

**CITY OF MONTEZUMA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017**

This page intentionally left blank.

**CITY OF MONTEZUMA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities.....	17-18
Fund Financial Statements:	
Balance Sheet – Government Funds	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement	20
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund	23-24
Statement of Net Position – Proprietary Funds	25-26
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.....	27-28
Statement of Cash Flows – Proprietary Funds	29-30
Notes to Financial Statements.....	31
Required Supplementary Information:	
Supplemental Schedule of Changes in Net Pension Liability.....	57
Supplemental Schedule of Employer Contributions.....	58
Notes to the Supplemental Schedule.....	58-59

**CITY OF MONTEZUMA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet.....	60
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	61
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....	62-63
Internal Service Fund:	
Statement of Net Position	64
Statement of Revenues, Expenses and Changes in Net Position	65
Statement of Cash Flows	66
 SUPPLEMENTARY DATA SECTION	
Schedule of Debt Service Requirements to Maturity – GEFA Loan – Water and Sewer Enterprise Funds	67
 GOVERNMENT AUDIT SECTION	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards	68-69
Schedule of Findings	70
Summary Schedule of Prior Audit Findings	71
 STATE AUDIT SECTION	
Schedule of Projects Undertaken with Special Sales Tax Proceeds.....	72
Sewer Improvement Community Development Block Grant	73



Gregory D. Biggs

Certified Public Accountant

The Equitable Building 100 Peachtree
Street, Suite 1900
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, 2017, 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, 2017 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 57 through 59) be presented to supplement the basic financials 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 October 31, 2018, 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

October 31, 2018

City of Montezuma Management Discussion and Analysis

As the City Clerk of the City of Montezuma (the "City"), 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, 2017.

Financial Highlights

- The assets and deferred outflows of resources of the City of Montezuma exceeded its liabilities at the fiscal year ended September 30, 2017 by approximately \$11.46 million (net position). This amount represents the net position of the City. The governmental activities reflect \$1.196 million 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 increased by \$1.187 million; the increase in the governmental activities was \$535 thousand and the increase in the business-type activities was \$652 thousand. In the prior year the City reported a decrease in the government-wide net position was \$156 thousand.
- As of the close of the fiscal year 2017, Montezuma's governmental funds reported a combined ending fund balance of approximately \$2.03 million, an increase of approximately \$278 thousand from the prior fiscal year. Approximately 55.44% 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 2017, unassigned fund balance for the general fund was approximately \$1.128 million or 54.49% of total general fund expenditures.
- For fiscal years 2017 and 2016 (adopted in 2016 and 2015), the City's increased millage rate (from 10.5 to 12), partially offset the impact of the prior years economic downturn and the continued reductions in population. The increase in millage rate resulted in an average increase in property tax revenue of approximately 15.7% over the past two fiscal years.
- The addition of a major customer for the City's Sewer Fund was a major attribute in the increase of \$352,477 (67%) in Sewer Fund revenues for fiscal year 2017.
- 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. Under the agreement, the Solid Waste Fund had a positive net income of \$25 thousand for fiscal year 2017.
- During fiscal year 2017, the City closed out the 2011-2016 SPLOST referendum and began receiving proceeds under the 2016-2022 SPLOST referendum. The City used proceeds from its 2011-2016 and 2016-2022

City of Montezuma Management Discussion and Analysis

Special Purpose Local Option Sales Tax, T-SPLOST, Community Development Block Grant ("CDBG") proceeds and other capital grants to purchase capital assets, make capital repairs and improvements to public buildings, roads, streets and bridges, water and sewer improvements, and purchase equipment for public safety departments. The City expects to generate over \$1.5 million under the new SPLOST referendum. The City also used the proceeds to reduce long-term liabilities and improve infrastructure during fiscal year 2017.

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. In addition to the basic statements, this report also contains required supplementary information, combining statements for non-major funds, an internal service fund and a state audit section.

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 2017. 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).

City of Montezuma Management Discussion and Analysis

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

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.

The remainder of this page is intentionally left blank

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 and 2016-2022 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 pages 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. *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 health insurance program for its employees. Because a majority of its services are provided to the City's proprietary funds, it is treated as a proprietary fund in the government wide financial statements. 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 56 of this report.
- *Other Information:* In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information, combining statements for non-major funds, an internal service fund, and state audit reports.

The remainder of this page is intentionally left blank

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 exceeded liabilities and deferred inflows of resources by approximately \$11.46 million at the close of the fiscal year on September 30, 2017. A significant portion of the City's net position (93.77%) 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:

	<u>Governmental</u>		<u>Primary Government</u>		<u>Total</u>	
	<u>Activities</u>		<u>Business-type</u>			
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
<u>ASSETS</u>						
Current and Other Assets	\$ 2,249,026	\$ 2,256,154	\$ (761,977)	\$ (545,849)	\$ 1,487,049	\$ 1,710,305
Capital Assets (net of accumulated depreciation)	4,039,396	4,108,372	7,998,627	8,177,171	12,038,023	12,285,543
Total Assets	<u>\$ 6,288,422</u>	<u>\$ 6,364,526</u>	<u>\$ 7,236,650</u>	<u>\$ 7,631,322</u>	<u>\$ 13,525,072</u>	<u>\$ 13,995,848</u>
Deferred Outflows of Resources	136,423	96,915	67,195	55,797	203,618	152,712
Total Assets and Deferred Outflows Resources	<u>\$ 6,424,845</u>	<u>\$ 6,461,441</u>	<u>\$ 7,303,845</u>	<u>\$ 7,687,119</u>	<u>\$ 13,728,690</u>	<u>\$ 14,148,560</u>
<u>LIABILITIES</u>						
Long Term Liabilities	\$ 578,888	\$ 306,675	\$ 1,851,505	\$ 1,632,719	\$ 2,430,393	\$ 1,939,394
Other Liabilities	552,570	274,980	383,762	308,685	936,332	583,665
Total Liabilities	<u>1,131,459</u>	<u>581,655</u>	<u>2,235,268</u>	<u>1,941,405</u>	<u>3,366,726</u>	<u>2,523,059</u>
Deferred Inflows of Resources	46,146	97,564	41,996	67,318	88,142	164,882
Total Liabilities and deferred Inflows of Resources	<u>\$ 1,177,605</u>	<u>\$ 679,219</u>	<u>\$ 2,277,264</u>	<u>\$ 2,008,723</u>	<u>\$ 3,454,868</u>	<u>\$ 2,687,941</u>
<u>NET POSITION</u>						
Invested in Capital Assets (net of related debt)	\$ 3,979,815	\$ 4,078,131	\$ 6,391,214	\$ 6,282,989	\$ 10,371,029	\$ 10,361,120
Restricted for Loans, Capital Improvements and TSPLOST	540,173	507,643	-	-	540,173	507,643
Unrestricted	727,252	1,196,447	(1,364,633)	(604,593)	(637,381)	591,854
Total Net Position	<u>\$ 5,247,240</u>	<u>\$ 5,782,222</u>	<u>\$ 5,026,581</u>	<u>\$ 5,678,396</u>	<u>\$ 10,273,821</u>	<u>\$ 11,460,618</u>

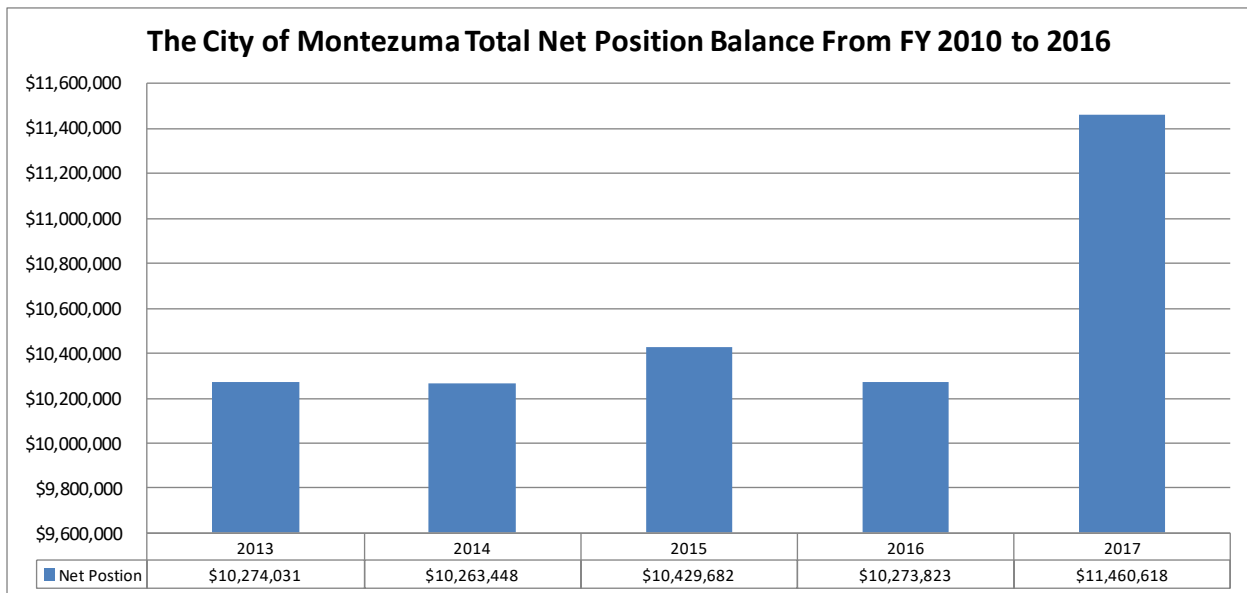
City of Montezuma Management Discussion and Analysis

A portion of the City's net position (4.4%) represents resources that are subject to external restrictions on how they may be used. The unrestricted governmental net position of approximately \$1.196 million (10.44%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of fiscal year 2017, the City is reporting positive net position of \$5.78 million for governmental activities and a net positive net position of \$5.68 million for its business-type activities. The City's Net Position increased by \$1.187 million since September 30, 2016. The net position of governmental funds increased by \$278 thousand, while the net positions of business-type funds increased by \$652 thousand. The majority of the increase is attributable to increase in charges for 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, 2017 is approximately \$206 thousand.

