CITY OF MONTEZUMA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011

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CITY OF MONTEZUMA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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BUTLER, WILLIAMS & WYCHE, LLP
CERTIFIED PUBLIC ACCOUNTANTS
915 HILL PARK
MACON, GEORGIA 31201

May 9, 2012

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Montezuma, Georgia (the "City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Montezuma, Georgia, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note I D 8 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* on October 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2012, on our consideration of the City of Montezuma, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 3 through 10) and the Schedule of Funding Progress for the Retirement Plan (on page 41) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual nonmajor fund financial statements 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 financial statements. The schedule of 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 also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules and supplementary data schedules, and the schedule of projects undertaken with special sales tax proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Butler, Williams & Hyche, LLC

Macon, GA

As the City Clerk of the City of Montezuma, I offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Montezuma for the fiscal year ended September 30, 2011.

Financial Highlights

- The net assets at the government-wide level decreased by $145 thousand; the decrease in the governmental activities was $357 thousand and the increase in the business-type activities was $212 thousand. The prior year increase in the government-wide net assets was $448 thousand.
- The assets of the City of Montezuma exceeded its liabilities at the fiscal year ended September 30, 2011 by approximately $9.44 million (net assets). Of this amount, $101 thousand (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens including the purchase of capital equipment.
- As of the close of the fiscal year 2011, Montezuma's governmental funds reported a combined ending fund balance of approximately $ 1.65 million, a decrease of approximately $243 thousand from the prior fiscal year. Approximately 39% of the total combined fund balance which approximates $1.65 million is unassigned fund balance and is therefore available for spending at the City's discretion.
- At the end of the Fiscal Year 2011, unassigned fund balance for the general fund was approximately $645 thousand or 29% of total general fund expenditures.

Overview of the Financial Statements

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

The Government-wide Financial Statements

The government-wide financial statements 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 Assets and the Statement of Activities.

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

The Statement of Activities presents information showing how the City's net assets changed during fiscal year 2011. All changes in net assets 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 expense are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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 11 through 13 of this report.

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, the 2006-2010 SPLOST Fund, and the 2011-2016 SPLOST Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these 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.

- Proprietary Funds: The City of Montezuma maintains five proprietary funds, four 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 and airport 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 Self Funded Health Insurance Program for its employees and the City of Oglethorpe.

- Fiduciary Funds: *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has one fiduciary fund: The Library Endowment Fund. The fiduciary fund financial statements can be found on pages 23 and 24 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 25 through 40 of this report.

    - Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 41 of this report.

Government-wide Financial Analysis

As noted earlier, net assets 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 by approximately $ 9.44 million at the close of the fiscal year on September 30, 2011. A significant portion of the City's net assets (93%) 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 are 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.

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

	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
ASSETS						
Current and Other Assets	$2,002,757	$1,822,964	$ (418,169)	$ (502,873)	$ 1,584,588	$1,320,091
Capital Assets (net of accumulated depreciation)	4,175,187	4,136,393	7,541,065	7,471,774	11,716,252	11,608,167
Total Assets	$6,177,944	$5,959,357	$7,122,896	$6,968,901	$13,300,840	$12,928,258
LIABILITIES						
Long Term Liabilities	$ 27,386	$ 192,284	$2,753,371	$2,567,519	$2,780,757	$2,759,803
Other Liabilities	266,827	240,055	663,852	484,132	930,679	724,187
Total Liabilities	$294,213	$432,339	$3,417,223	$3,051,651	$3,711,436	$3,483,990
NET ASSETS						
Invested in Capital Assets (net of related debt)	$4,075,691	$4,037,194	$4,471,957	$4,704,151	$8,547,648	$8,741,345
Restricted for Loans and Capital Improvements	715,383	601,758	-	-	715,383	601,758
Unrestricted	1,092,657	888,066	(766,284)	(786,901)	326,373	101,165
Total Net Assets	$5,883,731	5,527,018	$3,705,673	$3,917,250	$9,589,404	$9,444,268

A portion of the City's net assets (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, approximately $101 thousand, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of fiscal year 2011, the City is reporting positive balances, in all three categories of net assets, in the governmental activities section. The same situation held true in the prior fiscal year.

