123</u>	<u>\$ (728,996)</u>	<u>\$ 1,164,199</u>

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

CITY OF MONTEZUMA, GEORGIA
PROPRIETARY FUNDS (Continued)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
September 30, 2016

	<u>Fire & Emergency</u>	<u>Stormwater</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
<u>OPERATING REVENUES</u>				
Metered Sales	\$ -	\$ -	\$ 458,588	\$ -
Charges for Services	212,149	-	1,274,373	663,496
Total Operating Revenues	<u>212,149</u>	<u>-</u>	<u>1,732,961</u>	<u>663,496</u>
<u>OPERATING EXPENSES</u>				
Personal Services	268,406	-	1,043,560	644,667
Purchased / Contracted Services	36,724	-	538,725	18,826
Supplies	16,033	-	114,672	3
Heat, Light and Power	6,909	-	142,445	-
Depreciation	35,630	-	308,361	-
Total Operating Expenses	<u>363,702</u>	<u>-</u>	<u>2,147,763</u>	<u>663,496</u>
Operating Income (Loss)	<u>(151,553)</u>	<u>-</u>	<u>(414,802)</u>	<u>-</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Intergovernmental	5,000	-	150,004	-
Interest Revenues	-	-	2	-
Miscellaneous Revenue	4,407	-	36,629	-
Interest Expense	(505)	-	(35,916)	-
Other Costs	(139)	-	(4,603)	-
Total Nonoperating Revenues	<u>8,763</u>	<u>-</u>	<u>146,116</u>	<u>-</u>
Income before Contributions and and Transfers	(142,790)	-	(268,686)	-
Capital Contributions	-	(373,054)	(373,054)	-
Transfers In	96,708	-	281,419	-
Transfers Out	<u>-</u>	<u>(67,888)</u>	<u>(97,888)</u>	<u>-</u>
Changes in Net Position	(46,082)	(440,942)	(458,209)	-
Net Position - Beginning	<u>(100,968)</u>	<u>440,942</u>	<u>5,484,790</u>	<u>-</u>
Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - Ending	<u>\$ (147,050)</u>	<u>\$ -</u>	<u>\$ 5,026,581</u>	<u>\$ -</u>

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

CITY OF MONTEZUMA, GEORGIA
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
September 30, 2016

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Airport Fund</u>
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 466,057	\$ 523,752	\$ 516,451	\$ 7,020
Cash Received from Interfund and Outside Services Provided	-	-	-	-
Cash Payments for Interfund Services Used	(126,097)	(126,097)	(25,219)	-
Cash Payments to Suppliers	(193,443)	(226,818)	(290,553)	(11,268)
Cash Payments to Employees	(97,387)	(178,408)	(182,162)	-
Net Cash Provided by (Required for) Operating Activities	<u>49,130</u>	<u>(7,571)</u>	<u>18,517</u>	<u>(4,248)</u>
Cash Flows from Noncapital Financing Activities:				
Interfund Balances	(41,218)	(14,470)	(20,654)	(3,733)
Transfer from (to) Other Funds	(30,000)	-	-	-
Net Cash provided by (Required for) Noncapital and Related Financing Activities	<u>(71,218)</u>	<u>(14,470)</u>	<u>(20,654)</u>	<u>(3,733)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(20,016)	(18,942)	-	(274,772)
Principal and Interest Paid on Notes	-	(106,372)	-	-
Proceeds from Sale of Fixed Assets	-	-	-	-
Principal and Interest Paid on Capital Leases	(11,914)	(18,526)	-	-
Transfers from SPLOST	32,267	139,131	-	13,313
Capital Grants	-	-	-	145,004
Net Cash Flows (Required for) Capital and Related Financing Activities	<u>337</u>	<u>(4,709)</u>	<u>-</u>	<u>(116,455)</u>
Cash Flows from Investing Activities:				
Other Income	17,947	14,200	75	-
Interest on Investments	-	2	-	-
Net Cash Provided by Investing Activities	<u>17,947</u>	<u>14,202</u>	<u>75</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(3,804)</u>	<u>(12,548)</u>	<u>(2,062)</u>	<u>(124,436)</u>
Cash and Equivalents at Beginning of Year	<u>10,706</u>	<u>14,023</u>	<u>2,133</u>	<u>125,205</u>
Cash and Equivalents at End of Year	<u>\$ 6,902</u>	<u>\$ 1,475</u>	<u>\$ 71</u>	<u>\$ 769</u>
Reconciliation of Operating (Loss) to Net Cash Provided from Operating Activities:				
Operating Income (Loss)	\$ (21,775)	\$ (183,378)	\$ (42,864)	\$ (15,232)
Adjustments to Reconcile Operating (Loss) to Net Cash (Required for) Operating Activities:				
Depreciation and Amortization	63,615	171,516	26,488	11,112
(Increase) Decrease in Accounts Receivable	(18,362)	(19,332)	(23,491)	-
(Increase) Decrease in Prepaid Expenses	-	-	-	-
(Increase) Decrease in Intergovernmental Receivable	-	-	-	-
(Increase) in Due from Other Funds	-	-	-	-
Decrease in Due from Other Governments	-	-	-	-
Increase (Decrease) in Accounts Payable	(894)	(5,951)	21,067	(128)
Increase (Decrease) in Interest Payable	(337)	-	-	-
Increase (Decrease) in Wages Payable	120	995	1,085	-
Increase (Decrease) in Annual Leave	751	(3,133)	556	-
Increase (Decrease) in Due to Other Funds	-	-	-	-
Increase (Decrease) in Net Pension Liability	23,784	31,712	35,676	-
Increase in Customer Deposits	2,228	-	-	-
Net Cash Provided by (Required for) Operating Activities	<u>\$ 49,130</u>	<u>\$ (7,571)</u>	<u>\$ 18,517</u>	<u>\$ (4,248)</u>
Noncash Capital and Financing Activities:				
Transfers of Capital Assets to General Government	\$ -	\$ -	\$ -	\$ -

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

CITY OF MONTEZUMA, GEORGIA
PROPRIETARY FUND
STATEMENT OF CASH FLOWS (Continued)
September 30, 2016

	<u>Fire & Emergency</u>	<u>Stormwater</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 180,150	\$ -	\$ 1,693,430	\$ 256,564
Cash Received from Interfund and Outside Services Provided	-	-	-	391,984
Cash Payments for Interfund Services Used	-	-	(277,413)	-
Cash Payments to Suppliers	(44,829)	(2,914)	(769,825)	(663,496)
Cash Payments to Employees	(269,911)	(813)	(728,681)	-
Net Cash Provided by (Required for) Operating Activities	<u>(134,590)</u>	<u>(3,727)</u>	<u>(82,489)</u>	<u>(14,948)</u>
Cash Flows from Noncapital Financing Activities:				
Interfund Balances	47,081	71,615	(80,075)	-
Transfer from (to) Other Funds	74,751	(67,888)	44,751	-
Net Cash provided by (Required for) Noncapital and Related Financing Activities	<u>121,832</u>	<u>3,727</u>	<u>(35,324)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(9,606)	-	(323,336)	-
Principal and Interest Paid on Notes	-	-	(106,372)	-
Principal and Interest Paid on Capital Leases	(12,483)	-	(42,923)	-
Transfers from SPLOST	21,957	-	206,668	-
Capital Grants	5,000	-	150,004	-
Net Cash Flows (Required for) Capital and Related Financing Activities	<u>4,868</u>	<u>-</u>	<u>(115,959)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Other Income	4,407	-	32,222	-
Interest on Investments	-	-	2	-
Net Cash Provided by Investing Activities	<u>4,407</u>	<u>-</u>	<u>32,224</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(3,483)</u>	<u>-</u>	<u>(146,333)</u>	<u>(14,948)</u>
Cash and Equivalents at Beginning of Year	<u>3,588</u>	<u>-</u>	<u>155,655</u>	<u>11,764</u>
Cash and Equivalents at End of Year	<u>\$ 105</u>	<u>\$ -</u>	<u>\$ 9,322</u>	<u>\$ (3,184)</u>
Reconciliation of Operating (Loss) to Net Cash Provided from Operating Activities:				
Operating Income (Loss)	\$ (151,553)	\$ -	\$ (414,802)	\$ -
Adjustments to Reconcile Operating (Loss) to Net Cash (Required for) Operating Activities:				
Depreciation and Amortization	35,630	-	308,361	-
(Increase) Decrease in Accounts Receivable	(59,426)	-	(120,611)	(199,305)
(Increase) Decrease in Intergovernmental Receivable	-	-	-	-
(Increase) in Due from Other Funds	-	-	-	(34,715)
Decrease in Due from Other Governments	-	-	-	-
Increase (Decrease) in Accounts Payable	(1,505)	(2,914)	9,675	230,616
Increase (Decrease) in Interest Payable	-	(813)	(1,150)	-
Increase (Decrease) in Wages Payable	2,624	-	4,824	-
Increase (Decrease) in Annual Leave	-	-	(1,826)	-
Increase (Decrease) in Due to Other Funds	-	-	-	(11,544)
Increase (Decrease) in Net Pension Liability	39,640	-	130,812	-
Increase in Customer Deposits	-	-	2,228	-
Net Cash Provided by (Required for) Operating Activities	<u>\$ (134,590)</u>	<u>\$ (3,727)</u>	<u>\$ (82,489)</u>	<u>\$ (14,948)</u>
Purchase of Equipment with Capital Leases			<u>\$ -</u>	<u>\$ -</u>
Noncash Capital and Financing Activities:				
Transfers of Capital Assets from General Government	\$ -	\$ (373,054)	\$ (373,054)	\$ -