The following chart reports the City's total net position from fiscal year 2013 – 2017:



City of Montezuma Management Discussion and Analysis

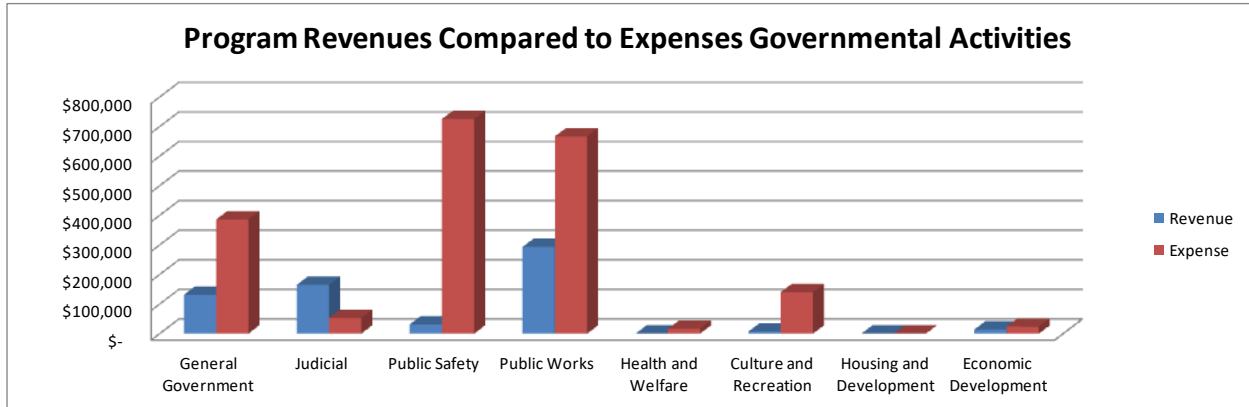
	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 193,202	\$ 263,258	1,732,961	2,170,436	\$1,926,163	\$2,433,694
Operating Grants	17,611	130,551	5,000	5,000	22,611	135,551
Capital Grants	251,052	249,365	145,004	416,107	396,056	665,472
General:						
Taxes	1,457,016	1,580,344	-	-	1,457,016	1,580,344
Other	52,264	180,674	36,631	32,215	88,895	212,889
Total Revenues	<u>1,971,145</u>	<u>2,404,192</u>	<u>1,919,596</u>	<u>2,623,758</u>	<u>3,890,741</u>	<u>5,027,950</u>
Expenses:						
General government	624,797	480,305	-	-	624,797	480,305
Judicial	55,281	53,079	-	-	55,281	53,079
Public Safety	841,897	729,111	-	-	841,897	729,111
Public Works	452,095	568,776	-	-	452,095	568,776
Health & Welfare	12,860	16,288	-	-	12,860	16,288
Culture & Recreation	146,458	140,111	-	-	146,458	140,111
Housing & Development	2,207	0	-	-	2,207	0
Economic Development	13,234	23,687	-	-	13,234	23,687
Interest on Long-Term Debt	3,719	1,679	-	-	3,719	1,679
Water	-	-	365,572	357,747	365,572	357,747
Sewer	-	-	622,232	739,400	622,232	739,400
Solid Waste	-	-	536,467	464,249	536,467	464,249
Airport	-	-	22,252	16,048	22,252	16,048
Fire & Emergency	-	-	347,530	250,675	347,530	250,675
Total Expenses	<u>2,152,547</u>	<u>2,013,035</u>	<u>1,894,053</u>	<u>1,828,118</u>	<u>4,046,600</u>	<u>3,841,153</u>
Excess (Deficiency)	(181,402)	391,157	25,543	795,640	(155,859)	1,186,797
Transfers	189,524	(145,718)	(189,524)	145,718	-	-
Indirect Cost Allocation	294,226	289,543	(294,226)	(289,543)	-	-
Change in Net Position	302,348	534,982	(458,207)	651,815	(155,859)	1,186,797
Beginning Net Position	<u>4,944,892</u>	<u>5,247,240</u>	<u>5,484,790</u>	<u>5,026,581</u>	<u>10,429,682</u>	<u>10,273,821</u>
Ending Net Position	<u>\$ 5,247,240</u>	<u>\$ 5,782,222</u>	<u>\$ 5,026,583</u>	<u>\$ 5,678,396</u>	<u>\$ 10,273,823</u>	<u>\$ 11,460,618</u>

Governmental activities. Governmental activities increased the City's net position by approximately \$535 thousand. The governmental activities transferred \$146 thousand to the business-type activities; had these transfers not been made, the governmental activities would have reflected an increase in net position of approximately \$681 thousand. The 2016-2022 SPLOST Fund referendum began recognizing tax revenue in the fall of 2016.

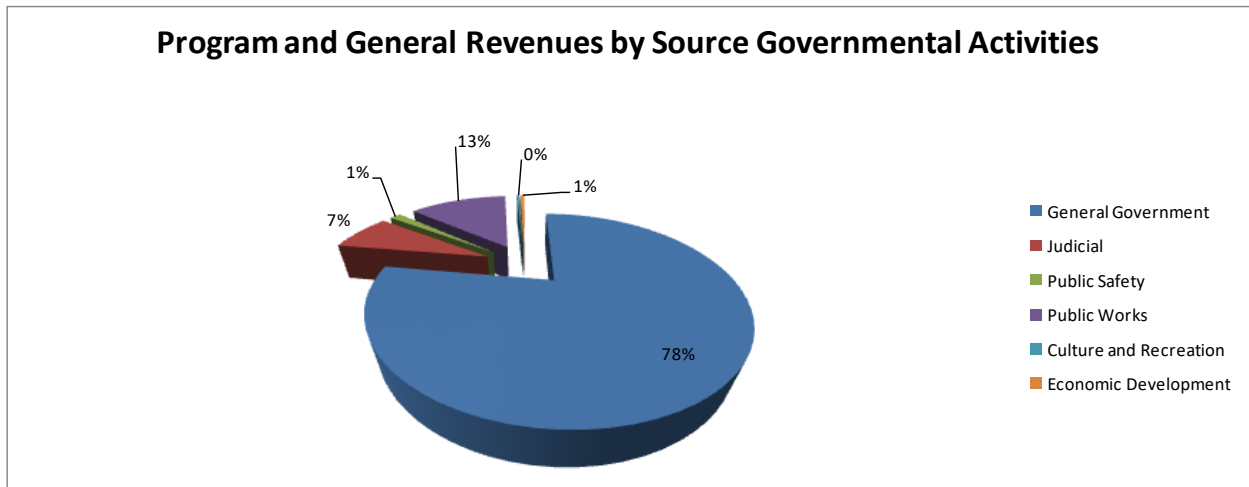
Business-type activities. Business-type activities increased the City's net position by approximately \$652 thousand (including the \$146 thousand transferred in by the governmental activities and \$416 thousand in capital grants). The business-type activities would have yielded an increase in net position of approximately \$90 thousand had the transfers in and grants not occurred.

City of Montezuma Management Discussion and Analysis

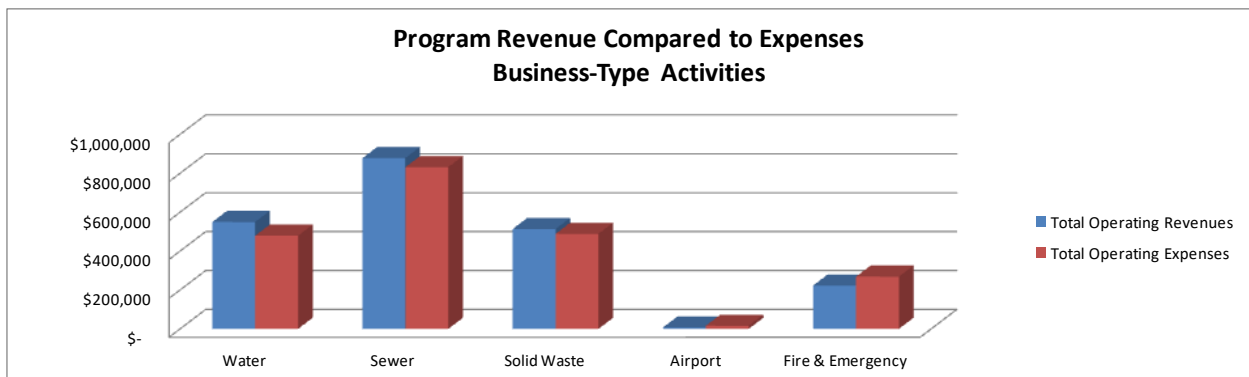
Program Revenues Compared to Expenses, Year Ended September 30, 2017:



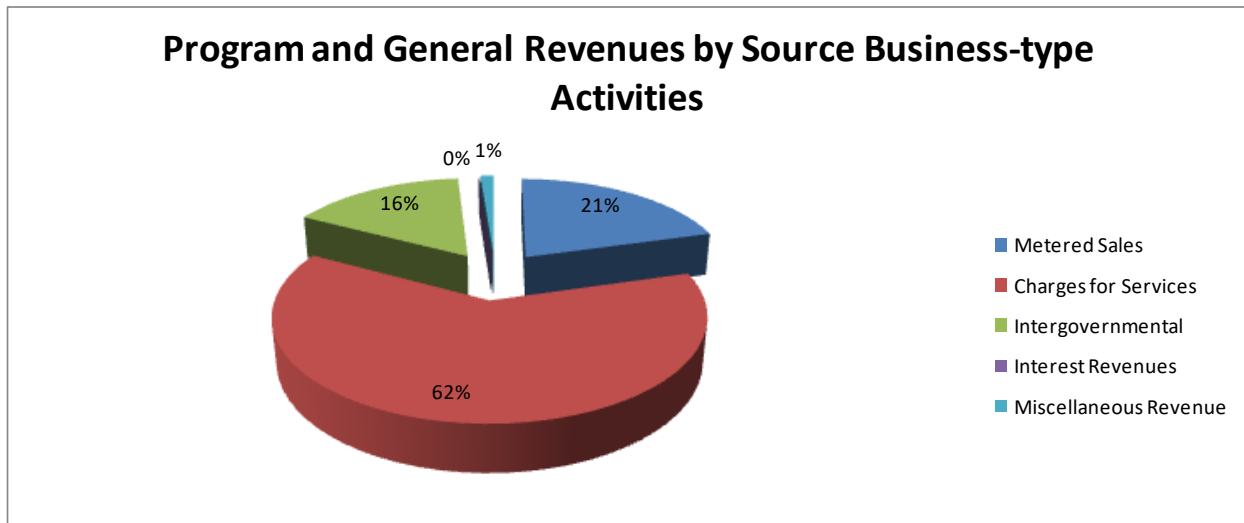
Program Revenues for Governmental Activities, Year Ended September 30, 2017:



Expenses for Business-type Activities, Year Ended September 30, 2017:



Program Revenues for Business-type Activities, Year Ended September 30, 2017:



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 2017, the City's governmental funds reported combined ending fund balances of approximately \$2.034 million, an increase of approximately \$278 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 2017, unassigned fund balance of the General Fund was \$1.128 million and the total fund balance was approximately \$1.526 million. Unassigned fund balance represents approximately 54.49% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$311 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 2017 amounted to a deficit of approximately \$991 thousand.