The City's net assets decreased by approximately $145 thousand during fiscal year 2011 as discussed below.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
Revenues:						
Program Revenues:						
Charges for Services	$ 134,673	$ 197,697	$ 1,826,710	$ 1,817,123	$ 1,961,383	$ 2,014,820
Operating Grants	61,843	20,424	-	-	61,843	20,424
Capital Grants	476,694	-	41,807	106,113	518,501	106,113
General:						
Taxes	2,075,760	2,280,913	-	-	2,075,760	2,280,913
Other	12,393	16,675	125	49	12,518	16,724
Total Revenues	2,761,363	2,515,709	1,868,642	1,923,285	4,630,005	4,438,994
Expenses:						
General government	515,312	556,626	-	-	515,312	556,626
Judicial	37,504	36,863	-	-	37,504	36,863
Public Safety	1,091,116	1,155,759	-	-	1,091,116	1,155,759
Public Works	496,382	488,936	-	-	496,382	488,936
Health & Welfare	7,533	6,798	-	-	7,533	6,798
Culture & Recreation	186,944	214,831	-	-	186,944	214,831
Housing & Development	16,919	13,828	-	-	16,919	13,828
Economic Development	68,975	108,196	-	-	68,975	108,196
Interest on Long-Term Debt	7,066	3,352	-	-	7,066	3,352
Water	-	-	445,628	470,351	445,628	470,351
Sewer	-	-	807,485	927,159	807,485	927,159
Solid Waste	-	-	483,397	519,672	483,397	519,672
Airport	-	-	17,421	81,759	17,421	81,759
Total Expenses	2,427,751	2,585,189	1,753,931	1,998,941	4,181,682	4,584,130
Excess (Deficiency)	333,612	(69,480)	114,711	(75,656)	448,323	(145,136)
Transfers	(135,284)	(575,838)	135,284	575,838	-	-
Indirect Cost Allocation	308,200	288,605	(308,200)	(288,605)	-	-
Change in Net Assets	506,528	(356,713)	(58,205)	211,577	448,323	(145,136)
Beginning Net Assets	5,377,203	5,883,731	3,763,878	3,705,673	9,141,081	9,589,404
Ending Net Assets	$ 5,883,731	$ 5,527,018	$ 3,705,673	$ 3,917,250	$ 9,589,404	$ 9,444,268

Governmental activities. Governmental activities decreased the City's net assets by approximately $357 thousand. The two SPLOST funds transferred $576 thousand to the business-type funds; had these transfers not been made, the

governmental activities would have reflected an increase in net assets of approximately $219 thousand. The new SPLOST fund began recognizing tax revenue in the fall of 2010.

Business-type activities. Business –type activities increased the City's net assets by approximately $212 thousand (including the $576 thousand transfers from the SPLOST funds); the business-type activities would have yielded a decrease in net assets of approximately $364 thousand had the SPLOST transfers not been made.

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, *unreserved fund balance* may serve as a useful measure of the City's net resources available for spending the fiscal year end.

As of the end of the fiscal year 2011, the City's governmental funds reported combined ending fund balances of approximately $1.6 million or a decrease of approximately $243 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 2011, unassigned fund balance of the General Fund was $645 thousand and the total fund balance was approximately $1.04 million. Unassigned fund balance represents approximately 29% of total General Fund expenditures.

The fund balance of the City's General Fund increased by $4 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 assets of the Water fund, Sewer Fund, Solid Waste Fund and Airport Fund at the end of fiscal year 2011 amounted to a deficit of approximately $787 thousand. The increase in net assets for the combined enterprise funds totaled $212 thousand for the present fiscal year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amounted to a decrease in appropriations of approximately $22 thousand. No particular department had a significant increase in its budget from the original to the final budget.

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, 2011, amounts to approximately $11.6 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 $203 thousand and total enterprise depreciation expense was $401 thousand.

Long term debt: At the end of the current fiscal year, the City had total debt payable to Georgia Environmental Facilities Authority of approximately $2.67 million.

Net pension obligation, which represents the underfunding of the annually required contributions to the defined benefit plan, totaled $143 thousand.

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

Economic Factors and Next Year's Budget

The unemployment rate remains high in the State of Georgia and the State's fiscal challenges means that the City can expect it to be more difficult to obtain state assistance. Nevertheless, the City did receive approval of a $500 thousand CDBG grant for sewer improvements; most of these funds will be recognized in fiscal year 2012.

Mayor and Council approved a millage rate of 12.0 mills for the 2011 tax digest which was collected mainly in the fall of 2011.

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.