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

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Montezuma, Georgia ("City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The most significant of the City's accounting policies are described below.

A. The Reporting Entity

The City of Montezuma is a political subdivision of the State of Georgia. It is governed by an elected mayor and six member governing council ("council") under an elected Mayor-Council form of government. As required by generally accepted accounting principles, these financial statements present all the fund types of the City and its component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations; therefore, data from these units are combined with data of the primary government. The discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the primary government.

Discretely Presented Component Unit

The Montezuma Downtown Development Authority (the Authority) was created to revitalize and redevelop the urban, central city, and downtown areas of the City of Montezuma. The Authority's board members are appointed by the Mayor and City Council of the City of Montezuma. Separate financial statements for the Montezuma Downtown Development Authority are not prepared.

B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position, a Statement of Activities and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all the nonfiduciary activities of the primary government and its component unit. The primary government and the discretely presented component unit are presented separately within the financial statements with the focus on the primary government. Eliminations have been made to minimize the double counting of internal activities. Individual funds are not displayed. These Statements distinguish between the governmental and business-type activities of the City. The Statements distinguish between governmental activities, generally supported by taxes, inter-governmental revenues, and other non-exchange transactions and business-type activities, which are generally financed in whole or in part by fees charged to external parties. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. In the government-wide Statement of Net Position, both the governmental and business-type activities' columns are presented on a consolidated basis, by column. They are reflected on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

as long-term debt and obligations. The City's net position is reported in three parts – net investment in capital assets, restricted net position, and unrestricted net position.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services, which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and, (3) capital grants and contributions, which fund the acquisition, construction or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. To identify which functional program a revenue pertains to, the determining factor for *charges for services* is that function which *generates* the revenue; and for *grants and contributions*, the determining factor is that function to which the revenue is restricted. Taxes and other revenue sources, not properly included with program revenues, are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City. The City allocates indirect expenses based on time studies. The allocation is adjusted annually based on the amount of time and resources utilized by the enterprise funds; the indirect expenses are allocated from the general fund to the enterprise funds receiving services.

Fund Financial Statements

The City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two categories of funds: governmental and proprietary. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following two funds are the City's major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The *2011-2016 SPLOST Fund* is used to account for the cost of acquiring capital equipment and payment of capital related debt with proceeds from a special one percent sales tax.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal services. The City has seven proprietary funds. All of the proprietary funds are shown as major funds:

The *Water Enterprise Fund* supplies water to residents of the City of Montezuma.

The *Sewer Enterprise Fund* operates a sanitary sewer system throughout the City and a sewage treatment plant. Another treatment plant is operated by the fund as a holding and/or pretreatment area.

The *Solid Waste Enterprise Fund* operates a garbage collection service for the citizens of the City of Montezuma. At the beginning of fiscal year 2015, the City sold the majority of the capital assets of the Solid Waste Fund to a private enterprise which assumed the daily operation of solid waste services with the exception of yard debris. Billing is still performed by the City.

The *Airport Enterprise Fund* is involved in the expansion of the City of Montezuma's municipal airport and the City collects lease payments for hangars.

The *Fire and Emergency Fund* is used to account for fire services provided to citizens of the City of Montezuma.

The *Stormwater Fund* which was created as of October 1, 2012, was closed as of October 1, 2015. All Stormwater Fund assets, liabilities and residual fund equity as of that date were transferred back into the General Fund. All activities related to Stormwater operations were reported in the general fund for the fiscal year ended September 30, 2016.

The *Internal Service Fund* is used to provide health benefits to the employees of the City of Montezuma. The City of Oglethorpe, Georgia was a participant until April, 2015.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from transactions not associated with the principal activity of the fund.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both "measurable" and "available." "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days of the end of the current fiscal period, with the exception of grants, which are recognized when all eligibility requirements have been met.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Expenditures generally are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds. Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all susceptible to accrual and have been recognized as revenue in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City uses the following governmental fund types:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specific purposes.

Capital Project Funds – Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. 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 business. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and the depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The generally accepted accounting principles applicable to proprietary funds are similar to those used by businesses in the private sector.

Internal Service Funds

Internal Service Funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. Over time, the internal service funds function basically on a break-even basis. The City's internal service fund provides a majority of its service to the City's Proprietary Funds and is, therefore, treated as a proprietary fund in the government-wide financial statements.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase “available for exchange transactions” means expected to be received within 60 days of year-end.

Revenues – Non-exchange Transactions

Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants, and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenues from property taxes are recognized in the fiscal year the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, and federal and state grants.

Deferred Outflows and Inflows/Unearned Revenue

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position may 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The amount for pensions as required by GASB Statements No. 68 and 71, relates to certain differences between projected and actual actuarial results, certain difference between projected and actual investment earnings as well as contributions between measurement and reporting dates, which are accounted for as deferred outflows of resources.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

In addition to liabilities, the statement of net position reports 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The item, unavailable revenue, is reported only in the governmental funds balance sheet, represents amounts which are deferred and recognized as an inflow of resources in the period that the amounts become available. The amounts for pensions as required by GASB Statements No. 68 and 71, relate to certain differences between projected and actuarial results and certain differences between projected and actual investment earnings, which are accounted for as deferred inflows of resources.

Unearned Revenue

Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) are recorded as unearned revenue.

D. Assets, Liabilities, and Equity

1. *Cash and Investments*

Cash includes amounts in demand deposit accounts as well as short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value on quoted market prices. Georgia law authorizes the City to invest in the following types of obligations:

- Obligations of the State of Georgia or any other state(s)
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or Government Agency
- Obligations of any corporation of the United States Government
- Prime bankers' acceptances
- The State of Georgia local government investment pool (i.e. Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

2. *Receivables*

Levied property taxes are recorded as receivables and recognized as revenue in the year they become due. The levy is made on assessed valuations as of January 1, and the taxes were due by December 20, 2015. The tax bills were mailed on October 20, 2015. The billings are considered past due as of December 21, 2015, at which time the applicable property is subject to lien, and penalties and interest are assessed. The tax levy was set at 12.0 mills on September 30, 2015.

All trade and property tax receivables are shown net of an allowance for uncollectibles. All balances reported as "due to/due from other funds" represent amounts paid by one fund on behalf of another fund for which reimbursement has not been made by year-end.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

3. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due from other funds/due to other funds.” The noncurrent portion of interfund loans is classified as “advances to other funds/advances from other funds.” These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for any net residual amounts due between aggregate governmental and aggregate business-type activities, which are reclassified and presented as internal balances.

4. Inventory and Prepaid Items

The costs of other governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Payments made to vendors for services that will benefit periods beyond September 30, 2016 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which the corresponding services are consumed.

5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are recorded at their estimated fair value at the date of the donation.

The recorded public domain (“infrastructure”) capital assets consist of those assets that were acquired since the fiscal year 2004 only. The cost of infrastructure assets that were acquired or received and substantial improvements made prior to fiscal year 2004 were not required to be, and have not been capitalized. Depreciation of all exhaustible capital assets is charged as an expense against operations.