City of Montezuma Management Discussion and Analysis

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amounted to a increase in appropriations of approximately \$262 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, 2017, amounts to approximately \$10.747 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 \$180 thousand and total enterprise depreciation expense was \$293 thousand.

The City continued the following capital asset improvement initiatives during fiscal year 2017:

Governmental activities

- Public Building improvements
- Street improvements
- Public Safety equipment purchases
- Infrastructure improvements

Business-type

- System improvements
- Airport Runway Expansion

Long term debt: At the end of the current fiscal year, the City had long total debt payable to Georgia Environmental Facilities Authority (GEFA) of approximately \$1.508 million (including \$101,141 due in fiscal year 2018). The loan is accounted for in the City's sewer fund. The City also has capital lease outstanding from GEFA at September 30, 2017. The capital lease will be paid off in fiscal year 2018.

Net pension liability, which is measured as the total pension liability, less the amount of the fiduciary net position totaled \$522,634 at September 30, 2017. The recognition of the pension liability was a result of the implementation of GASB Statements No. 68 and GASB 71, accounting and financial reporting for pensions, an amendment of GASB statement 27. These pronouncements were effective with fiscal year 2015.

City of Montezuma Management Discussion and Analysis

Additional information on the City's long-term debt can be found in the Notes to Financial Statements section (see III.6.). Additional pension plan disclosures can be found at Note III.7.

Economic Factors and Next Year's Budget

The Mayor and City Council approved a millage rate of 12 mills for the 2016 tax digest which was collected mainly in late 2017. The Mayor and City Council also approved a millage rate of 12 mills for fiscal year 2018 and also increased licensing and other use fees for fiscal year 2018.

Several new small businesses have recently located in downtown Montezuma. The new economic development should increase the City's property tax digest, the sales tax base and utility revenues in future years.

As discussed earlier, proceeds from the 2016-2022 sales tax referendum will enable the City to continue its capital asset improvements and purchases program.

As discussed earlier in this section, 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 over \$600,000 in revenues for fiscal year 2018. The City is currently in discussions with additional prospective customers for its industrial treatment services.

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.

This page intentionally left blank.

CITY OF MONTEZUMA, GEORGIA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Development Authority
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 426,922	\$ 245,681	\$ 672,603	\$ 31,430
Accounts Receivable (net)	54,623	452,313	506,936	-
Taxes Receivable (net)	6,454	-	6,454	-
Loans Receivable (net)	278,783	-	278,783	-
Internal Balances	1,248,448	(1,248,449)	(1)	-
Intergovernmental Receivable	240,924	-	240,924	-
Restricted Assets:				
Cash	-	4,606	4,606	-
Capital Assets (not subject to depreciation)	358,037	1,048,497	1,406,534	111,770
Capital Assets (net of accumulated depreciation)	3,750,335	5,888,504	9,638,839	227,116
Construction in Progress, non depreciated	-	1,240,170	1,240,170	-
Total Assets	<u>6,364,526</u>	<u>7,631,322</u>	<u>13,995,848</u>	<u>370,316</u>
Deferred Outflows of Resources	<u>96,915</u>	<u>55,797</u>	<u>152,712</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>6,461,441</u>	<u>7,687,119</u>	<u>14,148,560</u>	<u>370,316</u>
<u>LIABILITIES</u>				
Accounts Payable	183,468	76,276	259,744	-
Accrued Interest Payable	155	5,576	5,731	-
Accrued Wages Payable and Payroll Taxes	38,649	18,874	57,523	-
Accrued Compensated Absences	22,467	16,058	38,525	-
Customer Deposits	-	90,761	90,761	375
Capital Leases Payable	30,241	-	30,241	-
Notes Payable	-	101,141	101,141	-
Noncurrent Liabilities, due in one year or more:				
Net Pension Liability	297,047	225,587	522,634	-
Accrued Compensated Absences	9,628	-	9,628	-
Notes Payable	-	1,407,132	1,407,132	-
Total Liabilities	<u>581,655</u>	<u>1,941,405</u>	<u>2,523,060</u>	<u>375</u>
Deferred Inflows of Resources	<u>97,564</u>	<u>67,318</u>	<u>164,882</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>679,219</u>	<u>2,008,723</u>	<u>2,687,942</u>	<u>375</u>
<u>NET POSITION</u>				
Net Investments in Capital Assets	4,078,131	6,282,989	10,361,120	338,886
Restricted for:				
Capital Projects	88,447	-	88,447	-
Loans	340,176	-	340,176	-
TSPLOST	72,327	-	72,327	-
Library Endowment	4,170	-	4,170	-
Hotel Motel Tax	2,523	-	2,523	-
Unrestricted	<u>1,196,447</u>	<u>(604,593)</u>	<u>591,854</u>	<u>31,055</u>
Total Net Position	<u>\$ 5,782,222</u>	<u>\$ 5,678,396</u>	<u>\$ 11,460,618</u>	<u>\$ 369,941</u>

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, 2017

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Program Revenues</u>		
			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 480,305	\$ (289,543)	\$ 1,695	\$ 129,386	\$ 75,402
Judicial	53,079	-	165,149	-	-
Public Safety	729,111	-	-	-	31,169
Public Works	568,776	-	75,348	-	142,794
Health and Welfare	16,288	-	-	-	-
Culture and Recreation	140,111	-	6,148	1,165	-
Housing and Development	-	-	1,085	-	-
Economic Development	23,687	-	13,833	-	-
Interest on Long-Term Debt	1,679	-	-	-	-
Total Governmental Activities	<u>2,013,035</u>	<u>(289,543)</u>	<u>263,258</u>	<u>130,551</u>	<u>249,365</u>
Business-type Activities:					
Water	357,747	123,279	549,284	-	379,637
Sewer	739,400	123,279	878,055	-	-
Solid Waste	464,249	24,878	513,474	-	-
Airport	16,048	-	6,840	-	36,470
Fire & Emergency	250,675	18,106	222,783	5,000	-
Total Business-type Activities	<u>1,828,118</u>	<u>289,543</u>	<u>2,170,436</u>	<u>5,000</u>	<u>416,107</u>
Total Primary Government	<u>\$ 3,841,153</u>	<u>\$ -</u>	<u>\$ 2,433,694</u>	<u>\$ 135,551</u>	<u>\$ 665,472</u>
Component Unit:					
Development Authority	<u>14,312</u>	<u>-</u>	<u>6,375</u>	<u>-</u>	<u>-</u>
Total Component Unit	<u>\$ 14,312</u>	<u>\$ -</u>	<u>\$ 6,375</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
\$ 15,721	\$ -	\$ 15,721	
112,070	-	112,070	
(697,942)	-	(697,942)	
(350,634)	-	(350,634)	
(16,288)	-	(16,288)	
(132,798)	-	(132,798)	
1,085	-	1,085	
(9,855)	-	(9,855)	
(1,679)	-	(1,679)	
<u>(1,080,318)</u>	<u>-</u>	<u>(1,080,318)</u>	
-	447,895	447,895	
-	15,376	15,376	
-	24,347	24,347	
-	27,262	27,262	
-	(40,998)	(40,998)	
<u>-</u>	<u>-</u>	<u>-</u>	
<u>-</u>	<u>473,882</u>	<u>473,882</u>	
<u>(1,080,318)</u>	<u>473,882</u>	<u>(606,436)</u>	
<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,937)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,937)</u>
616,203	-	616,203	-
422,582	-	422,582	-
176,164	-	176,164	-
215,953	-	215,953	-
50,422	-	50,422	-
15,939	-	15,939	-
83,081	-	83,081	-
13	-	13	-
180,661	32,215	212,876	-
<u>(145,718)</u>	<u>145,718</u>	<u>-</u>	<u>-</u>
<u>1,615,300</u>	<u>177,933</u>	<u>1,793,233</u>	<u>-</u>
534,982	651,815	1,186,797	(7,937)
<u>5,247,240</u>	<u>5,026,581</u>	<u>10,273,821</u>	<u>377,878</u>
<u>\$ 5,782,222</u>	<u>\$ 5,678,396</u>	<u>\$ 11,460,618</u>	<u>\$ 369,941</u>

CITY OF MONTEZUMA, GEORGIA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2017

	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 221,320	\$ 45,050	\$ 141,419	\$ 407,789
Taxes Receivable (net)	6,454	-	-	6,454
Accounts Receivable (net)	53,248	-	1,375	54,623
Interest Receivable	-	-	-	-
Loans Receivable (net)	-	-	278,783	278,783
Due from Other Funds	1,481,582	-	-	1,481,582
Due from Other Governments	79,425	43,397	10,229	133,051
Advances to Other Funds	398,733	-	-	398,733
Total Assets	\$ 2,240,762	\$ 88,447	\$ 431,806	\$ 2,761,015
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Accounts and Contracts Payable	\$ 52,448	\$ -	\$ 652	\$ 53,100
Accrued Wages and Payroll	-	-	-	-
Taxes Payable	38,649	-	-	38,649
Unearned Grant Revenue	-	-	-	-
Due to Other Funds	492,904	-	11,957	504,861
Escrowed Funds	130,368	-	-	130,368
Tax Anticipation Note	-	-	-	-
Total Liabilities	714,369	-	12,609	726,978
Deferred Inflows of Resources - Unavailable Grant Revenue	-	-	-	-
Total Liabilities and Deferred Inflows of Resources	714,369	-	12,609	726,978
Fund Balances:				
Nonspendable:				
Advances to Other Funds	398,733	-	-	398,733
Noncurrent Loans Receivable	-	-	278,783	278,783
Restricted for:				
Capital Projects	-	88,447	-	88,447
Loans	-	-	61,393	61,393
TSPLOST	-	-	72,327	72,327
Library Endowment	-	-	4,170	4,170
Hotel Motel	-	-	2,523	2,523
Unassigned	1,127,660	-	-	1,127,660
Total Fund Balances	1,526,393	88,447	419,196	2,034,036
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,240,762	\$ 88,447	\$ 431,805	\$ 2,761,014