BASIC FINANCIAL STATEMENTS

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CITY OF MONTEZUMA, GEORGIA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Development Authority
ASSETS				
Cash and Cash Equivalents	$ 238,467	$ 63,330	$ 301,797	$ 12,439
Accounts Receivable (net)	15,222	274,684	289,906	-
Interest Receivable	7,702	-	7,702	-
Taxes Receivable (net)	10,105	-	10,105	-
Loans Receivable (net)	335,314	-	335,314	-
Internal Balances	860,347	(860,347)	-	-
Intergovernmental Receivable	355,807	-	355,807	-
Restricted Assets:				
Cash	-	3,388	3,388	-
Unamortized Debt Issue Costs	-	16,072	16,072	-
Capital Assets (not subject to depreciation)	301,337	1,093,868	1,395,205	111,770
Capital Assets (net of accumulated depreciation)	3,835,056	6,377,906	10,212,962	291,994
Total Assets	5,959,357	6,968,901	12,928,258	416,203
LIABILITIES				
Accounts Payable	123,274	58,310	181,584	-
Accrued Interest Payable	1,765	8,862	10,627	-
Accrued Wages Payable and Payroll Taxes	28,945	2,123	31,068	-
Accrued Compensated Absences	53,993	34,891	88,884	-
Customer Deposits	-	83,641	83,641	600
Capital Leases Payable	32,078	33,353	65,431	-
Notes Payable	-	262,952	262,952	-
Noncurrent Liabilities, due in one year or more:				
Net Pension Obligation	102,024	40,746	142,770	-
Accrued Compensated Absences	23,139	-	23,139	-
Capital Leases Payable	67,121	120,329	187,450	-
Notes Payable	-	2,406,444	2,406,444	-
Total Liabilities	432,339	3,051,651	3,483,990	600
NET ASSETS				
Invested in Capital Assets (net of related debt)	4,037,194	4,704,151	8,741,345	403,764
Restricted for:				
Capital Projects	98,959	-	98,959	-
Loans	501,520	-	501,520	-
Other	1,279	-	1,279	-
Unrestricted	888,066	(786,901)	101,165	11,839
Total Net Assets	$ 5,527,018	$ 3,917,250	$ 9,444,268	$ 415,603

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, 2011

FUNCTIONS/PROGRAMS	Expenses	Indirect Expense Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	$ 556,626	$ (288,605)	$ 83,118	$ 17,202	$ -
Judicial	36,863	-	-	-	-
Public Safety	1,155,759	-	114,434	367	-
Public Works	488,936	-	-	-	-
Health and Welfare	6,798	-	-	-	-
Culture and Recreation	214,831	-	145	1,855	-
Housing and Development	13,828	-	-	-	-
Economic Development	108,196	-	-	1,000	-
Interest on Long-Term Debt	3,352	-	-	-	-
Total Governmental Activities	2,585,189	(288,605)	197,697	20,424	-
Business-type Activities:					
Water	470,351	96,202	628,117	-	-
Sewer	927,159	96,202	754,113	-	106,113
Solid Waste	519,672	96,201	424,633	-	-
Airport	81,759	-	10,260	-	-
Total Business-type Activities	1,998,941	288,605	1,817,123	-	106,113
Total Primary Government	$ 4,584,130	$ -	$ 2,014,820	$ 20,424	$ 106,113
Component Unit:					
Development Authority	22,291	-	3,486	1,055	-
Total Component Unit	$ 22,291	$ -	$ 3,486	$ 1,055	$ -
General Revenues:					
Property Taxes					
Sales Tax					
Franchise Tax					
Insurance Premium Tax					
Alcoholic Beverage Tax					
Hotel/Motel Taxes					
Other Taxes					
Unrestricted Investment Earnings					
Gain on Sale of Capital Assets					
Transfers					
Total General Revenues and Transfers					
Changes in Net Assets					
Net Assets - Beginning					
Net Assets - 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
$ (167,701)	$ -	$ (167,701)	
(36,863)	-	(36,863)	
(1,040,958)	-	(1,040,958)	
(488,936)	-	(488,936)	
(6,798)	-	(6,798)	
(212,831)	-	(212,831)	
(13,828)	-	(13,828)	
(107,196)	-	(107,196)	
(3,352)	-	(3,352)	
(2,078,463)	-	(2,078,463)	
-	61,564	61,564	
-	(163,135)	(163,135)	
-	(191,240)	(191,240)	
-	(71,499)	(71,499)	
-	(364,310)	(364,310)	
(2,078,463)	(364,310)	(2,442,773)	
-	-	-	$ (17,750)
-	-	-	(17,750)
766,236	-	766,236	-
934,428	-	934,428	-
272,509	-	272,509	-
215,273	-	215,273	-
61,864	-	61,864	-
13,114	-	13,114	-
17,489	-	17,489	-
622	49	671	(1)
16,053	-	16,053	-
(575,838)	575,838	-	-
1,721,750	575,887	2,297,637	(1)
(356,713)	211,577	(145,136)	(17,751)
5,883,731	3,705,673	9,589,404	433,354
$ 5,527,018	$ 3,917,250	$ 9,444,268	$ 415,603