Capital assets are reported in the financial statements net of accumulated depreciation. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Useful Lives</u>
Vehicles and equipment	3-20 Years
Land improvements	15-30 Years
Infrastructure	15-30 Years
Plant and buildings	25-50 Years

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

6. *Claims and Judgments*

Liabilities for claims and judgments against the City, including estimated liabilities for claims incurred but not reported at year-end, have been accrued in the appropriate funds.

7. *Compensated Absences*

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Vacation leave is based on the number of years of service and on a bi-weekly pay period as follows:

	<u>Hours Per Pay Period</u>
Employees with less than five years	3
Employees with five years or more but less than eighteen years	5
Employees with eighteen years or more	7

The maximum amount of vacation leave that may be carried forward from one leave year to another is 240 hours except that Fire Department personnel working more than a regular 40 hour week may carry forward a maximum of 336 hours. Excess vacation leave not taken by the first pay period of the new leave year will be forfeited.

8. *Fund Equity*

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

Fund balance - Generally, fund balance represents the difference between the current assets and current liabilities of a fund. In the fund financial statements, fund balances are classified, where applicable, as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained.

Restricted – Amounts that can be spent only for specific purposes because of the City charter, the City code, state or federal laws or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by ordinance or resolution was passed by Mayor and Council.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

8. *Fund Equity (continued)*

Assigned – Amounts that are designated for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval by Mayor and Council.

Unassigned – All amounts not included in the other components as fund balance.

The City's policy with respect to the use of restricted and unrestricted net position is to first apply available restricted resources toward expenses. In governmental funds, the policy is to first apply available restricted fund balances toward expenditures and then use committed and assigned fund balances before using unassigned fund balances.

The City's policy with respect to fund balance classification is to comply with GASB 54, *Fund Balance Reporting*. The City's highest level decision-making body is Mayor and Council. Formal action required to establish, modify or rescind a committed fund balance is the budget approval process.

Net position - Net position represents the difference between total assets and total liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The remaining net position amount is reported as unrestricted.

9. *Management Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amount of revenues and expenditures/expenses during the reporting year. Actual results could differ from those estimates.

E. New Accounting Pronouncements

Pronouncements effective for the 2016 Financial Statements:

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement generally requires investments to be measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuations techniques will be required to be used that are appropriate with defined approaches. Disclosures are required to be made about fair value measurement, the level of fair value hierarchy, and valuation techniques. This pronouncement did not impact the City.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. New Accounting Pronouncements (continued)

In June 2015, the GASB issued Statement No.73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees not within the scope of Statement 68. Requirements are also established for the assets accumulated for the purposes of providing pensions through defined pension plans that are not administered through trusts benefit that meet the criteria within the scope of Statement 67. This Statement is effective for the City in fiscal year 2016. This pronouncement did not impact the City.

Pronouncements issued, but not yet effective, which will may be adopted by the City include the following in future years:

In June 2015, the GASB issued Statement No 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes financial reporting standards for Other Post-Employment Plans (OPEB) that is administered through trusts or equivalent arrangements which involve contributions from employers and nonemployer contributing entities to the OPEB plan. This Statement is effective for financial statements with fiscal years beginning after June 15, 2016. The City is in the process of evaluating the impact of this pronouncement, if any on future financial statements.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

An operating budget is legally adopted each fiscal year for all governmental funds except capital project funds. Capital project funds use project-length budgets. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each legally adopted annual budget is the department level. Budgets are adopted on a basis consistent with GAAP. All final budget amounts presented in the accompanying financial statements and supplementary data have been adjusted for authorized revisions of the annual budget during the year. The Mayor and City Council must approve any department level changes to a previously adopted budget. Management may amend the budget without obtaining the approval of the Mayor and City Council at any level below the departmental level. All unexpended appropriations provided in the annual budget lapse at year-end. The annual budget cycle begins in March of the preceding fiscal year when budget workbooks are distributed to each department. The Mayor and City Council advertise the budgets and conduct public hearings on the proposed budget in adherence to local ordinance and state law and a final budget is usually adopted September 30th.

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS

1. Cash and Cash Equivalents and Investments

The bank balances of deposits as of September 30, 2016, are entirely insured or collateralized with securities held by the City's agent in the City's name.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of bank failure, the government's deposits may not be recovered and returned to the government. The City limits its exposure to custodial credit risk by requiring deposits to be collateralized in accordance with state law.

Credit Risk – Investments

Credit risk is the risk that an issuer to an investment will not fulfill its obligation. As of September 30, 2016, the City had no investments.

Interest Rate Risk – Investments

In accordance with the City's investment policy, the City manages its exposure to the risk of declines in fair values by limiting the maturity of its investments to a maximum of one year. As of September 30, 2016, the City had no investments.

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CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

2. Receivables

Receivables at September 30, 2016, consist of the following:

	General Fund	Other Governmental Funds	Water Fund	Sewer Fund	Solid Waste Fund	Fire & Emergency	Internal Service Fund
Accounts Receivable	\$ 73,383	\$ 782	\$ 168,617	\$ 188,857	\$ 142,155	\$ 126,996	\$ 243,212
Taxes Receivable	224,146	-	-	-	-	-	-
Gross	297,529	782	168,617	188,857	142,155	126,996	243,212
Receivables Less Allowance For Uncollectibles	(214,683)	-	(82,212)	(72,832)	(49,166)	(81,596)	-
Net Total Receivables	\$ 82,846	\$ 782	\$ 86,405	\$ 116,025	\$ 92,989	\$ 45,400	\$ 243,212

Loans receivable in the Revolving Loan Fund and Flood Revolving Loan Fund consist of various loans to businesses within the City of Montezuma. Original funding was provided by the U.S. Department of Housing and Urban Development through the State of Georgia's Department of Community Affairs.

3. Interfund Receivables and Payables

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

Receivable Fund	Payable Fund	Amount	Expected to be repaid in Subsequent Year
General Fund	Airport Fund	\$ 108,322	No
General Fund	Fire & Emergency Fund	310,129	No
General Fund	Nonmajor Governmental Funds	3,956	Yes
General Fund	Self Insurance Fund	88,851	Yes
General Fund	Sewer Fund	424,640	No
General Fund	Solid Waste Fund	315,183	No
Fire and Emergency Fund	General Fund	285	Yes
Fire and Emergency Fund	Sewer Fund	360	Yes
Fire and Emergency Fund	Water Fund	72,741	Yes
Insurance Fund	Fire and Emergency Fund	6,203	Yes
Insurance Fund	Sewer Fund	38,273	Yes
Insurance Fund	Solid Waste Fund	29,156	Yes
Insurance Fund	Water Fund	12,181	Yes
Solid Waste Fund	Fire and Emergency Fund	196	Yes
Solid Waste Fund	General Fund	520	Yes
Solid Waste Fund	Sewer Fund	1,740	Yes
Solid Waste Fund	Water Fund	54,317	Yes
Sewer Fund	Fire and Emergency Fund	38	Yes
Sewer Fund	General Fund	491	Yes
Sewer Fund	Solid Waste Fund	355	Yes
Sewer Fund	Water Fund	5,003	Yes
Water Fund	Airport Fund	13,000	Yes
Water Fund	Fire and Emergency Fund	369	Yes
Water Fund	General Fund	489,405	No
Water Fund	Insurance Fund	40,000	Yes
Water Fund	Sewer Fund	124,252	Yes
Water Fund	Solid Waste Fund	433	Yes
Total		<u>\$2,140,399</u>	

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

3. Interfund Receivables and Payables (Continued)

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include the balance of a working capital loan made to a proprietary fund from the general fund. The interfund balances for the Internal Service Fund represent reimbursable amounts for health insurance claims paid by the Internal Service Fund on behalf of the Water Fund, Sewer Fund, and the Solid Waste Fund.

The General Fund has made an advance to the Solid Waste Fund for working capital. The balance of the advance at September 30, 2016 is \$398,733. None of this balance is expected to be collected in the subsequent year.

4. Interfund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Hotel/Motel Tax Fund	\$ 7,771
General Fund	TSPLOST Fund	50,000
General Fund	Stormwater Fund	67,888
Water Fund	2011-2016 SPLOST Fund	32,267
Sewer Fund	2011-2016 SPLOST Fund	109,131
Sewer Fund	Water Fund	30,000
Fire and Emergency Fund	2011-2016 SPLOST Fund	21,957
Fire and Emergency Fund	General Fund	74,751
Airport Fund	TSPLOST Fund	<u>13,313</u>
Total		<u><u>\$407,078</u></u>

Transfers were used to move excess financial resources from the Hotel/Motel Tax Fund to the General Fund.