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, 2017

Total Fund Balances for Governmental Funds	\$ 2,034,036
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.	4,108,372
Deferred results from Pension Plan	(649)
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	(30,241)
Accrued Interest on Capital Leases	(155)
Compensated Absences	(32,095)
Pension Liability	<u>(297,047)</u>
Total Net Position of Governmental Activities	<u>\$ 5,782,222</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, 2017

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
Taxes	\$ 1,496,139	\$ -	\$ 84,205	\$ 1,580,344
Licenses and Permits	9,063	-	-	9,063
Intergovernmental	129,386	249,365	-	378,751
Charges for Services	383,963	-	-	383,963
Fines and Forfeitures	155,005	-	-	155,005
Investment Income	13	1	4,770	4,784
Miscellaneous	181,799	-	27	181,826
Total Revenues	<u>2,355,368</u>	<u>249,366</u>	<u>89,002</u>	<u>2,693,736</u>
<u>EXPENDITURES</u>				
Current:				
General Government	651,107	-	-	651,107
Judicial	52,561	-	-	52,561
Public Safety	753,855	3,673	-	757,528
Public Works	452,884	6,980	56,230	516,094
Health and Welfare	16,288	-	-	16,288
Culture and Recreation	126,943	-	-	126,943
Economic Development	15,872	-	7,815	23,687
Debt Service:				
Principal Reduction	-	29,340	-	29,340
Interest	-	1,829	-	1,829
Capital Outlay:				
General Government	-	85,571	-	85,571
Public Safety	-	-	-	-
Public Works	-	8,877	-	8,877
Health and Welfare	-	-	-	-
Total Expenditures	<u>2,069,510</u>	<u>136,270</u>	<u>64,045</u>	<u>2,269,825</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>285,858</u>	<u>113,096</u>	<u>24,956</u>	<u>423,910</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	56,234	-	-	56,234
Transfers Out	<u>(31,371)</u>	<u>(157,377)</u>	<u>(13,204)</u>	<u>(201,952)</u>
Total Other Financing Sources (Uses)	<u>24,863</u>	<u>(157,377)</u>	<u>(13,204)</u>	<u>(145,718)</u>
Net Change in Fund Balances	310,721	(44,281)	11,752	278,192
Fund Balances - Beginning of Year	<u>1,215,672</u>	<u>132,728</u>	<u>407,444</u>	<u>1,755,844</u>
Fund Balances - End of Year	<u>\$ 1,526,393</u>	<u>\$ 88,447</u>	<u>\$ 419,196</u>	<u>\$ 2,034,036</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, 2017**

Net Change in Fund Balance - Total Governmental Funds \$ 278,192

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	(179,583)
Capital Outlay	248,558

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	29,340
--------------------	--------

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	(90,925)
--	----------

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	238,853
-----------------------------	---------

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	150
Compensated Absences	10,397
	10,547

Change in Net Position of Governmental Activities	\$ 534,982
---	------------

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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>With Final Budget</u>
<u>REVENUES</u>				
Taxes	\$ 1,408,638	\$ 1,408,638	\$ 1,496,139	\$ 87,501
Licenses and Permits	14,800	14,800	9,063	(5,737)
Intergovernmental	14,900	120,000	129,386	9,386
Charges for Services	386,305	386,305	383,963	(2,342)
Fines and Forfeitures	86,500	86,500	155,005	68,505
Investment Income	-	-	13	13
Miscellaneous	25,000	181,799	181,799	-
Total Revenues	<u>1,936,143</u>	<u>2,198,042</u>	<u>2,355,368</u>	<u>157,326</u>
<u>EXPENDITURES</u>				
Current:				
General Government:				
Mayor and Council	73,405	73,405	72,611	(794)
Board of Elections	150	150	796	646
Administration	365,272	365,272	360,385	(4,887)
Public Buildings	65,502	218,000	217,315	(685)
Total General Government	<u>504,329</u>	<u>656,827</u>	<u>651,107</u>	<u>(5,720)</u>
Judicial:				
Municipal Court	59,791	59,791	52,561	(7,230)
Total Judicial	<u>59,791</u>	<u>59,791</u>	<u>52,561</u>	<u>(7,230)</u>
Public Safety:				
Police	785,031	785,031	753,410	(31,621)
Animal Control	1,755	1,755	445	(1,310)
Total Public Safety	<u>786,786</u>	<u>786,786</u>	<u>753,855</u>	<u>(32,931)</u>
Public Works:				
Streets	244,375	333,000	332,873	(127)
Stormwater	52,708	52,708	46,006	(6,702)
Cemetery	80,550	80,550	74,005	(6,545)
Total Public Works	<u>377,633</u>	<u>466,258</u>	<u>452,884</u>	<u>(13,374)</u>
Health and Welfare:				
Mosquito Control	18,697	18,697	16,288	(2,409)
Total Health and Welfare	<u>18,697</u>	<u>18,697</u>	<u>16,288</u>	<u>(2,409)</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, 2017**

	<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	59,256	59,256	49,803	(9,453)
Library	81,502	81,502	77,140	(4,362)
Total Culture and Recreation	<u>140,757</u>	<u>140,757</u>	<u>126,943</u>	<u>(13,814)</u>
Housing and Development:				
Economic Development	3,500	3,500	-	(3,500)
Planning and Zoning	550	550	-	(550)
Code Enforcement	850	850	-	(850)
Total Housing and Development	<u>4,900</u>	<u>4,900</u>	<u>-</u>	<u>(4,900)</u>
Economic Development:				
Total Other Departments	<u>15,000</u>	<u>15,000</u>	<u>15,872</u>	<u>872</u>
Total Expenditures	<u>1,907,894</u>	<u>2,149,017</u>	<u>2,069,510</u>	<u>(79,507)</u>
Total Judicial				
(Deficiency) of Revenues (Under)				
Expenditures	<u>28,249</u>	<u>49,025</u>	<u>285,858</u>	<u>236,833</u>
<u>OTHER FINANCING SOURCES</u>				
Sales of Capital Assets	-	-	-	-
Transfers In	36,000	36,000	56,234	20,234
Transfers Out	(64,249)	(64,249)	(31,371)	32,878
Total Other Financing Sources	<u>(28,249)</u>	<u>(28,249)</u>	<u>24,863</u>	<u>53,112</u>
Net Change in Fund Balance	-	20,776	310,721	289,945
Fund Balance - Beginning of Year	<u>1,215,672</u>	<u>1,215,672</u>	<u>1,215,672</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,215,672</u>	<u>\$ 1,236,448</u>	<u>\$ 1,526,393</u>	<u>\$ 289,945</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, 2017**

<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	\$ 124,784	\$ 109,111	\$ 6,748	\$ 3,556
Accounts Receivable (net)	158,189	165,938	98,455	-
Due from Other Funds	669,682	11,647	63,047	-
Intergovernmental Receivable	-	-	-	-
Restricted Assets:				
Cash	4,606	-	-	-
Total Current Assets	<u>957,261</u>	<u>286,696</u>	<u>168,250</u>	<u>3,556</u>
Long-term Assets:				
Capital Assets not subject to depreciation	1,707	803,008	-	243,782
Property, Plant & Equipment (net)	1,142,592	4,335,317	-	220,412
Construction in Progress	385,909	-	-	854,261
Total Assets	<u>2,487,469</u>	<u>5,425,021</u>	<u>168,250</u>	<u>1,322,011</u>
Deferred Outflow of Resources - Pension	<u>9,162</u>	<u>12,218</u>	<u>19,145</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,496,631</u>	<u>\$ 5,437,239</u>	<u>\$ 187,395</u>	<u>\$ 1,322,011</u>
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts and Contracts Payable	\$ 10,095	\$ 16,008	\$ 9,595	\$ 4,327
Accrued Interest	-	2,514	3,062	-
Accrued Wages and Payroll Taxes	4,497	6,746	3,869	-
Compensated Absences Payable	3,499	3,596	6,404	-
Due to Other Funds	243,581	578,117	408,153	126,223
Customer Deposits - Restricted Assets	90,761	-	-	-
Notes Payable	-	101,141	-	-
Total Current Liabilities	<u>352,433</u>	<u>708,122</u>	<u>431,083</u>	<u>130,550</u>
Long-term Liabilities:				
Advance from Other Funds	-	-	398,733	-
Net Pension Liability	50,671	41,814	47,040	-
Notes Payable	-	1,407,132	-	-
Total Liabilities	<u>403,104</u>	<u>2,157,068</u>	<u>876,856</u>	<u>130,550</u>
Deferred Inflows of Resources	<u>14,589</u>	<u>13,188</u>	<u>14,837</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>417,693</u>	<u>2,170,256</u>	<u>891,693</u>	<u>130,550</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	1,144,299	3,630,052	-	1,318,455
Unrestricted	934,639	(363,069)	(704,298)	(126,994)
Total Net Position	<u>2,078,938</u>	<u>3,266,983</u>	<u>(704,298)</u>	<u>1,191,461</u>
Total Liabilities and Net Position	<u>\$ 2,496,631</u>	<u>\$ 5,437,239</u>	<u>\$ 187,395</u>	<u>\$ 1,322,011</u>

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

CITY OF MONTEZUMA, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION (Continued)
SEPTEMBER 30, 2017

	<u>Fire & Emergency</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,482	\$ 245,681	\$ 19,133
Accounts Receivable (net)	29,731	452,313	-
Due from Other Funds	97,723	842,110	53,065
Intergovernmental Receivable	-	-	107,873
Restricted Assets:			
Cash	-	4,606	-
Total Current Assets	<u>128,936</u>	<u>1,544,710</u>	<u>180,071</u>
Long-term Assets:			
Capital Assets not subject to depreciation	-	1,048,497	-
Property, Plant & Equipment (net)	190,183	5,888,504	-
Construction in Progress	<u>-</u>	<u>1,240,170</u>	<u>-</u>
Total Assets	<u>319,119</u>	<u>9,721,881</u>	<u>180,071</u>
Deferred Outflow of Resources - Pension	<u>15,272</u>	<u>55,797</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 334,391</u>	<u>\$ 9,777,678</u>	<u>\$ 180,071</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts and Contracts Payable	\$ 36,250	\$ 76,275	\$ -
Accrued Interest	-	5,576	-
Accrued Wages and Payroll Taxes	3,762	18,874	-
Compensated Absences Payable	2,559	16,058	-
Due to Other Funds	335,742	1,691,827	180,071
Customer Deposits - Restricted Assets	-	90,761	-
Notes Payable	<u>-</u>	<u>101,141</u>	<u>-</u>
Total Current Liabilities	378,313	2,000,512	180,071
Long-term Liabilities:			
Advance from Other Funds	-	398,733	-
Net Pension Liability	86,062	225,587	-
Notes Payable	<u>-</u>	<u>1,407,132</u>	<u>-</u>
Total Liabilities	<u>464,375</u>	<u>4,031,964</u>	<u>180,071</u>
Deferred Inflows of Resources	<u>24,704</u>	<u>67,318</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>489,079</u>	<u>4,099,282</u>	<u>180,071</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	190,183	6,668,898	-
Unrestricted	<u>(344,871)</u>	<u>(990,502)</u>	<u>-</u>
Total Net Position	<u>(154,688)</u>	<u>5,678,396</u>	<u>-</u>
Total Liabilities and Net Position	<u>\$ 334,391</u>	<u>\$ 9,777,678</u>	<u>\$ 180,071</u>