CITY OF MONTEZUMA, GEORGIA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2011

	General Fund	2006-2010 SPLOST Fund	2011-2016 SPLOST Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 41,674	$ 3,261	$ 32,728	$ 160,767	$ 238,430
Taxes Receivable (net)	10,105	-	-	-	10,105
Accounts Receivable (net)	3,141	-	-	1,238	4,379
Interest Receivable	-	-	-	7,702	7,702
Loans Receivable (net)	-	-	-	335,314	335,314
Due from Other Funds	925,929	-	-	-	925,929
Due from Other Governments	82,700	-	88,601	-	171,301
Advances to Other Funds	398,733	-	-	-	398,733
Total Assets	$ 1,462,282	$ 3,261	$ 121,329	$ 505,021	$ 2,091,893
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and Contracts Payable	$ 71,707	$ -	$ -	$ -	$ 71,707
Accrued Wages and Payroll Taxes Payable	28,945	-	-	-	28,945
Due to Other Funds	317,698	-	-	2,222	319,920
Escrowed Funds	576	-	-	-	576
Deferred Revenues	-	-	25,631	-	25,631
Total Liabilities	418,926	-	25,631	2,222	446,779
Fund Balances:					
Nonspendable:					
Advances to Other Funds	398,733	-	-	-	398,733
Noncurrent Loans Receivable	-	-	-	335,314	335,314
Restricted for:					
Capital Projects	-	3,261	95,698	-	98,959
Loans	-	-	-	166,206	166,206
Other	-	-	-	1,279	1,279
Unassigned	644,623	-	-	-	644,623
Total Fund Balances	1,043,356	3,261	95,698	502,799	1,645,114
Total Liabilities and Fund Balances	$ 1,462,282	$ 3,261	$ 121,329	$ 505,021	$ 2,091,893

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, 2011

Total Fund Balances for Governmental Funds	$	1,645,114
Total Net Assets 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.		4,136,393
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund-level statements.		25,631
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	$	(99,199)
Accrued Interest on Capital Leases		(1,765)
Net Pension Obligation		(102,024)
Compensated Absences		(77,132)
Total Net Assets of Governmental Activities	$	5,527,018

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, 2011

	General Fund	2006-2010 SPLOST Fund	2011-2016 SPLOST Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 1,728,887	$ -	$ -	$ 13,113	$ 1,742,000
Licenses and Permits	33,699	-	-	-	33,699
Intergovernmental	57,839	-	513,283	-	571,122
Charges for Services	313,187	-	-	-	313,187
Fines and Forfeitures	66,207	-	-	-	66,207
Investment Income	239	166	50	10,695	11,150
Miscellaneous	25,647	-	-	-	25,647
Total Revenues	2,225,705	166	513,333	23,808	2,763,012
EXPENDITURES					
Current:					
General Government	483,820	-	-	-	483,820
Judicial	36,615	-	-	-	36,615
Public Safety	1,056,865	-	-	-	1,056,865
Public Works	402,085	-	-	-	402,085
Health and Welfare	6,798	-	-	-	6,798
Culture and Recreation	191,772	-	-	-	191,772
Housing and Development	13,828	-	-	-	13,828
Economic Development	53,757	-	-	53,280	107,037
Debt Service:					
Principal Reduction	-	99,495	-	-	99,495
Interest	-	3,684	-	-	3,684
Capital Outlay:					
General Government	-	-	20,103	-	20,103
Public Safety	-	6,750	99,198	-	105,948
Public Works	-	16,568	-	-	16,568
Total Expenditures	2,245,540	126,497	119,301	53,280	2,544,618
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,835)	(126,331)	394,032	(29,472)	218,394
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	15,674	-	-	-	15,674
Proceeds from Capital Lease	-	-	99,198	-	99,198
Transfers In	7,700	-	-	-	7,700
Transfers Out	-	(178,306)	(397,532)	(7,700)	(583,538)
Total Other Financing Sources (Uses)	23,374	(178,306)	(298,334)	(7,700)	(460,966)
Net Change in Fund Balances	3,539	(304,637)	95,698	(37,172)	(242,572)
Fund Balances - Beginning of Year	1,039,817	307,898	-	539,971	1,887,686
Fund Balances - End of Year	$ 1,043,356	$ 3,261	$ 95,698	$ 502,799	$ 1,645,114