The 2011-2016 SPLOST fund paid certain General Fund, Water Fund, Sewer Fund, and Fire and Emergency Fund capital outlay expenditures. These payments were made directly from the 2011-2016 SPLOST Fund.

The TSPLOST Fund paid certain General Fund and Airport Fund capital outlay expenditures.

Budgeted transfers were made from the TSPLOST Fund to the General Fund and from the Water Fund to the Sewer Fund. These transfers were made to support the operations of the receiving funds.

Upon its closure, the assets and liabilities and residual equity were transferred from the Stormwater Fund back to the General Fund.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

5. Capital Assets

Capital asset activity for the year ended September 30, 2016 was as follows:

<u>Governmental Activities</u>	Balance September 30 2015	Additions	Sales, Transfers, or Dispositions	Balance September 30 2016	Accumulated Depreciation September 30 2016	Book Value September 30 2016
Nondepreciable:						
Land	\$ 358,037	\$ -	\$ -	\$ 358,037	\$ -	\$ 358,037
Depreciable:						
Buildings	2,397,462	-	-	2,397,462	1,012,323	1,385,139
Improvements	417,144	483,518		900,662	286,962	613,699
Machinery & Equipment	807,604	137,115		944,719	806,881	137,837
Infrastructure	2,061,368			2,061,368	516,685	1,544,683
Totals	\$ 6,041,615	\$ 620,632	\$ -	\$ 6,662,247	\$ 2,622,852	\$ 4,039,396

<u>Governmental Activities</u>	Balance September 30 2015	Additions	Deletions	Balance September 30 2016
<u>Accumulated Depreciation</u>				
Buildings	\$ 962,869	\$ 49,454		\$ 1,012,323
Improvements	144,383	142,579		286,962
Machinery & Equipment	644,247	162,634		806,881
Infrastructure	467,489	49,196		516,685
Totals	\$ 2,218,989	\$ 403,864	\$ -	\$ 2,622,852

<u>Business-Type Activities</u>	Balance September 30 2015	Additions	Sales or Dispositions	Balance September 30 2016	Accumulated Depreciation September 30 2016	Book Value September 30 2016
Nondepreciable:						
Land	\$ 1,048,497			\$ 1,048,497	\$ -	\$ 1,048,497
Construction in Progress	538,966	274,772		813,738	-	813,738
Depreciable:						
Buildings	133,284			133,284	100,608	32,676
Improvements	12,308,785	11,117	476,694	11,843,208	6,170,241	5,672,967
Machinery & Equipment	2,298,922	37,447	128,824	2,207,545	1,776,796	430,748
Totals	\$ 16,328,455	\$ 323,336	\$ 605,518	\$ 16,046,273	\$ 8,047,645	\$ 7,998,627

<u>Business-Type Activities</u>	Balance September 30 2015	Additions	Deletions	Balance September 30 2016
<u>Accumulated Depreciation</u>				
Buildings	\$ 96,118	\$ 4,490		\$ 100,608
Improvements	6,072,872	204,625	107,256	6,170,241
Machinery & Equipment	1,802,757	99,246	125,207	1,776,796
Totals	\$ 7,971,747	\$ 308,361	\$ 232,463	\$ 8,047,645

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

5. Capital Assets (Continued)

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

<u>Governmental Activities:</u>	
General Government	\$ 43,182
Public Safety	28,900
Public Works	79,742
Culture and Recreation	19,576
Total Depreciation Expense - Governmental Activities	<u>\$ 171,400</u>
<u>Business-Type Activities:</u>	
Water	\$ 63,615
Sewer	171,516
Solid Waste	26,488
Airport	11,112
Fire and Emergency Services	35,629
Total Depreciation Expense - Business-Type Activities	<u>\$ 308,361</u>

Additions to Governmental activities improvements and machinery and equipment include \$605,518 related to transfer of capital assets from Stormwater Fund, as well as include \$232,464 in accumulated depreciation related to the transfer of capital assets from the Stormwater fund.

A summary of capital asset activity for the Downtown Development Authority Component Unit for the year ended September 30, 2016 is as follows:

	Balance September 30 2015	Additions	Sales or Dispositions	Balance September 30 2016	Accumulated Depreciation September 30 2016	Book Value September 30 2016
<u>Governmental Activities</u>						
Nondepreciable:						
Land	\$ 111,770	\$ -		\$ 111,770	\$ -	\$ 111,770
Depreciable:						
Buildings	324,391	-	-	324,391	86,462	237,929
Totals	<u>\$ 436,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 436,161</u>	<u>\$ 86,462</u>	<u>\$ 349,699</u>
	Balance September 30 2015	Additions	Deletions	Balance September 30 2016		
<u>Governmental Activities</u> <u>Accumulated Depreciation</u>						
Buildings	\$ 75,649	\$ 10,813	\$ -	\$ 86,462		
Totals	<u>\$ 75,649</u>	<u>\$ 10,813</u>	<u>\$ -</u>	<u>\$ 86,462</u>		

Total depreciation expense for the Downtown Development Authority Component Unit for the year ended September 30, 2016 was \$10,813 and is reflected in the expenses in the Statement of Activities.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

6. Short-term Debt

Under the terms of a tax anticipation note, the City borrowed \$250,000 on January 2, 2015. The interest rate was 1.23%. The proceeds from the loan were used to pay operating expenses until related tax revenues were received. The note matured and as repaid on December 31, 2015.

During the year ended September 30, 2016, the following changes occurred in the liability reported in general fund short-term debt:

	Balance September 30 2015	Increase	Decrease	Balance September 30 2016
Tax Anticipation Note	\$ 250,000	\$ -	\$(250,000)	\$ -

7. Long-term Debt

The Sewer Fund borrowed funds under a December 1, 1995 note payable. The original amount of The Sewer Fund borrowed funds under an April 1, 2008 note payable; from the Georgia Environmental Facilities Authority (GEFA). The note required monthly payments of \$11,744 including interest at 2.0%. The original maturity date was due April 1, 2028. The proceeds of the note were used to consolidate sewer facilities in the City. In November 2014, the City refinanced the loan with GEFA. The modified terms are as follows:

- Moratorium on loan payments from December 2014 through November 2015.
- All interest accrued during moratorium were added back to principal.
- New loan balance will be amortized over a fifteen (15) year period, maturing on December 1, 2029.
- New monthly payment amount of \$10,865, including interest at a rate of 2.00%

The balance of the note payable as of September 30, 2016 is \$1,607,413.

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CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

7. Long-term Debt (Continued)

The annual debt service requirements to maturity for the note payable including interest are as follows:

Year Ended	Principal	Interest	Total
2017	\$ 99,140	\$ 31,243	\$ 130,383
2018	101,141	29,242	130,383
2019	103,183	27,200	130,383
2020	105,265	25,118	130,383
2021	107,390	22,993	130,383
2022-2026	570,354	81,561	651,915
2027-2031	520,940	22,445	543,385
Total	<u>\$ 1,607,413</u>	<u>\$ 239,802</u>	<u>\$ 1,847,215</u>

During fiscal year 2011 the City entered into a capital lease payable to the Georgia Municipal Association ("GMA") for a John Deere backhoe. The original cost of this equipment was \$55,455. This lease was associated with business-type activities. The capital lease matured and was paid off on December 10, 2015.

During fiscal year 2011 the City entered into a capital lease payable to the Georgia Municipal Association for a sewer mounted camera. The original cost of this equipment was \$63,475. This lease was associated with business-type activities. The capital lease matured and was paid off on February 1, 2016.

During fiscal year 2013, the City entered into a capital lease payable to the Georgia Municipal Association for a Fire Command Vehicle. The original cost of this equipment was \$34,862. The lease is associated with business-type activities. This capital lease matured and was paid off on April 25, 2016.