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

CITY OF MONTEZUMA, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEPTEMBER 30, 2017

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Airport</u>
<u>OPERATING REVENUES</u>				
Metered Sales	\$ 540,989	\$ -	\$ -	\$ -
Charges for Services	8,295	878,055	513,474	6,840
Total Operating Revenues	<u>549,284</u>	<u>878,055</u>	<u>513,474</u>	<u>6,840</u>
<u>OPERATING EXPENSES</u>				
Personal Services	199,221	259,997	151,874	-
Purchased / Contracted Services	127,058	246,086	309,390	3,441
Supplies	46,380	42,507	18,493	-
Heat, Light and Power	40,698	111,234	-	1,495
Depreciation	65,407	171,627	8,918	11,112
Total Operating Expenses	<u>478,764</u>	<u>831,451</u>	<u>488,675</u>	<u>16,048</u>
Operating Income (Loss)	<u>70,520</u>	<u>46,604</u>	<u>24,799</u>	<u>(9,208)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Intergovernmental	379,637	-	-	36,470
Interest Revenues	-	-	-	-
Miscellaneous Revenue	15,675	14,200	351	-
Interest Expense	-	(28,966)	-	-
Other Costs	(2,262)	(2,262)	(452)	-
Amortization of Bond Issue Costs	-	-	-	-
Total Nonoperating Revenues Income before Contributions and and Transfers	<u>393,050</u>	<u>(17,028)</u>	<u>(101)</u>	<u>36,470</u>
Capital Contributions	-	-	-	-
Transfers In	43,063	149,518	-	-
Transfers Out	<u>(30,000)</u>	<u>(48,234)</u>	<u>-</u>	<u>-</u>
Changes in Net Position	476,633	130,860	24,698	27,262
Net Position - Beginning	<u>1,602,305</u>	<u>3,136,123</u>	<u>(728,996)</u>	<u>1,164,199</u>
Net Position - Ending	<u>\$ 2,078,938</u>	<u>\$ 3,266,983</u>	<u>\$ (704,298)</u>	<u>\$ 1,191,461</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, 2017

	<u>Fire & Emergency</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
<u>OPERATING REVENUES</u>			
Metered Sales	\$ -	\$ 540,989	\$ -
Charges for Services	222,783	1,629,447	226,190
Total Operating Revenues	<u>222,783</u>	<u>2,170,436</u>	<u>226,190</u>
<u>OPERATING EXPENSES</u>			
Personal Services	180,281	791,373	221,233
Purchased / Contracted Services	24,338	710,313	4,957
Supplies	21,222	128,602	-
Heat, Light and Power	6,926	160,353	-
Depreciation	35,629	292,693	-
Total Operating Expenses	<u>268,396</u>	<u>2,083,334</u>	<u>226,190</u>
Operating Income (Loss)	<u>(45,613)</u>	<u>87,102</u>	<u>-</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Intergovernmental	5,000	421,107	-
Interest Revenues	-	-	-
Miscellaneous Revenue	1,989	32,215	-
Interest Expense	(280)	(29,246)	-
Other Costs	(105)	(5,081)	-
Amortization of Bond Issue Costs	-	-	-
Total Nonoperating Revenues	<u>6,604</u>	<u>418,995</u>	<u>-</u>
Income before Contributions and and Transfers	(39,009)	506,097	-
Capital Contributions	-	-	-
Transfers In	31,371	223,952	-
Transfers Out	<u>-</u>	<u>(78,234)</u>	<u>-</u>
Changes in Net Position	(7,638)	651,815	-
Net Position - Beginning	<u>(147,050)</u>	<u>5,026,581</u>	<u>-</u>
Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - Ending	<u>\$ (154,688)</u>	<u>\$ 5,678,396</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, 2017

	<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	\$ 463,010	\$ 786,390	\$ 457,078	\$ 6,840
Cash Received from Interfund and Outside Services Provided	-	-	-	-
Cash Payments for Interfund Services Used	(123,279)	(123,279)	(24,878)	-
Cash Payments to Suppliers	(216,159)	(402,313)	(368,879)	(4,901)
Cash Payments to Employees	(75,860)	(123,468)	(113,746)	-
Net Cash Provided by (Required for) Operating Activities	<u>47,712</u>	<u>137,330</u>	<u>(50,425)</u>	<u>1,939</u>
Cash Flows from Noncapital Financing Activities:				
Interfund Balances	97,115	(16,907)	56,752	4,901
Transfer from (to) Other Funds	(30,000)	(48,234)	-	-
Net Cash provided by (Required for) Noncapital and Related Financing Activities	<u>67,115</u>	<u>(65,141)</u>	<u>56,752</u>	<u>4,901</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(430,714)	-	-	(40,523)
Principal and Interest Paid on Notes	-	(128,271)	-	-
Proceeds from Sale of Fixed Assets	-	-	-	-
Principal and Interest Paid on Capital Leases	-	-	-	-
Transfers from TSPLOST	5,204	-	-	-
Transfers from SPLOST	37,859	149,518	-	-
Capital Grants	379,637	-	-	36,470
Net Cash Flows (Required for) Capital and Related Financing Activities	<u>(8,014)</u>	<u>21,247</u>	<u>-</u>	<u>(4,053)</u>
Cash Flows from Investing Activities:				
Other Income	15,675	14,200	351	-
Interest on Investments	-	-	-	-
Net Cash Provided by Investing Activities	<u>15,675</u>	<u>14,200</u>	<u>351</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>122,488</u>	<u>107,636</u>	<u>6,678</u>	<u>2,787</u>
Cash and Equivalents at Beginning of Year	<u>6,902</u>	<u>1,475</u>	<u>71</u>	<u>769</u>
Cash and Equivalents at End of Year	<u>\$ 129,390</u>	<u>\$ 109,111</u>	<u>\$ 6,748</u>	<u>\$ 3,556</u>
Reconciliation of Operating (Loss) to Net Cash Provided from Operating Activities:				
Operating Income (Loss)	\$ 70,520	\$ 46,604	\$ 24,799	\$ (9,208)
Adjustments to Reconcile Operating (Loss) to Net Cash (Required for) Operating Activities:				
Depreciation and Amortization	65,407	171,627	8,918	11,112
(Increase) Decrease in Accounts Receivable	(70,991)	(48,103)	(6,737)	-
(Increase) Decrease in Prepaid Expenses	-	-	-	-
(Increase) Decrease in Intergovernmental Receivable	-	-	-	-
Decrease in Due from Other Governments	-	-	-	-
Increase (Decrease) in Accounts Payable	(2,023)	(2,486)	(40,996)	35
Increase (Decrease) in Interest Payable	-	-	-	-
Increase (Decrease) in Wages Payable	82	177	(1,456)	-
Increase (Decrease) in Annual Leave	(216)	(8,109)	(9,775)	-
Increase (Decrease) in Due to Other Funds	-	-	-	-
Increase (Decrease) in Net Pension Liability	(16,786)	(22,380)	(25,178)	-
Increase in Customer Deposits	1,719	-	-	-
Net Cash Provided by (Required for) Operating Activities	<u>\$ 47,712</u>	<u>\$ 137,330</u>	<u>\$ (50,425)</u>	<u>\$ 1,939</u>

CITY OF MONTEZUMA, GEORGIA
PROPRIETARY FUND
STATEMENT OF CASH FLOWS (Continued)
September 30, 2017

	<u>Fire & Emergency</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 188,602	\$ 1,901,920	\$ 19,200
Cash Received from Interfund and Outside Services Provided	-	-	226,123
Cash Payments for Interfund Services Used	-	(271,437)	-
Cash Payments to Suppliers	(37,819)	(1,030,071)	(226,190)
Cash Payments to Employees	(181,956)	(495,029)	-
Net Cash Provided by (Required for)			
Operating Activities	<u>(31,173)</u>	<u>105,383</u>	<u>19,133</u>
Cash Flows from Noncapital Financing Activities:			
Interfund Balances	(5,530)	141,861	-
Transfer from (to) Other Funds	31,371	(46,863)	-
Net Cash provided by (Required for)			
Noncapital and Related Financing Activities	<u>25,841</u>	<u>94,998</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	-	(471,237)	-
Principal and Interest Paid on Notes	-	(128,271)	-
Principal and Interest Paid on Capital Leases	(280)	(280)	-
Transfers from TSPLOST	-	5,204	-
Transfers from SPLOST	-	187,377	-
Capital Grants	5,000	421,107	-
Net Cash Flows (Required for) Capital and Related Financing Activities	<u>4,720</u>	<u>13,900</u>	<u>-</u>
Cash Flows from Investing Activities:			
Other Income	1,989	30,226	-
Interest on Investments	-	-	-
Net Cash Provided by Investing Activities	<u>1,989</u>	<u>30,226</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>1,377</u>	<u>240,966</u>	<u>19,133</u>
Cash and Equivalents at Beginning of Year	<u>105</u>	<u>9,322</u>	<u>-</u>
Cash and Equivalents at End of Year	<u>\$ 1,482</u>	<u>\$ 250,288</u>	<u>\$ 19,133</u>
Reconciliation of Operating (Loss) to Net Cash Provided from Operating Activities:			
Operating Income (Loss)	\$ (45,613)	\$ 87,102	\$ -
Adjustments to Reconcile Operating (Loss) to Net Cash (Required for) Operating Activities:			
Depreciation and Amortization	35,629	292,693	-
(Increase) Decrease in Accounts Receivable	20,654	(105,177)	243,212
(Increase) Decrease in Intergovernmental Receivable	-	-	-
(Increase) in Due from Other Funds	-	-	32,748
Decrease in Due from Other Governments	-	-	-
Increase (Decrease) in Accounts Payable	(1,675)	(47,145)	(308,047)
Increase (Decrease) in Interest Payable	-	-	-
Increase (Decrease) in Wages Payable	(3,061)	(4,258)	-
Increase (Decrease) in Annual Leave	-	(18,100)	-
Increase (Decrease) in Due to Other Funds	-	-	51,220
Increase (Decrease) in Net Pension Liability	(37,107)	(101,451)	-
Increase in Customer Deposits	-	1,719	-
Net Cash Provided by (Required for)			
Operating Activities	<u>\$ (31,173)</u>	<u>\$ 105,383</u>	<u>\$ 19,133</u>

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

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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, 2017

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 and 2016-2022 SPLOST Funds* are 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, 2017

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 six 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 *Internal Service Fund* is used to provide health benefits to the employees of the City of Montezuma.