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, 2011

Net Change in Fund Balance - Total Governmental Funds	$	(242,572)
Total Change in Net Assets 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		(203,103)
Capital Outlay		164,309
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Fiscal Year 2011 Deferred Revenues Ending Balance		25,631
Fiscal Year 2010 Deferred Revenues Ending Balance		-
Net pension obligation was recognized as an expense in the Statement of Activities. These expenses were not recognized in the governmental funds.		(102,024)
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 assets.		
Principal Payments		99,495
Capital Leases		(99,198)
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		330
Compensated Absences		419
Change in Net Assets of Governmental Activities	$	(356,713)

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, 2011

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Taxes	$ 1,712,769	$ 1,712,769	$ 1,728,887	$ (16,118)
Licenses and Permits	19,063	19,063	33,699	(14,636)
Intergovernmental	57,637	57,637	57,839	(202)
Charges for Services	332,788	332,788	313,187	19,601
Fines and Forfeitures	78,900	78,900	66,207	12,693
Investment Income	-	-	239	(239)
Miscellaneous	3,435	3,435	25,647	(22,212)
Total Revenues	2,204,592	2,204,592	2,225,705	(21,113)
EXPENDITURES				
Current:				
General Government:				
Mayor and Council	56,564	53,000	52,604	(396)
Board of Elections	2,200	2,200	2,143	(57)
Administration	336,485	358,000	356,906	(1,094)
Public Buildings	59,000	73,000	72,167	(833)
Total General Government	454,249	486,200	483,820	(2,380)
Judicial:				
Municipal Court	34,228	37,000	36,615	(385)
Total Judicial	34,228	37,000	36,615	(385)
Public Safety:				
Police	767,741	684,126	683,758	(368)
Fire	332,891	354,702	354,609	(93)
Animal Control	12,090	12,600	12,528	(72)
Flood Control	11,883	6,883	5,970	(913)
Total Public Safety	1,124,605	1,058,311	1,056,865	(1,446)
Public Works:				
Streets	302,031	283,000	281,482	(1,518)
Stormwater Collection and Disposal	-	10,000	8,547	(1,453)
Cemetery	112,743	112,743	112,056	(687)
Total Public Works	414,774	405,743	402,085	(3,658)
Health and Welfare:				
Mosquito Control	15,003	7,000	6,798	(202)
Total Health and Welfare	15,003	7,000	6,798	(202)

(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, 2011

	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)
EXPENDITURES (Continued):				
Current (Continued):				
Culture and Recreation:				
Parks	44,224	47,000	46,203	(797)
Library	133,618	147,000	145,569	(1,431)
Total Culture and Recreation	177,842	194,000	191,772	(2,228)
Housing and Development:				
Building Inspection	9,700	13,700	13,203	(497)
Planning and Zoning	800	500	500	-
Code Enforcement	-	125	125	-
Total Housing and Development	10,500	14,325	13,828	(497)
Economic Development:				
Total Economic Development	48,865	55,000	53,757	(1,243)
Total Expenditures	2,280,066	2,257,579	2,245,540	(12,039)
(Deficiency) of Revenues (Under) Expenditures	(75,474)	(52,987)	(19,835)	33,152
OTHER FINANCING SOURCES				
Sales of Capital Assets	95,759	95,759	15,674	(80,085)
Transfers In	9,500	9,500	7,700	(1,800)
Total Other Financing Sources	105,259	105,259	23,374	(81,885)
Net Change in Fund Balance	29,785	52,272	3,539	(48,733)
Fund Balance - Beginning of Year	1,039,817	1,039,817	1,039,817	-
Fund Balance - End of Year	$ 1,069,602	$ 1,092,089	$ 1,043,356	$ (48,733)