During fiscal year 2014, the City entered into a capital lease payable to the Georgia Municipal Association for four police cars. The original cost of this equipment was \$118,665; the City paid \$3,000 upon acquisition. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016 are as follows:

Year Ended	Principal	Interest	Total Minimum Lease Payments
2017	\$ 29,340	\$ 1,829	\$ 31,169
2018	30,241	928	31,169
Total	<u>\$ 59,581</u>	<u>\$ 2,757</u>	<u>\$ 62,338</u>

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

7. Long-term Debt (Continued)

During the year ended September 30, 2016, the following changes occurred in the liability reported in long-term debt:

	Balance			Balance September 30 2016	Amounts Due in One Year
	September 30 2015	Increase	Decrease		
<u>Governmental Activities</u>					
Compensated absences	\$ 53,081	\$ 36,546	\$ 47,136	\$ 42,491	\$ 29,744
Capital Leases	88,047	-	28,466	59,581	29,340
Total	\$ 141,128	\$ 36,546	\$ 75,602	\$ 102,072	\$ 59,084
<u>Business-type activities</u>					
Compensated absences	\$ 43,672	\$ 26,214	\$ 26,600	\$ 43,286	\$ 43,286
Notes payable	1,685,680	5,572	83,838	1,607,414	83,838
Capital leases	37,456	-	37,456	-	-
Total	\$ 1,766,808	\$ 31,786	\$ 147,894	\$ 1,650,700	\$ 127,124

The General Fund typically has been used to liquidate compensated absences of governmental activities and will be used to liquidate the governmental funds' net pension liability. The Water Fund, Sewer Fund and Sanitation Fund are used to liquidate compensated absences and the net pension liabilities of business-type activities.

Totals for leased capital assets and related depreciation as of September 30, 2016 are as follows:

Total Leased Capital Assets	\$ 118,665
Total Current Year Depreciation	\$ 19,778
Total Accumulated Depreciation	\$ 44,499

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

8. Employees' Retirement Plans

Effective for the fiscal year beginning October 1, 2014, the City implemented GASB Statement 68 "Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 27. GASB 68 revised existing standards for employer financial statements relating to measuring and reporting pension liabilities for pension plans provided by the City.

Plan Description and Provisions:

The City's defined benefit pension plan, the City of Montezuma Retirement Plan (the Plan), provides retirement, disability and death benefits to Plan members and beneficiaries. The Plan is a non-contributory defined benefit plan, which is administered by the Georgia Municipal Employees Benefit System (GMEBS), a state-wide agent multiple-employer type plan. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Georgia Municipal Employees Benefit System, 201 Pryor Street SW, Atlanta, Georgia 30303-3606, or by calling 1-678-686-6218.

Eligibility requirements are one year of City employment for employees; for officials, there is no waiting period. The Plan allows for early retirement at age 55 if the employee has ten years of service. An employee's normal retirement age is 65 given an employee has five years of service. For City officials ten years of service is required. Monthly retirement benefits paid to an employee are equal to two percent of the monthly average earnings for the highest consecutive three-year wage period times the number of years of service. Monthly retirement benefits paid to an official are equal to \$33 times the number of years of service. Employees' and officials' benefits vest at 100 percent in one step after five years of service. These benefit provisions were established by a City ordinance dated November 1, 1972.

Effective November 1, 1972, the Georgia Constitution enabled the governing authority of the City, the Mayor and the Members of the City Council, to establish and to amend, from time to time, the contribution rates of the employer.

Plan Membership

At January 1, 2016, the date of the most recent actuarial valuation, there were participants respectively, consisting of the following

Retirees and beneficiaries currently receiving benefits	48
Terminated members entitled to but not yet receiving benefits	44
Current active employees vested	<u>-</u>
Total	<u><u>92</u></u>

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

8. Employees' Retirement Plans

Funding Policy

Employees are not required to contribute to the Plan. The City is required to make all contributions in accordance with the minimum funding standards of the Public Retirement Systems Standards Law. Section 47-20 of the Georgia Code sets forth the funding standards for state and local government pension plans. Administrative expenses are based on total covered payroll of plan members and are added to the annual funding requirement.

For fiscal year 2016 and based on an actuarial valuation performed as of January 1, 2016, the City's actuarial determined contribution amount was \$54,348. The City's actual contribution, was \$60,000 for 2016, an excess of \$5,652.

Changes to Plan

Significant Issues in Valuation

Based on the results of an actuarial experience study covering the period January 1, 2010 through June 30, 2014, the following assumptions were changed in the January 1, 2016 valuation:

- Disabled mortality
- Turnover
- Retirement rates
- Inflation
- Cost-of-living adjustment
- Salary increases

Effective November 1, 2014, the Plan was frozen as follows:

Participants' normal requirement benefits accrued as of December 31, 2011, shall be vested to the extent funded. Eligible Regular Employees and elected or appointed members of the Governing Authority will not be eligible to participate in this Plan with respect to Service on or after October 31, 2014. Employees and elected or appointed members of the Governing Authority who are initially employed or who initially take office on or after November 1, 2014 will not be eligible to participate in this Plan for any purpose.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

8. Employees' Retirement Plans

Service, unused sick leave, and earnings on and after November 1, 2014 will not count for any purpose under the Plan.

Terminations of Plan for Current Non-vested Employees and Elected Officials. Vested Employees and Elected Officials will continue to participate in the Plans.

Net Pension Liability

Net Pension Liability - The net pension liability (NPL) is the difference between the "Total Pension Liability" (TPL) and the Plan's "fiduciary net position" (FNP). The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service and automatic cost of living adjustments (COLA). In addition, ad hoc COLA are also included in the TPL to the extent they are substantively automatic. The FNP is determined on the same basis used by the pension plans. The City's NPL as measured on September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of January 1, 2016.

The components of the net pension liability of the Plan as of September 30, 2016 were as follows:

Total Pension Liability	\$ 4,813,539
Plan Fiduciary Net Position	<u>(3,934,407)</u>
Plan Net Pension Liability	<u>\$ 879,132</u>
Plan Fiduciary Net Position as a Percentage Of the Total Pension Liability	81.74%

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CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

8. Employees' Retirement Plans (Continued)

Schedule of Changes in Net Pension Liability

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (c)
Balances at September 30, 2015	\$4,612,875	\$4,130,145	\$482,730
Changes for the Year:			
Service cost	-	-	-
Interest	345,450	-	345,450
Differences between expected and actual experience	166,190	-	166,190
Contributions - employer	-	71,000	(71,000)
Contributions - employee	-	-	-
Net investment income	-	55,819	(55,819)
Benefit Payments, including refund of			
Employee contributions	(310,976)	(310,976)	-
Administrative expense	-	(11,581)	11,581
Other	-	-	-
Balances at September 30, 2016	\$4,813,539	\$3,934,407	\$879,132

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CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

8. Employees' Retirement Plans (Continued)

The City's net pension liability as the reporting entity was allocated as follows:

	Net Pension Liability	Allocation
Government activities	\$535,900	61%
Business-type activities	343,232	39%
Discretely presented component Unit:		
Downtown Development Authority	-	-
Reporting entity total	\$879,132	100%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal (Used to calculate GASB 68 amounts)
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with 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 the value that exceeds or is less than the market value at end of year. Actuarial value is adjusted, if necessary, to be within 20% of market value.

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CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

8. Employees' Retirement Plans (Continued)

Net Investment Rate of Return 7.75%

Projected Salary Increases 3.25% plus service based merit increase

Cost of Living Adjustments 3.25%

Mortality Rates:

Healthy RP-2000 Combined Healthy Mortality Table with sex-distinct rates set forward two years for males and one year for females

Disabled: RP-2000 Disabled Retiree Mortality table with sex-distinct rate

Plan termination basis (all lives): 1994 Group Annuity Reserving Unisex Table

Retirement Rates:

Employees 65 with 5 years of service

Retirement Age for Inactive
Vested Participants: 65

Changes in Methods and
Assumptions:

Based on the results of actuarial experience study covering the period January 11 2010 to June 30, 2014 the following assumptions were changes in the valuation:

- The mortality table for disabled participants was changed to remove the to-year set-forward for males and the one-year forward for females.
- The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.

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CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

8. Employees' Retirement Plans (Continued)

- The retirement rates where normal retirement is only available on or after 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rate were changes from the prior assumption o 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, and 100% age 70. If retirement is not available at a given age or a participant does not meet the plan's service criteria to retire at a given age nor retirement is assumed at that age

- The inflation and cost-of-living adjustment assumptions were decreased from 3.50% to 3.25%

- The salary increase assumption was changed from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases ranged from 4.00% to 11.00% and included in inflation assumption of 3.50%. Under the new assumption, the salary increase range from 3.75% to 8.00%and include an inflation assumption of 3.25%.

Discount Rate:

On-going basis: 7.75% On-going basis, based on long-term expected rate of return on pension plan investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting he expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current Plan participants were projected through 2016. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table.