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.

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.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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.

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.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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 differences between projected and actual investment earnings as well as contributions between measurement and reporting dates, which are accounted for as deferred outflows of resources.

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.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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, 2016. The tax bills were mailed on October 20, 2016. The billings are considered past due as of December 21, 2016, 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, 2016.

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.

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.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

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, 2017 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

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.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

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, 2017

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 2017 Financial Statements:

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 the City in fiscal year 2017.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires state and local governments to disclose tax abatement agreements entered by other governments and that reduce the reporting government's tax revenues. The reduction in tax revenues can result from an agreement between one or more governments and an individual entity in which one or more governments promise to forgo tax revenues to which they are otherwise entitled. the individual or entity promises to take specific action after the agreement has been entered into that contributes to economic development or

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. New Accounting Pronouncements (Continued)

otherwise benefits the governments or the citizens of those governments. This pronouncement did not impact on the City's financial statements.

Procurements issued, but not effective, which will be adopted by the City in future years.

In 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions. This Statement establishes accounting and financial reporting standards for Other Post-Employment Plans (OPEB) that are administered through trusts or equivalent arrangements which involve contributions from employers and non employer contributing entities to the OPEB plan. This Statement establishes Standard for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. This Statement also establishes requirements for related note disclosures and required supplementary information for defined benefits OPEB plans. The statement is effective for financial statement with fiscal years beginning after June 15, 2017. This pronouncement is not expected to impact the City's financial statements.

In June 2017, the GASB issued Statement No. 87, Leases. This statement establishes accounting and financial reporting standards focused on certain lease liabilities that currently are not reported. The City is in the process of evaluating the impact of this pronouncement on its 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, 2017

III. DETAILED NOTES ON ALL FUNDS

1. Cash and Cash Equivalents and Investments

The bank balances of deposits as of September 30, 2017, 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, 2017, the City had no investments.

The remainder of this page is intentionally left blank

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

2. Receivables

Receivables at September 30, 2017, consist of the following:

	Fund	Funds	Fund	Fund	Fund	Emergency
Accounts Receivable	\$ 80,728	\$ 1,375	\$ 304,748	\$ 246,472	\$ 147,621	\$ 111,327
Taxes Receivable	118,704	-	-	-	-	-
Gross	199,432	1,375	304,748	246,472	147,621	111,327
Receivables Less Allowance For Uncollectibles	(139,730)	-	(146,559)	(80,534)	(49,166)	(81,596)
Net Total Receivables	\$ 59,702	\$ 1,375	\$ 158,189	\$ 165,938	\$ 98,455	\$ 29,731

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, 2017, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Expected to be repaid in Subsequent Year</u>
General Fund	Airport Fund	\$ 113,223	No
General Fund	Fire & Emergency Fund	333,971	No
General Fund	Nonmajor Governmental Funds	11,956	Yes
General Fund	Self Insurance Fund	140,071	Yes
General Fund	Sewer Fund	425,829	No
General Fund	Solid Waste Fund	384,604	No
General Fund	Water Fund	71,928	Yes
Fire and Emergency Fund	Sewer Fund	365	Yes
Fire and Emergency Fund	Water Fund	96,648	Yes
Fire and Emergency Fund	General Fund	710	Yes
Insurance Fund	Fire and Emeergency Fund	1,164	Yes
Insurance Fund	Sewer Fund	23,998	Yes
Insurance Fund	Solid Waste Fund	22,439	Yes
Insurance Fund	Water Fund	5,464	Yes
Sewer Fund	General Fund	924	Yes
Sewer Fund	Water Fund	10,234	Yes
Sewer Fund	Solid Waste Fund	451	Yes
Sewer Fund	Fire and Emeergency Fund	38	Yes
Solid Waste Fund	General Fund	1,562	Yes
Solid Waste Fund	Fire and Emeergency Fund	200	Yes
Solid Waste Fund	Sewer Fund	1,980	Yes
Solid Waste Fund	Water Fund	59,305	Yes
Water Fund	Airport Fund	13,000	Yes
Water Fund	General Fund	489,708	No
Water Fund	Solid Waste Fund	659	Yes
Water Fund	Insurance Fund	40,000	Yes
Water Fund	Fire and Emeergency Fund	369	Yes
Water Fund	Sewer Fund	125,946	Yes
Total		<u>\$ 2,376,746</u>	

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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, 2017 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	\$ 8,000
General Fund	Sewer Fund	48,234
Water Fund	SPLOST Fund	37,859
Water Fund	TSPLOST Fund	5,204
Sewer Fund	SPLOST Fund	119,518
Sewer Fund	Water Fund	30,000
Fire and Emergency Fund	General Fund	<u>31,371</u>
 Total		 <u>\$ 280,186</u>

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

The SPLOST Fund (2011-2016 and 2016-2022 referendums) paid certain General Fund, Water Fund and Sewer Fund, capital outlay expenditures. These payments were made directly from the SPLOST Fund.

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

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

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

5. Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

<u>Governmental Activities</u>	Balance September 30 2016	Additions	Sales, Transfers, or Dispositions	Balance September 30 2017	Accumulated Depreciation September 30 2017	Book Value September 30 2017
Nondepreciable:						
Land	\$ 358,037	\$ -	\$ -	\$ 358,037	\$ -	\$ 358,037
Depreciable:						
Buildings	2,397,462	154,109	-	2,551,571	1,066,440	1,485,131
Improvements	900,662	85,571		986,233	329,081	657,152
Machinery & Equipment	944,719	8,878		953,597	841,032	112,565
Infrastructure	2,061,368			2,061,368	565,881	1,495,487
Totals	\$ 6,662,248	\$ 248,558	\$ -	\$ 6,910,806	\$ 2,802,434	\$ 4,108,372

<u>Governmental Activities</u>	Balance September 30 2016	Additions	Deletions	Balance September 30 2017
<u>Accumulated Depreciation</u>				
Buildings	\$ 1,012,323	\$ 54,117		\$ 1,066,440
Improvements	286,962	42,119		329,081
Machinery & Equipment	806,881	34,151		841,032
Infrastructure	516,685	49,196		565,881
Totals	\$ 2,622,853	\$ 179,582	\$ -	\$ 2,802,434

BUSINESS-TYPE ACTIVITIES DEPRECIATION

<u>Business-Type Activities</u>	Balance September 30 2016	Additions	Sales or Dispositions	Balance September 30 2017	Accumulated Depreciation September 30 2017	Book Value September 30 2017
Nondepreciable:						
Land	\$ 1,048,497			\$ 1,048,497	\$ -	\$ 1,048,497
Construction in Progress	813,738	426,431		1,240,170	-	1,240,170
Depreciable:						
Buildings	133,284			133,284	105,098	28,186
Improvements	11,843,208	-	-	11,843,208	6,375,593	5,467,615
Machinery & Equipment	2,207,545	44,807	-	2,252,352	1,859,648	392,704
Totals	\$ 16,046,273	\$ 471,237	\$ -	\$ 16,517,511	\$ 8,340,339	\$ 8,177,171

<u>Business-Type Activities</u>	Balance September 30 2016	Additions	Deletions	Balance September 30 2017
<u>Accumulated Depreciation</u>				
Buildings	\$ 100,608	\$ 4,490		\$ 105,098
Improvements	6,170,241	205,352	-	6,375,593
Machinery & Equipment	1,776,796	82,852	-	1,859,648
Totals	\$ 8,047,645	\$ 292,694	\$ -	\$ 8,340,339

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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	\$ 55,528
Public Safety	24,737
Public Works	79,742
Culture and Recreation	19,576
Total Depreciation Expense - Governmental Activities	<u>\$ 179,583</u>

<u>Business-Type Activities:</u>	
Water	\$ 65,407
Sewer	171,627
Solid Waste	8,918
Airport	11,112
Fire and Emergency Services	35,629
Total Depreciation Expense - Business-Type Activities	<u>\$ 292,693</u>

A summary of capital asset activity for the Downtown Development Authority Component Unit for the year ended September 30, 2017 is as follows:

<u>Governmental Activities</u>	Balance September 30 2016	Additions	Sales or Dispositions	Balance September 30 2017	Accumulated Depreciation September 30 2017	Book Value September 30 2017
Nondepreciable:						
Land	\$ 111,770	\$ -		\$ 111,770	\$ -	\$ 111,770
Depreciable:						
Buildings	324,391	-	-	324,391	97,275	227,116
Totals	<u>\$ 436,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 436,161</u>	<u>\$ 97,275</u>	<u>\$ 338,886</u>

<u>Governmental Activities</u>	Balance September 30 2016	Additions	Deletions	Balance September 30 2017
<u>Accumulated Depreciation</u>				
Buildings	\$ 86,462	\$ 10,813	\$ -	\$ 97,275
Totals	<u>\$ 86,462</u>	<u>\$ 10,813</u>	<u>\$ -</u>	<u>\$ 97,275</u>

Total depreciation expense for the Downtown Development Authority Component Unit for the year ended September 30, 2017 was \$10,813 and is reflected in the expenses in the Statement of Activities.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

6. 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 included the following:

- The maturity new date will be November, 2030.
- 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, 2017 was \$1,508,273.