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

CITY OF MONTEZUMA, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

ASSETS	**Water Fund**	**Sewer Fund**	**Solid Waste Fund**	**Airport Fund**	**Total Enterprise Funds**	**Internal Service Fund**
Current Assets:						
Cash and Cash Equivalents	$ 4,514	$ 52,920	$ 2,382	$ 3,514	$ 63,330	$ 37
Accounts Receivable (net)	102,255	103,065	69,364	-	274,684	10,840
Due from Other Funds	488,731	-	-	-	488,731	50,840
Intergovernmental Receivable	-	-	-	-	-	184,507
Restricted Assets:						
Cash	3,388	-	-	-	3,388	-
Total Current Assets	598,888	155,985	71,746	3,514	830,133	246,224
Long-term Assets:						
Capital Assets not subject to depreciation	1,707	822,087	-	270,074	1,093,868	-
Property, Plant & Equipment (net)	741,640	4,982,860	366,321	287,085	6,377,906	-
Unamortized Loan Issue Costs	-	16,072	-	-	16,072	-
Total Assets	$ 1,342,235	$ 5,977,004	$ 438,067	$ 560,673	$ 8,317,979	$ 246,224
LIABILITIES						
Current Liabilities:						
Accounts and Contracts Payable	$ 16,346	$ 18,044	$ 21,924	$ 1,996	$ 58,310	$ 50,990
Accrued Interest	1,733	7,129	-	-	8,862	-
Accrued Wages and Payroll Taxes	574	702	847	-	2,123	-
Compensated Absences Payable	14,579	15,468	4,844	-	34,891	-
Due to Other Funds	16,156	511,169	252,249	170,771	950,345	195,234
Notes Payable	-	262,952	-	-	262,952	-
Capital Leases Payable	10,360	22,993	-	-	33,353	-
Total Current Liabilities	59,748	838,457	279,864	172,767	1,350,836	246,224
Long-term Liabilities:						
Advance from Other Funds	-	-	398,733	-	398,733	-
Net Pension Obligation	14,019	17,578	9,149	-	40,746	-
Notes Payable	-	2,406,444	-	-	2,406,444	-
Capital Leases Payable	45,095	75,234	-	-	120,329	-
Payable from Restricted Assets:						
Customer Deposits	83,641	-	-	-	83,641	-
Total Liabilities	202,503	3,337,713	687,746	172,767	4,400,729	246,224
NET ASSETS						
Invested in Capital Assets (net of related debt)	743,347	3,037,324	366,321	557,159	4,704,151	-
Unrestricted	396,385	(398,033)	(616,000)	(169,253)	(786,901)	-
Total Net Assets	1,139,732	2,639,291	(249,679)	387,906	3,917,250	-
Total Liabilities and Net Assets	$ 1,342,235	$ 5,977,004	$ 438,067	$ 560,673	$ 8,317,979	$ 246,224

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 ASSETS
SEPTEMBER 30, 2011

	Water Fund	Sewer Fund	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES						
Metered Sales	$ 594,366	$ -	$ -	$ -	$ 594,366	$ -
Charges for Services	11,674	753,707	423,640	10,260	1,199,281	432,873
Total Operating Revenues	606,040	753,707	423,640	10,260	1,793,647	432,873
OPERATING EXPENSES						
Personal Services	293,543	252,840	289,415	-	835,798	-
Purchased / Contracted Services	128,914	150,609	172,551	67,157	519,231	432,875
Supplies	41,655	78,801	71,587	2,172	194,215	-
Heat, Light and Power	57,792	196,762	-	1,318	255,872	-
Depreciation	42,916	267,390	79,467	11,112	400,885	-
Total Operating Expenses	564,820	946,402	613,020	81,759	2,206,001	432,875
Operating Income (Loss)	41,220	(192,695)	(189,380)	(71,499)	(412,354)	(2)
NONOPERATING REVENUES (EXPENSES)						
Interest Revenues	19	28	1	1	49	2
Miscellaneous Revenue	22,077	406	993	-	23,476	-
Interest Expense	(1,733)	(72,855)	(2,853)	-	(77,441)	-
Amortization of Bond Issue Costs	-	(4,104)	-	-	(4,104)	-
Total Nonoperating Revenues	20,363	(76,525)	(1,859)	1	(58,020)	2
Income before Contributions and and Transfers	61,583	(269,220)	(191,239)	(71,498)	(470,374)	-
Capital Contributions	-	106,113	-	-	106,113	-
Transfers In	12,380	399,699	163,759	-	575,838	-
Changes in Net Assets	73,963	236,592	(27,480)	(71,498)	211,577	-
Net Assets - Beginning	1,065,769	2,402,699	(222,199)	459,404	3,705,673	-
Net Assets - Ending	$ 1,139,732	$ 2,639,291	$ (249,679)	$ 387,906	$ 3,917,250	$ -