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CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

8. Employees' Retirement Plans (Continued)

<u>Asset Class</u>	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Nominal Real Rate of Return
Domestic equity	50%	5.95%	9.20%
International equity	15%	6.45%	9.70%
Fixed income	25%	1.55%	4.80%
Real Estate	10%	3.75%	7.00%
Cash	0%		
Total	<u>100%</u>		

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's Net Pension Liability	\$1,437,548	\$879,132	\$416,107

Pension Expense and Deferred Outflows of Resources and Deferred Inflows

The City recognized pension expense of \$163,415 for the year ended September 30, 2016.

At September 30, 2016, the City reported deferred outflows and deferred inflows of resources as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual Experience Changes of assumptions	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	<u>203,618</u>	<u>(88,142)</u>
	<u>\$ 203,618</u>	<u>\$ (88,142)</u>

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CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

8. Employees' Retirement Plans (Continued)

Amounts reported as deferred inflows of resources related to pensions at September 30, 2015 will be recognized as pension expense in subsequent years as follows:

Fiscal year Ended September 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 50,904	\$ 29,368
2018	50,904	29,368
2019	50,904	29,406
2020	50,904	-
	<u>\$ 203,616</u>	<u>\$ 88,142</u>

Defined Contribution Plan

The City adopted a 401(a) defined contribution plan that became effective January 1, 2011. The plan is administered by the Georgia Municipal Administration. The plan governing authority is Mayor and Council; plan provisions and amendments are authorized by this governing authority. All employees who work at least 30 hours per week may participate in the defined contribution plan with the exceptions of (1) of the City legal officer, (2) elected or appointed officials and (3) employees participating in the City defined benefit plan as of October 1, 2010. The plan does have a 12 month period of service requirement starting with the date of hire. Each year a one-time annual plan year-end contribution of 10% of base salary is to be made by the City for the calendar year; all contributions to the plan will come from the City. The contributions are 100% vested after an employee has been employed for 5 years. Payments made during the year totaled \$79,284.

9. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; and, natural disasters for which the City carries commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There have been no significant decreases in insurance coverage from the prior year. The City is self-funded for health insurance as disclosed in the following note.

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CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

10. Health Insurance Program

In fiscal year 2001, the City established an internal service fund, the Risk Management Fund (the Fund) to account for and finance the activities of its health insurance program. The Fund's participants include the City and another local government. The Fund provides coverage for up to a maximum of \$25,000 for each health insurance claim. The Fund purchases commercial reinsurance for all participating entities to cover claims in excess of the maximum coverage provided by the Fund. The combined cost of this arrangement is anticipated by its participants to be less than the amount the participating entities would have paid for comparable commercial insurance coverage. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The City has entered into an agreement with a third party administrator for the processing of the Fund's claims. The participants have agreed to pay those claims related to their employees plus their ratable share of reinsurance premiums and the Fund's administrative expenses. Payments by the City in excess of the City's expenses, if any, may be retained in the Fund as a reserve for future expenses. Since the Fund's inception, the Fund has not accumulated significant financial resources. The City is committed to maintaining the solvency of the Fund. The Fund is included in the financial statements as an Internal Service Fund. The Fund does not issue separate financial statements.

Changes in the balance of claims liability during the past two years are as follows:

	2016	2015
Unpaid claims, beginning of fiscal year	\$ 74,245	\$ 46,422
Claims incurred	498,421	280,035
Claim payments	(267,803)	(252,212)
Unpaid claims, end of the fiscal year	\$ 304,863	\$ 74,245

11. Post-employment Benefits

Health Benefits

On February 13, 2001 the City Council passed a resolution to provide health benefits to individuals, who have retired from the City, were active in the City's health plan at retirement and had not yet reached the age of 65. These benefits terminate when the retired individual reaches the age of 65. Because of the limited scope of eligibility requirements, relatively few individuals have been covered by this benefit since its inception. These benefits are funded on a pay-as-you-go basis. Participants are required to pay the same health insurance premiums as active employees. At September 30, 2016 four individuals were covered by the plan. The amount of expenditure/expense for these postretirement benefits for the year ended September 30, 2016 was approximately \$5,506.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

11. Post-employment Benefits (Continued)

Life Insurance Benefits

On February 13, 2001 the City Council passed a resolution to provide life insurance benefits to individuals who have retired directly from the City. These benefits are a term life insurance of \$20,000 for elected officials, City department heads and supervisors. All other employees receive \$10,000 in term life insurance coverage. During the fiscal year 2016, nine individuals participated in these retirement benefits. These benefits are funded on a pay-as-you-go basis. Participants are not required to pay the insurance premiums which are paid completely by the City. The amount of expenditure/expense for these postretirement benefits for the year ended September 30, 2016 was approximately \$854.

If other postemployment benefits are material, then the City is required to accrue liabilities in relation to those benefits. The postemployment benefits are not considered material to the financial statement presentation.

12. Contingent Liabilities

The City has received Federal and State grants for specific purposes that are subject to financial and compliance audits by the grantor agencies. Such audits could lead to disallowance of expenditures by the granting agencies. The amount, if any, of expenditures, which may be disallowed, cannot be determined at this time although the City expects such amounts, if any, to be immaterial. According to the City Attorney, there are no material claims or litigations against the City.

13. Hotel/Motel Tax

The City has levied a 5 percent Hotel/Motel Lodging tax. Of this percentage, 2 percent is given to the Chamber of Commerce to be used for the promotion of tourism. The remaining 3 percent is used by the City to promote other activities to promote tourism. The activity for the year ended September 30, 2016 is summarized below:

Hotel Motel Tax Revenue in 2016	\$ (12,040)
Required Expenditure in 2016	(4,816)
Actual Allowable Expenditures in 2016	4,954

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

14. Deficit Net Positions

The Solid Waste Fund had a deficit in net position of \$728,996 as of September 30, 2016. During fiscal year 2015 an outside party who also assumed a majority of the responsibility for operations. It is expected that the deficit in net position will be eliminated in future years through substantial reduction of operating expenses under the agreement with the outside party.

The Fire and Emergency Fund had a deficit in net position of \$147,050 as of September 30, 2016. The deficit resulted from the implementation of GASB Statements No. 68, and 71. These new pronouncements required employers to report the net pension liability on its financial statements. The City expects to eliminate the deficit net position through increased fire fees in the future.

15. Excess of Expenditures and other financing uses over Appropriations

The Hotel/Motel Tax Fund exceeded its Fiscal year 2016 budget by \$685. The City will strengthen its budget monitoring procedures to prevent this deficiency in future year.

16. Joint Venture – River Valley Regional Commission

The City of Montezuma, in conjunction with other municipalities and counties in the middle Georgia area, participates in the River Valley Regional Commission (Commission). Membership in the Commission is required by Code of Georgia Section 50-8-34, which provides for the organizational structure of the RDC in Georgia. The Commission Board membership includes the chief elected official of each County and municipality of the area. Georgia law also provides that the member governments are liable for any debts or obligations of the Commission beyond its resources. The City does not anticipate receiving an additional financial benefit, nor incur an additional financial burden in the foreseeable future due to the City's participation in the joint venture. Separate financial statements for the River Valley Regional Commission can be obtained from the Commission's office in Americus, Georgia. During the year ended September 30, 2016 the City contributed \$3,274 to the Commission.

17. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through July 21, 2017, the date the financial statements were available to be issued.

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CITY OF MONTEZUMA, GEORGIA
RETIREMENT PLAN
September 30, 2016
Schedule of Changes in Net Pension Liability and Related Ratios

	<u>2016</u>	<u>2015</u>
Total Pension Liability		
Service Cost (BOY)	\$ -	\$ 52,471
Interest	345,450	411,444
Changes of benefit terms	-	(864,084)
Difference between expected and actual experience	166,190	7,436
Changes of assumptions	-	(141,860)
Benefit payments, including refunds of member contributions	<u>(310,976)</u>	<u>(322,976)</u>
Net Change in Total Pension Liability	200,664	(857,569)
Total Pension Liability Beginning	<u>4,612,875</u>	<u>5,470,443</u>
Total Pension Liability Ending (a)	<u>\$ 4,813,539</u>	<u>\$ 4,612,874</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 71,000	\$ 160,593
Contributions - Employees	-	-
Net investment income	55,819	439,524
Benefit payments, including refunds of member contributions	(310,976)	(322,976)
Administrative expenses	(11,581)	(9,459)
Other	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	(195,738)	267,682
Plan Fiduciary Net Position Beginning	<u>4,130,145</u>	<u>3,862,462</u>
Plan Fiduciary Net Position Ending (b)	<u>\$ 3,934,407</u>	<u>\$ 4,130,144</u>
Net Pension Liability Ending (a)-(b)	<u>\$ 879,132</u>	<u>\$ 482,730</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.74%	89.54%
Covered Employee Payroll	-	-
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A

Note:

This Schedule is intended to show information for 10 years. Additional years will be displayed as it becomes available.