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

<u>Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2023-2027	581,866	70,049	651,915
2028-2031	399,870	13,132	413,002
Total	<u><u>\$ 1,508,273</u></u>	<u><u>\$ 208,559</u></u>	<u><u>\$ 1,716,832</u></u>

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, 2017 are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Minimum Lease Payments</u>
2018	\$ 30,241	\$ 928	\$ 31,169
Total	<u><u>\$ 30,241</u></u>	<u><u>\$ 928</u></u>	<u><u>\$ 31,169</u></u>

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

6. Long-term Debt

During the year ended September 30, 2017, the following changes occurred in the liability reported in long-term debt:

<u>Governmental Activities</u>	Balance September 30 2016	Increase	Decrease	Balance September 30 2017	Amounts Due in One Year
Compensated absences	\$ 43,170	\$ 39,140	\$ 50,215	\$ 32,095	\$ 22,467
Capital Leases	59,581	-	29,340	30,241	30,241
Total	\$ 102,751	\$ 39,140	\$ 79,555	\$ 62,336	\$ 52,708
<u>Business-type activities</u>					
Compensated absences	\$ 43,286	\$ 11,978	\$ 39,206	\$ 16,058	\$ 16,058
Notes payable	1,607,414	-	99,141	1,508,273	101,141
Total	\$ 1,650,700	\$ 11,978	\$ 138,347	\$ 1,524,331	\$ 117,199

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 at September 30, 2017 follows:

Total Leased Capital Assets	\$ 118,665
Total Current Year Depreciation	\$ 19,778
Total Accumulated Depreciation	\$ 64,277

7. 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.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

7. Employees' Retirement Plans (Continued)

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, 2017, the date of the most recent actuarial valuation, there were participants respectively, consisting of the following

Retirees and beneficiaries currently receiving benefits	48
Terminated vested participants	39
Current active employees vested	<u>-</u>
Total	<u><u>87</u></u>

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 2017 and based on an actuarial valuation performed as of January 1, 2017, the City's actuarial determined contribution amount was \$79,840. The City's actual contribution, was \$86,988 for 2017, an excess of \$7,148.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

7. Employees' Retirement Plans (Continued)

Significant Issues in Valuation Year

The assumptions and methods used to value the Plan are based on the results of an actuarial experience study covering the period January 1, 2010 through June 30, 2014.

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.

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.

Current Year Changes

There were no changes in Plan provisions, methods, or assumptions in this evaluation.

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, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of January 1, 2017.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

7. Employees' Retirement Plans (Continued)

The components of the net pension liability of the Plan as of September 30, 2017 were as follows:

Total Pension Liability	\$4,615,571
Plan Fiduciary Net Position	<u>(4,092,937)</u>
Plan Net Pension Liability	<u>\$ 522,634</u>
Plan Fiduciary Net Position as a Percentage Of the Total Pension Liability	88.68%

Schedule of Changes in Net Pension Liability

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (c)
Balances at September 30, 2017	\$4,813,535	\$ 3,934,407	\$879,128
Changes for the Year:			
Service cost	-	-	-
Interest	360,679	-	360,679
Differences between expected and actual experience	(239,349)	-	(239,349)
Contributions - employer	-	60,000	(60,000)
Contributions - employee	-	-	-
Net investment income	-	427,141	(427,141)
Benefit Payments, including refund of Employee contributions	(319,294)	(319,294)	-
Administrative expense	-	(9,317)	9,317
Other	-	-	-
Balances at September 30, 2017	<u>\$4,615,571</u>	<u>\$4,092,937</u>	<u>\$522,634</u>

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

7. Employees' Retirement Plans (Continued)

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

	Net Pension Liability	Allocation
Government activities	\$297,047	57%
Business-type activities	225,587	43%
Discretely presented component Unit:		
Downtown Development Authority	-	-
Reporting entity total	\$522,634	100%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2017, 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.
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

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

7. Employees' Retirement Plans (Continued)

Normal Retirement Age:

Employees	65 with 5 years of service
Officials	65 with 10 years of service (for taking office after August 1, 1978)
Retirement Age for Inactive Vested Participants:	65

Changes in Methods and Assumptions:

There were no changes in benefit provisions in the last fiscal year

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 the 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 2017. 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, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45%	6.75%
International equity	20%	7.45%
Domestic Fixed income	20%	1.75%
Global Fixed Income	5%	3.30%
Real Estate	10%	4.55%
Cash	0%	
Total	<u>100%</u>	

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's Net Pension Liability	\$1,055,770	\$522,634	\$79,925

Pension Expense and Deferred Outflows of Resources and Deferred Inflows

The City recognized negative pension expense of \$228,852 for the year ended September 30, 2017.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

7. Employees' Retirement Plans (Continued)

At September 30, 2017, the City reported deferred outflows and deferred inflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 152,712	\$ (164,882)

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
2018	\$ 50,904	\$ 55,914
2019	50,904	55,914
2020	50,904	26,527
2021	-	26,527
	\$ 152,712	\$ 164,882

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.

8. Health Insurance Program

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.

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

8. Health Insurance Program (Continued)

In starting with fiscal year 2001, up until September 30, 2016, the City maintained an internal service fund, the Risk Management Fund (the Fund) to self-insure account for and finance the activities of its health insurance program. The Fund’s participants included 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 purchased 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 were reported when it was probable that a loss had occurred and the amount of the loss could be reasonably estimated.

Beginning October 1, 2016, the City transitioned to a fully insured Health Insurance Plan. Under the new agreement the City will no longer be liable for any claims liability other than the monthly premium owed to insurance providers. The changes in claims related to the previous arrangements for the past two years were as follows. All claims incurred in fiscal year 2017 were paid by third party insurance providers. 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:

	2017	2016
Unpaid claims, beginning of fiscal year	\$ 304,863	\$ 74,245
Claims incurred	1,248	498,421
Claim payments	(306,111)	(267,803)
Unpaid claims, end of the fiscal year	\$ -	\$ 304,863

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

9. 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, 2017 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.

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 2017, 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, 2017 was approximately \$821.

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.

10. 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.

11. 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 2017	\$ (15,939)
Required Expenditure in 2017	(6,376)
Actual Allowable Expenditures in 2017	6,376

CITY OF MONTEZUMA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

12. Deficit Net Positions

The Solid Waste Fund had a deficit in net position of \$704,298 as of September 30, 2017. During fiscal year 2015 an outside party assumed a majority of the responsibility for operations. The agreement resulted in a substantial decrease in Fund operating expenses. The Fund had a positive net income for fiscal year 2017. 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 \$154,688 as of September 30, 2017. 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.

13. Excess of Expenditures and Other Financing Uses over Appropriations

The SPLOST Fund exceeded its fiscal year 2017 budget by \$44,281. The over-expenditure resulted from the completion of projects under the 2011-2016 sales tax referendum. The completions were paid from prior accumulated sales tax proceeds.

14. 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, 2017 the City contributed \$2,242 to the Commission.

15. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through November 26, 2018, the date the financial statements were available to be issued.

CITY OF MONTEZUMA, GEORGIA
RETIREMENT PLAN
September 30, 2017
Schedule of Changes in Net Pension Liability and Related Ratios

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service Cost (BOY)	\$ -	\$ -	\$ 52,471
Interest	360,679	345,447	411,444
Changes of benefit terms		-	(864,084)
Difference between expected and actual experience	(239,349)	166,190	7,436
Changes of assumptions		-	(141,860)
Benefit payments, including refunds of member contributions	<u>(319,294)</u>	<u>(310,976)</u>	<u>(322,976)</u>
Net Change in Total Pension Liability	(197,964)	200,661	(857,569)
Total Pension Liability Beginning	<u>4,813,535</u>	<u>4,612,874</u>	<u>5,470,443</u>
Total Pension Liability Ending (a)	<u>\$ 4,615,571</u>	<u>\$ 4,813,535</u>	<u>\$ 4,612,874</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 60,000	\$ 71,000	\$ 160,593
Contributions - Employees		-	-
Net investment income	427,141	55,819	439,524
Benefit payments, including refunds of member contributions	(319,294)	(310,976)	(322,976)
Administrative expenses	(9,317)	(11,581)	(9,459)
Other		-	-
Net Change in Plan Fiduciary Net Position	158,530	(195,738)	267,682
Plan Fiduciary Net Position Beginning	<u>3,934,407</u>	<u>4,130,145</u>	<u>3,862,462</u>
Plan Fiduciary Net Position Ending (b)	<u>\$ 4,092,937</u>	<u>\$ 3,934,407</u>	<u>\$ 4,130,144</u>
Net Pension Liability Ending (a)-(b)	<u>\$ 522,634</u>	<u>\$ 879,128</u>	<u>\$ 482,730</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.68%	81.74%	89.54%
Covered Employee Payroll	-	-	-
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	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, 2017
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)
2017	\$ 79,840	\$ 86,988	\$ (7,148)	-	N/A
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, 2017, using the following actuarial assumptions
Valuation date: Actuarially determined contribution rates are calculated as of January 1, 2017

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
Officials	65 with 10 years of service (only for thoses who take office after August 1, 1978
Retirement Age for Inactive Vested Participants:	65

CITY OF MONTEZUMA, GEORGIA
RETIREMENT PLAN
September 30, 2017
Schedule of Contributions

Actuarial Assumptions (Continued)

Changes in Benefit Provisions	There were no benefit changes in the most recent actuarial valuations.
-------------------------------	--

This page intentionally left blank.