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

CITY OF MONTEZUMA, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2011

	Water Fund	Sewer Fund	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Internal Service Fund
Cash Flows from Operating Activities:						
Cash Received from Customers	$ 659,061	$ 852,298	$ 481,009	$ 10,258	$ 2,002,626	$ 65,985
Cash Received from Interfund and Outside Services Provided	-	-	-	-	-	289,094
Cash Payments for Interfund Services Used	(48,288)	(48,288)	(48,288)	-	(144,864)	-
Cash Payments to Suppliers	(218,634)	(428,520)	(230,443)	(68,755)	(946,352)	(355,491)
Cash Payments to Employees	(279,655)	(252,620)	(289,189)	-	(821,464)	-
Cash Deposits received from Customers	805	-	-	-	805	-
Net Cash Provided by (Required for) Operating Activities	113,289	122,870	(86,911)	(58,497)	90,751	(412)
Cash Flows from Noncapital Financing Activities:						
Interfund Balances	(109,320)	(16,851)	86,724	78,508	39,061	-
Net Cash provided by (Required for) Noncapital and Related Financing Activities	(109,320)	(16,851)	86,724	78,508	39,061	-
Cash Flows from Capital and Related Financing Activities:						
Acquisition of Capital Assets	(31,150)	(100,762)	(15,312)	(30,686)	(177,910)	-
Principal and Interest Paid on Notes	-	(519,773)	-	-	(519,773)	-
Proceeds from Insurance	10,000	-	-	-	10,000	-
Principal and Interest Paid on Capital Leases	(1,733)	-	(148,447)	-	(150,180)	-
Transfers from SPLOST	12,380	399,699	163,759	-	575,838	-
Capital Grants	-	106,113	-	-	106,113	-
Net Cash Flows (Required for) Capital and Related Financing Activities	(10,503)	(114,723)	-	(30,686)	(155,912)	-
Cash Flows from Investing Activities:						
Other Income	12,077	406	993	-	13,476	-
Interest on Investments	19	28	1	1	49	2
Net Cash Provided by Investing Activities	12,096	434	994	1	13,525	2
Net Increase (Decrease) in Cash and Cash Equivalents	5,562	(8,270)	807	(10,674)	(12,575)	(410)
Cash and Equivalents at Beginning of Year	2,340	61,190	1,575	14,188	79,293	447
Cash and Equivalents at End of Year	$ 7,902	$ 52,920	$ 2,382	$ 3,514	$ 66,718	$ 37
Reconciliation of Operating Income (Loss) to Net Cash Provided from Operating Activities:						
Operating Income (Loss)	$ 41,220	$ (192,695)	$ (189,380)	$ (71,499)	$ (412,354)	$ (2)
Adjustments to Reconcile Operating (Loss) to Net Cash (Required for) Operating Activities:						
Depreciation and Amortization	42,916	267,390	79,467	11,112	400,885	-
(Increase) Decrease in Accounts Receivable	(318)	13,460	(565)	-	12,577	(6,260)
(Increase) Decrease in Intergovernmental Receivable	-	16,386	-	-	16,386	-
(Increase) in Due from Other Funds	-	-	-	-	-	2,960
Decrease in Due from Other Governments	-	-	-	-	-	(28,707)
Increase (Decrease) in Accounts Payable	9,731	(2,347)	13,696	1,890	22,970	23,804
Increase (Decrease) in Interest Payable	1,733	-	-	-	1,733	-
Increase (Decrease) in Wages Payable	(131)	221	228	-	318	-
Increase (Decrease) in Annual Leave	3,314	2,877	494	-	6,685	-
Increase (Decrease) in Due to Other Funds	-	-	-	-	-	7,793
Increase (Decrease) in Net Pension Obligation	14,019	17,578	9,149	-	40,746	
Increase in Customer Deposits	805	-	-	-	805	-
Net Cash Provided by (Required for) Operating Activities:	$ 113,289	$ 122,870	$ (86,911)	$ (58,497)	$ 90,751	$ (412)
Noncash capital and financing activities:						
Purchase of equipment with capital lease	$ 55,455	$ 98,227	$ -	$ -	$ 153,682	$ -

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

CITY OF MONTEZUMA, GEORGIA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2011

	Library Endowment Trust Fund
ASSETS	
Cash and Cash Equivalents	$ 4,170
Total Assets	$ 4,170
LIABILITIES	
Accounts Payable	-
Total Liabilities	-
Total Net Assets	$ 4,170

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

CITY OF MONTEZUMA, GEORGIA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
SEPTEMBER 30, 2011

	Library Endowment Trust Fund
ADDITIONS	
Interest Revenue	$ 1
Total Additions	1
DEDUCTIONS	
Expenses	-
Total Deductions	-
Change in Net Assets	1
Net Assets, Beginning of Year	4,169
Net Assets, End of Year	$ 4,170

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

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements. 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 operates 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 Assets, 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 Assets 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 and fiduciary 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 Assets, 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 as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets (net of related debt), restricted net assets, and unrestricted net assets.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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 three categories of funds: governmental, proprietary, and fiduciary. 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 2006-2010 SPLOST Fund is used to account for the cost of acquiring capital equipment which is financed with proceeds from a special one percent sales tax.