CITY OF MONTEZUMA, GEORGIA
RETIREMENT PLAN
September 30, 2016
Schedule of Contributions

Contributions :

FYE September 30	Actuarially Required Contribution (a)	Actual Contributions (b)	Contribution (Excess) / Deficiency (a) - (b) = (c)	Covered Payroll (d)	(c) / (d)
2016	\$ 54,348	\$ 60,000	\$ (5,652)	-	N/A
2015	\$ 220,586	\$ 71,000	\$ 149,586	-	N/A

Notes to Schedule

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions
Valuation date: Actuarially determined contribution rates are calculated as of January 1, 2016

Actuarial Cost Method	Entry Age Normal (Used to calculate GASB 68 amounts)
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with 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 than the market value at end of The actuarial value is adjusted, if necessary, to be within 20% of market value year.
Actuarial Assumptions:	
Net Investment Rate of Return	7.75%
Projected Salary Increases	3.25% plus service based merit increase
Cost of Living Adjustments	3.25%
Mortality Rates:	
Healthy	RP-2000 Combined Healthy Mortality Table with sex-distinct rates set forward two years for males and one year for females
Disabled:	RP-2000 Disabled Retiree Mortality able with sex-distinct rate
Plan termination basis (all lives):	1994 Group Annuity Reserving Unisex Table
Retirement Rates:	
Employees	65 with 5 years of service
Retirement Age for Inactive Vested Participants:	65

CITY OF MONTEZUMA, GEORGIA
RETIREMENT PLAN
September 30, 2016
Schedule of Contributions

Actuarial Assumptions (Continued)

Changes in Methods and Assumptions: Based on the results of actuarial experience study covering the period January 11 2010 to June 30, 2014 the following assumptions were changes in the valuation:

The mortality table for disabled participants was changes to remove the two-year set-forward for males and the one-year forward for families

The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.

The retirement rates where normal retirement is only available on or after 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rate were changes from the prior assumption o 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, and 100% age 70. If retirement is not available at a given age or a participant does not meet the plan's service criteria to retire at a given age nor retirement is assumed at that age

The inflation and cost-of-living adjustment assumptions were decreased from 3.50% to 3.25%

The salary increase assumption was changes from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases ranged from 4.00% to 11.00% and included in inflation assumption of 3.50%. Under the new assumption, the salary increase range from 3.75% to 8.00%and include an inflation assumption of 3.25%.

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CITY OF MONTEZUMA, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2016

	Special Revenue					Total Nonmajor Governmental
	Hotel/Motel Tax	Revolving Loan Fund	Flood Revolving Loan Fund	TSPLOST Fund	Library Endowment Trust Fund	Total
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 1,481	\$ 92,167	\$ 11,798	\$ 61,265	\$ 4,170	\$ 170,881
Accounts Receivable	782	-	-	-	-	782
Interest Receivable	-	-	-	-	-	-
Due from Other Governments	-	-	-	5,153	-	5,153
Loans Receivable	-	235,001	-	-	-	235,001
Construction in Progress	-	-	-	-	-	-
Total Assets	<u>\$ 2,263</u>	<u>\$ 327,168</u>	<u>\$ 11,798</u>	<u>\$ 66,418</u>	<u>\$ 4,170</u>	<u>\$ 411,817</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Accounts Payable	\$ 416	\$ -	\$ -	\$ -	\$ -	\$ 416
Due to Other Funds	887	2,000	222	848	-	3,957
Total Liabilities	<u>1,303</u>	<u>2,000</u>	<u>222</u>	<u>848</u>	<u>-</u>	<u>4,373</u>
Fund Balances:						
Nonspendable:						
Noncurrent Loans Receivable	-	235,001	-	-	-	235,001
Restricted for:						
Loans	-	90,167	11,576	-	-	101,743
TSPLOST	-	-	-	65,570	-	65,570
Library Endowment	-	-	-	-	4,170	4,170
Hotel Motel	960	-	-	-	-	960
Total Fund Balances	<u>960</u>	<u>325,168</u>	<u>11,576</u>	<u>65,570</u>	<u>4,170</u>	<u>407,444</u>
Total Liabilities and Fund Balances	<u>\$ 2,263</u>	<u>\$ 327,168</u>	<u>\$ 11,798</u>	<u>\$ 66,418</u>	<u>\$ 4,170</u>	<u>\$ 411,817</u>

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CITY OF MONTEZUMA, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue					Total Nonmajor Governmental
	Hotel/Motel Tax	Revolving Loan Fund	Flood Revolving Loan Fund	TSPLOST Fund	Library Endowment Trust Fund	Total
REVENUES						
Taxes	\$ 12,040	\$ -	\$ -	\$ 65,738	\$ -	\$ 77,778
Investment Income	-	3,905	1,170	-	-	5,075
Miscellaneous Income	-	-	-	35	-	35
Total Revenues	<u>12,040</u>	<u>3,905</u>	<u>1,170</u>	<u>65,773</u>	<u>-</u>	<u>82,888</u>
EXPENDITURES						
Current:						
Public Works	-	-	-	-	-	-
Economic Development	4,954	-	-	-	-	4,954
Capital Outlay	-	-	-	-	-	-
Total Expenditures	<u>4,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,954</u>
Excess of Revenues Over Expenditures	7,086	3,905	1,170	65,773	-	77,934
OTHER FINANCING SOURCES (USES)						
Transfers Out	(7,771)	-	-	(63,313)	-	(71,084)
Total Other Financing Sources (Uses)	<u>(7,771)</u>	<u>-</u>	<u>-</u>	<u>(63,313)</u>	<u>-</u>	<u>(71,084)</u>
Excess of Revenues Over Expenditures or Other Uses	(685)	3,905	1,170	2,460	-	6,850
Fund Balances - Beginning	<u>1,645</u>	<u>321,263</u>	<u>10,406</u>	<u>63,110</u>	<u>4,170</u>	<u>400,594</u>
Fund Balances - Ending	<u>\$ 960</u>	<u>\$ 325,168</u>	<u>\$ 11,576</u>	<u>\$ 65,570</u>	<u>\$ 4,170</u>	<u>\$ 407,444</u>

CITY OF MONTEZUMA, GEORGIA
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Hotel/Motel Tax</u>			<u>Revolving Loan</u>		
	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Budget</u>	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Budget</u>
<u>REVENUES</u>						
Taxes	\$ 12,000	\$ 12,040	\$ 40	\$ -	\$ -	\$ -
Investment Income	-	-	-	3,905	3,905	-
Miscellaneous	-	-	-	-	-	-
Total Revenues	<u>12,000</u>	<u>12,040</u>	<u>40</u>	<u>3,905</u>	<u>3,905</u>	<u>-</u>
<u>EXPENDITURES</u>						
Current:						
Public Works	-	-	-	-	-	-
Economic Development	5,000	4,954	(46)	-	-	-
Capital Outlay	-	-	-	-	-	-
Total Expenditures	<u>5,000</u>	<u>4,954</u>	<u>(46)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	7,000	7,086	86	3,905	3,905	-
<u>OTHER FINANCING SOURCES</u>						
Transfers Out	(7,000)	(7,771)	771	-	-	-
Total Other Financing Sources	<u>(7,000)</u>	<u>(7,771)</u>	<u>771</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	(685)	(685)	3,905	3,905	-
Fund Balances - Beginning	<u>1,645</u>	<u>1,645</u>	<u>-</u>	<u>321,263</u>	<u>321,263</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,645</u>	<u>\$ 960</u>	<u>\$ (685)</u>	<u>\$ 325,168</u>	<u>\$ 325,168</u>	<u>\$ -</u>