CITY OF MONTEZUMA, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2017

	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	\$ 10,687	\$ 51,818	\$ 11,798	\$ 62,946	\$ 4,170	\$ 141,419
Accounts Receivable	1,375	-	-	-	-	1,375
Interest Receivable	-	-	-	-	-	-
Due from Other Governments	-	-	-	10,229	-	10,229
Loans Receivable	-	276,903	1,880	-	-	278,783
Construction in Progress	-	-	-	-	-	-
Total Assets	<u>\$ 12,062</u>	<u>\$ 328,721</u>	<u>\$ 13,678</u>	<u>\$ 73,175</u>	<u>\$ 4,170</u>	<u>\$ 431,806</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Accounts Payable	\$ 652	\$ -	\$ -	\$ -	\$ -	\$ 652
Due to Other Funds	8,887	2,000	222	848	-	11,957
Total Liabilities	<u>9,539</u>	<u>2,000</u>	<u>222</u>	<u>848</u>	<u>-</u>	<u>12,609</u>
Fund Balances:						
Nonspendable:						
Noncurrent Loans Receivable	-	276,903	1,880	-	-	278,783
Restricted for:						
Loans	-	49,817	11,576	-	-	61,393
TSPLOST	-	-	-	72,327	-	72,327
Library Endowment	-	-	-	-	4,170	4,170
Hotel Motel	2,523	-	-	-	-	2,523
Total Fund Balances	<u>2,523</u>	<u>326,720</u>	<u>13,456</u>	<u>72,327</u>	<u>4,170</u>	<u>419,196</u>
Total Liabilities and Fund Balances	<u>\$ 12,062</u>	<u>\$ 328,720</u>	<u>\$ 13,678</u>	<u>\$ 73,175</u>	<u>\$ 4,170</u>	<u>\$ 431,805</u>

CITY OF MONTEZUMA, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue				Total Nonmajor Governmental	
	Hotel/Motel Tax	Revolving Loan Fund	Flood Revolving Loan Fund	TSPLOST Fund	Library Endowment Trust Fund	Total
REVENUES						
Taxes	\$ 15,939	\$ -	\$ -	\$ 68,266	\$ -	\$ 84,205
Investment Income	-	2,890	1,880	-	-	4,770
Miscellaneous Income	-	-	-	27	-	27
Total Revenues	<u>15,939</u>	<u>2,890</u>	<u>1,880</u>	<u>68,293</u>	<u>-</u>	<u>89,002</u>
EXPENDITURES						
Current:						
Public Works	-	-	-	-	-	-
Economic Development	6,376	1,337	-	102	-	7,815
Repairs & Maintenance - Streets	-	-	-	56,230	-	56,230
Total Expenditures	<u>6,376</u>	<u>1,337</u>	<u>-</u>	<u>56,332</u>	<u>-</u>	<u>64,045</u>
Excess of Revenues Over Expenditures	9,563	1,552	1,880	11,961	-	24,956
OTHER FINANCING SOURCES (USES)						
Transfers Out	(8,000)	-	-	(5,204)	-	(13,204)
Total Other Financing Sources (Uses)	<u>(8,000)</u>	<u>-</u>	<u>-</u>	<u>(5,204)</u>	<u>-</u>	<u>(13,204)</u>
Excess of Revenues Over Expenditures or Other Uses	1,563	1,552	1,880	6,757	-	11,752
Fund Balances - Beginning	<u>960</u>	<u>325,168</u>	<u>11,576</u>	<u>65,570</u>	<u>4,170</u>	<u>407,444</u>
Fund Balances - Ending	<u>\$ 2,523</u>	<u>\$ 326,720</u>	<u>\$ 13,456</u>	<u>\$ 72,327</u>	<u>\$ 4,170</u>	<u>\$ 419,196</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, 2017

	<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	\$ 15,000	\$ 15,939	\$ 939	\$ -	\$ -	\$ -
Investment Income	-	-	-	2,800	2,890	90
Miscellaneous	-	-	-	-	-	-
Total Revenues	<u>15,000</u>	<u>15,939</u>	<u>939</u>	<u>2,800</u>	<u>2,890</u>	<u>90</u>
<u>EXPENDITURES</u>						
Current:						
Public Works	-	-	-	-	-	-
Economic Development	6,000	6,376	376	1,500	-	(1,500)
Capital Outlay	-	-	-	-	-	-
Total Expenditures	<u>6,000</u>	<u>6,376</u>	<u>376</u>	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
Excess of Revenues Over Expenditures	9,000	9,563	563	1,300	2,890	1,590
<u>OTHER FINANCING SOURCES</u>						
Transfers Out	(8,000)	(8,000)	-	-	-	-
Total Other Financing Sources	<u>(8,000)</u>	<u>(8,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,000	1,563	563	1,300	2,890	1,590
Fund Balances - Beginning	<u>960</u>	<u>960</u>	<u>-</u>	<u>325,168</u>	<u>325,168</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,960</u>	<u>\$ 2,523</u>	<u>\$ 563</u>	<u>\$ 326,468</u>	<u>\$ 328,058</u>	<u>\$ 1,590</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, 2017

	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	\$ 68,266	\$ 3,266
Investment Income	1,170	1,880	710	-	-	-
Miscellaneous	-	-	-	-	27	27
Total Revenues	<u>1,170</u>	<u>1,880</u>	<u>710</u>	<u>65,000</u>	<u>68,293</u>	<u>3,293</u>
<u>EXPENDITURES</u>						
Current:						
Public Works	-	-	-	-	-	-
Economic Development	1,000	-	(1,000)	200	102	(98)
Repairs and Maintenance - Streets	-	-	-	55,000	56,230	1,230
Total Expenditures	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>	<u>55,200</u>	<u>56,332</u>	<u>1,132</u>
Excess of Revenues Over Expenditures	170	1,880	1,710	9,800	11,961	2,161
<u>OTHER FINANCING SOURCES</u>						
Transfers Out	-	-	-	(6,000)	(5,204)	796
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,000)</u>	<u>(5,204)</u>	<u>796</u>
Net Change in Fund Balances	170	1,880	1,710	3,800	6,757	2,957
Fund Balances - Beginning	<u>11,576</u>	<u>11,576</u>	<u>-</u>	<u>65,570</u>	<u>65,570</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 11,746</u>	<u>\$ 13,456</u>	<u>\$ 1,710</u>	<u>\$ 69,370</u>	<u>\$ 72,327</u>	<u>\$ 2,957</u>

This page intentionally left blank.

This page intentionally left blank.

**CITY OF MONTEZUMA, GEORGIA
INTERNAL SERVICE FUND
STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

ASSETS

Cash	\$ 19,133
Accounts Receivable	-
Due from Other Funds	53,065
Due from Other Governments	<u>107,873</u>
Total Assets	<u>\$ 180,071</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts and Contracts Payable	\$ -
Due to Other Funds	<u>180,071</u>
Total Liabilities	<u>180,071</u>
Net Position:	
Unrestricted	<u>-</u>
Total Net Position	<u>-</u>
Total Liabilities and Net Position	<u>\$ 180,071</u>

**CITY OF MONTEZUMA, GEORGIA
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

OPERATING REVENUES

Charges for Services	\$ 226,190
Total Operating Revenues	226,190

OPERATING EXPENSES

Insurance Claims	(29,997)
Insurance Premiums	251,230
Administration	4,957
Total Operating Expenses	226,190

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

NONOPERATING REVENUE

Interest Revenue	-
Total Nonoperating Revenue	-

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

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

Net Position - End of Year	\$ -
----------------------------	------

**CITY OF MONTEZUMA, GEORGIA
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2017**

Cash Flows from Operating Activities:

Cash Received from Governments for Services Provided	\$ 19,200
Cash Received from Other Funds for Services Provided	226,123
Cash Payments to Suppliers	<u>(226,190)</u>
Net Cash Provided by Operating Activities	<u>19,133</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	 19,133
	<u>-</u>
Cash and Equivalents at Beginning of Year	<u>-</u>
 Cash and Equivalents at End of Year	 <u>\$ 19,133</u>

Reconciliation of Operating (Loss) to Net

Cash Provided from Operating Activities:

Operating (Loss)	\$ -
Decrease in Accounts Receivable	243,212
Decrease Due from other Funds	32,748
Increase Due to other Funds	51,220
Decrease in Accounts Payable	<u>(308,047)</u>
Net Cash Provided by Operating Activities	<u>\$ 19,133</u>

SUPPLEMENTARY DATA SECTION

**CITY OF MONTEZUMA, GEORGIA
SEWER ENTERPRISE FUND - GEFA LOANS
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
SEPTEMBER 30, 2017**

GEFA Loan #3	Fiscal Year	Principal	Interest	Total Annual Requirements
	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>\$ 1,508,273</u>	<u>\$ 208,559</u>	<u>\$ 1,716,832</u>

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



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, 2017, 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 October 31, 2018.

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



Gregory D. Biggs
Certified Public Accountant

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

Page Two

principles such that there is more than a remote likelihood that a misstatement of the entity's 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 October 31, 2018.

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

October 31, 2018

**CITY OF MONTEZUMA, GEORGIA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

None reported.

**CITY OF MONTEZUMA, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

None reported.

CITY OF MONTEZUMA, GEORGIA
SCHEDULE OF PROJECTS UNDERTAKEN
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Estimated Cost	Expenditures			Estimated Percentage of Completion	
		Prior Years	Current Year	Total		
<u>From 2010 Referendum:</u>						
Water	**	\$ 146,305	\$ 37,859	\$ 184,164		
Sewer	**	1,187,229	33,854	1,221,083		
Sanitation	**	34,793	-	34,793		
General Government	**	79,373	-	79,373		
Public Buildings	**	13,606	57,350	70,956		
Police	**	179,794	-	179,794		
Public Works	**	26,781	-	26,781		
Fire	**	46,659	-	46,659		
		<u>\$ 2,188,010</u>	<u>\$ 1,714,540</u>	<u>\$ 129,063</u>	<u>\$ 1,843,603</u>	84.3%
Prior General Obligation Debt		<u>\$ 212,000</u>	<u>211,755</u>	<u>-</u>	<u>211,755</u>	100%
Totals		<u>\$ 2,400,010</u>	<u>\$ 1,926,295</u>	<u>\$ 129,063</u>	<u>\$ 2,055,358</u>	85.6%

From 2016 Referendum:

Water	**	\$ -	\$ -	\$ -		
Sewer	**	-	85,664	85,664		
Sanitation	**	-	-	-		
General Government	**	-	-	-		
Public Buildings	**	-	28,221	28,221		
Police	**	-	34,842	34,842		
Public Works	**	-	15,857	15,857		
Fire	**	-	-	-		
		<u>\$ 1,571,551</u>	<u>\$ -</u>	<u>\$ 164,584</u>	<u>\$ 164,584</u>	10.5%

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

Principal Reduction	\$ 29,340
Interest	1,829
Public Safety	3,673
Public Buildings	85,571
Public Works	15,857
Transfers Out	157,377
Total Expenditures per SPLOST Schedule	<u>\$ 293,647</u>

** Referendum does not break out dollar amount of categories

Note - This schedule presents a detail for each project allowed in the intergovernmental agreement.

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

**PROJECT COST SCHEDULE
FOR THE PERIOD ENDING SEPTEMBER 30, 2017**

<u>Program Activity</u>	<u>Activity Number</u>	<u>Budget</u>	<u>Expenditures</u>		
			<u>Prior Years</u>	<u>Current Year</u>	<u>Cumulative Expenditures</u>
Engineering - Water/Sewer Improvements	T-03J-01	35,546	-	40,500	40,500
Water Facilities	P-03J-01	394,958	-	319,737	319,737
Administration	A-21A-00	30,000	-	19,400	19,400
Contingencies	C-022-00	\$ 39,496	\$ -	\$ -	\$ -
		<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 379,637</u>	<u>\$ 379,637</u>

Accounted for in Water Fund.