CITY OF MONTEZUMA, GEORGIA
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Flood Revolving Loan			TSPLOST Fund		
	Original and Final Budgeted Amounts	Actual Amounts	Variance With Budget	Original and Final Budgeted Amounts	Actual Amounts	Variance With Budget
<u>REVENUES</u>						
Taxes	\$ -	\$ -	\$ -	\$ 65,000	\$ 65,738	\$ 738
Investment Income	1,170	1,170	-	-	-	-
Miscellaneous	-	-	-	-	35	35
Total Revenues	<u>1,170</u>	<u>1,170</u>	<u>-</u>	<u>65,000</u>	<u>65,773</u>	<u>773</u>
<u>EXPENDITURES</u>						
Current:						
Public Works	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	1,170	1,170	-	65,000	65,773	773
<u>OTHER FINANCING SOURCES</u>						
Transfers Out	-	-	-	(63,500)	(63,313)	187
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63,500)</u>	<u>(63,313)</u>	<u>187</u>
Net Change in Fund Balances	1,170	1,170	-	1,500	2,460	960
Fund Balances - Beginning	<u>10,406</u>	<u>10,406</u>	<u>-</u>	<u>63,110</u>	<u>63,110</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 11,576</u>	<u>\$ 11,576</u>	<u>\$ -</u>	<u>\$ 64,610</u>	<u>\$ 65,570</u>	<u>\$ 960</u>

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**RISK MANAGEMENT FUND TO ACCOUNT FOR THE
ACTIVITY OF THE CITY'S HEALTH INSURANCE
PROGRAM**

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**CITY OF MONTEZUMA, GEORGIA
INTERNAL SERVICE FUND
STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

ASSETS

Cash	\$	-
Accounts Receivable		243,212
Due from Other Funds		85,813
Due from Other Governments		<u>107,873</u>
Total Assets	\$	<u>436,898</u>

LIABILITIES AND FUND BALANCE

Liabilities:		
Accounts and Contracts Payable	\$	308,047
Due to Other Funds		<u>128,851</u>
Total Liabilities		<u>436,898</u>
Net Position:		
Unrestricted		<u>-</u>
Total Net Position		<u>-</u>
Total Liabilities and Net Position	\$	<u>436,898</u>

**CITY OF MONTEZUMA, GEORGIA
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

OPERATING REVENUES

Charges for Services	\$ 663,496
Total Operating Revenues	663,496

OPERATING EXPENSES

Insurance Claims	540,976
Insurance Premiums	103,691
Administration	18,829
Total Operating Expenses	663,496

Net Operating (Loss)	-
----------------------	---

NONOPERATING REVENUE

Interest Revenue	-
Total Nonoperating Revenue	-

Change in Net Position	-
------------------------	---

Net Position - Beginning of Year	-
----------------------------------	---

Net Position - End of Year	\$ -
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**CITY OF MONTEZUMA, GEORGIA
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2016**

Cash Flows from Operating Activities:

Cash Received from Governments for Services Provided	\$ 256,564
Cash Received from Other Funds for Services Provided	391,984
Cash Payments to Suppliers	<u>(663,496)</u>
Net Cash Provided by Operating Activities	<u>(14,948)</u>

Cash Flows Used in Noncapital Activities:

Interfund Loan	<u>-</u>
Net Cash Used by Noncapital Activities	<u>-</u>

Net Increase in Cash and Cash Equivalents (14,948)

Cash and Equivalents at Beginning of Year 11,764

Cash and Equivalents at End of Year \$ (3,184)

Reconciliation of Operating (Loss) to Net

Cash Provided from Operating Activities:

Operating (Loss)	\$ -
Decrease in Accounts Receivable	(199,305)
Increase Due from other Funds	(34,715)
Decrease Due to other Funds	(11,544)
Decrease in Due from Other Governments	-
Increase in Accounts Payable	<u>230,616</u>
Net Cash Provided by Operating Activities	<u>\$ (14,948)</u>

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SUPPLEMENTARY DATA SECTION

**CITY OF MONTEZUMA, GEORGIA
SEWER ENTERPRISE FUND - GEFA LOANS
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
SEPTEMBER 30, 2016**

GEFA Loan #3	Fiscal Year	Principal	Interest	Total Annual Requirements
	2017	\$ 99,140	\$ 31,243	\$ 130,383
	2018	101,141	29,242	130,383
	2019	103,183	27,200	130,383
	2020	105,265	25,118	130,383
	2021	107,390	22,993	130,383
	2022	109,558	20,825	130,383
	2023	111,769	18,614	130,383
	2024	114,025	16,358	130,383
	2025	116,327	14,056	130,383
	2026	118,675	11,708	130,383
	2027	121,070	9,313	130,383
	2028	123,514	6,869	130,383
	2029	126,007	4,376	130,383
	2030	128,550	1,833	130,383
	2031	21,799	54	21,853
		<u>\$ 1,607,413</u>	<u>\$ 239,802</u>	<u>\$ 1,847,215</u>

Note: This schedule now reflects the new terms under the loan modification entered into by the City in November 2014.

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GOVERNMENT AUDIT SECTION



Gregory D. Biggs
Certified Public Accountant

The Equitable Building
100 Peachtree Street, Suite 1900
Atlanta, Georgia 30303

To the Honorable Mayor and Members of the City Council
City of Montezuma, Georgia
Montezuma, Georgia 30163

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

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 the City of Montezuma, Georgia, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Montezuma, Georgia basic financial statements, and have issued our report thereon dated July 21, 2017.

Compliance and Other Matters

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Montezuma, Georgia's internal control over financial reporting (internal control) to determine the auditing 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 the City of Montezuma's internal control.

Accordingly, we do not express an opinion on the effectiveness of City of Montezuma, Georgia's internal control over financial reporting.

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 control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's



Gregory D. Biggs
Certified Public Accountant

To the Honorable Mayor and Members of the City Council
University Community Development Corporation

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financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls.

A significant deficiency is a deficiency, or 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 over financial reporting 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 significant deficiencies or material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted certain other matters that we reported to management of City of Montezuma, Georgia in a separate letter dated July 21, 2017.

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 the audit performed in accordance with Governmental Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gregory D. Biggs

July 21, 2017

**CITY OF MONTEZUMA, GEORGIA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

None reported.

**CITY OF MONTEZUMA, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

None reported.

STATE AUDIT SECTION

**CITY OF MONTEZUMA, GEORGIA
SCHEDULE OF PROJECTS UNDERTAKEN
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

		Expenditures			Estimated Percentage of Completion					
		Estimated Cost	Prior Years	Current Year		Total				
<u>From 2010 Referendum:</u>										
Water	**	\$	101,787	\$	-	\$	101,787			
Sewer	**		746,468		-		746,468			
Sanitation	**		34,793		-		34,793			
General Government	**		48,204		-		48,204			
Public Buildings	**		13,606		-		13,606			
Police	**		136,796		-		136,796			
Fire	**		12,351		-		12,351			
		\$	1,094,005	\$	1,094,005	\$	-	\$	1,094,005	100%
Water	**	\$	12,251	\$	32,267	\$	44,518			
Sewer	**		331,630		109,131		440,761			
Sanitation	**		-		-		-			
General Government	**		31,169		-		31,169			
Police	**		3,538		39,460		42,998			
Public Works	**		26,781		-		26,781			
Fire	**		12,351		21,957		34,308			
		\$	1,094,005	\$	417,720	\$	202,815	\$	620,535	57%
Prior General Obligation Debt		\$	212,000		211,755		-		211,755	100%
Totals		\$	2,400,010	\$	1,723,480	\$	202,815	\$	1,926,295	

Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance

Principal Reduction	\$	28,466
Interest		2,703
Public Safety		8,291
Public Works		-
Transfers Out		163,355
Total Expenditures per SPLOST Schedule	\$	202,815

** Referendum does not break out dollar amount of categories

Note - Prior year SPLOST schedule reflected aggregate numbers; this schedule presents a detail for each project allowed in the intergovernmental agreement.

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**CITY OF MONTEZUMA, GEORGIA
WATER IMPROVEMENT COMMUNITY DEVELOPMENT BLOCK GRANT
15p-x-096-2-5746**

**PROJECT COST SCHEDULE
FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

<u>Program Activity</u>	<u>Activity Number</u>	<u>Budget</u>	<u>Cumulative Expenditures</u>
Contingencies	C-022-00	\$ 37,833	\$ -
Water Facilities	P-03J-01	391,667	-
Engineering - Water/Sewer Improvements	T-03J-01	40,500	-
Administration	A-21A-00	<u>30,000</u>	<u>-</u>
		<u>\$ 500,000</u>	<u>\$ -</u>

Accounted for in Water Fund.

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