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

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The City has five proprietary funds: the Water Enterprise Fund, Sewer Enterprise Fund, Solid Waste Enterprise Fund, Airport Enterprise Fund, and an Internal Service Fund. The Water, Sewer, Solid Waste, and Airport funds are reported 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.

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 Internal Service Fund is used to provide health benefits to the employees of both the City of Montezuma and the City of Oglethorpe, Georgia.

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.

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governmental units, and/or other funds. The City has one Fiduciary Fund, the Library Endowment Trust Fund. This fund was established to account for financial resources provided by gifts from private donors in support of the Montezuma Public Library. The principal of these gifts are to be maintained intact and invested. Investment earnings are remitted to the operating fund of the Montezuma Public Library.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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

The City uses the following governmental fund types:

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

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

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

Proprietary Funds.

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, 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. 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.

Fiduciary Funds.

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include nonexpendable trust and agency funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. Fiduciary funds are custodial in nature and do not involve measurement of results of operation. Fiduciary funds are accounted for on the accrual basis.

C. Basis of Accounting

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

Revenues – Exchange Transactions.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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/Unearned Revenue.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable but not available) rather than as revenue. Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue. Deferred revenue is reclassified as "*unearned revenue*" on the government-wide statement of net assets.

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, 2010. The tax bills were mailed on October 20, 2010. The billings are considered past due as of December 21, 2010, at which time the applicable property is subject to lien, and penalties and interest are assessed. The tax levy was set at 12.00 mils on September 30, 2010.

   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.

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, 2011 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:

Asset Type	Useful Lives
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.

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, proprietary, and fiduciary 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:

	Hours Per Pay Period
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 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

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 assets."

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 as passed by Mayor and Council.

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 assets 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 assets - Net assets represents the difference between total assets and total liabilities. Net assets invested in capital assets, net of related debt, 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. This net asset amount is also adjusted by any bond issuance deferral amounts. Net assets are 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. All other net assets are 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.

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 legally 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 by June 1.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

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.

C. Budgets and Budgetary Accounting

The following department had expenditures in excess of budget for the year of:

Revolving Loan Special Revenue Fund - Economic Development $46,068

III. DETAILED NOTES ON ALL FUNDS

1. Cash and Cash Equivalents and Investments

The bank balances of deposits as of September 30, 2011, 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, 2011, 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, 2011, the City had no investments.

2. Receivables

Receivables at September 30, 2011, consist of the following:

	General Fund	Other Governmental Funds	Water Fund	Sewer Fund	Solid Waste Fund	Internal Service Fund
Accounts Receivable	$ 3,141	$ 1,238	$ 133,150	$ 147,665	$ 103,137	$ 10,840
Interest Receivable	-	7,702	-	-	-	-
Taxes Receivable	132,188	-	-	-	-	-
Loans Receivable	-	335,314	-	-	-	-
Gross Total Receivables	135,329	344,254	133,150	147,665	103,137	10,840
Less: Allowance for Uncollectibles	(122,083)	-	(30,895)	(44,600)	(33,773)	-
Net Total Receivables	$ 13,246	$ 344,254	$ 102,255	$ 103,065	$ 69,364	$ 10,840

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.

III. DETAILED NOTES ON ALL FUNDS (Continued)

3. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2011, is as follows:

Receivable Fund	Payable Fund	Amount	Expected to be Repaid in Subsequent Year
General Fund	Flood Revolving Loan Fund	$ 222	Yes
General Fund	Sewer Fund	333,767	No
General Fund	Revolving Loan Fund	2,000	Yes
General Fund	Solid Waste Fund	236,934	No
General Fund	Airport Fund	157,771	No
General Fund	Self Insurance Fund	195,235	No
Water Fund	General Fund	317,697	No
Water Fund	Sewer Fund	158,034	No
Water Fund	Airport Fund	13,000	Yes
Internal Service Fund	Water Fund	16,154	Yes
Internal Service Fund	Sewer Fund	19,369	Yes
Internal Service Fund	Solid Waste Fund	15,317	Yes
Total		$ 1,465,500	

The purpose of these interfund balances reflect short-term financing of cash disbursements made through the General Fund on behalf of another fund. Similarly, the interfund balances for the Water Fund reflect financing of cash disbursements made through the Water Fund on behalf of other funds. 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 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, 2011 is $398,733. None of this balance is expected to be collected in the subsequent year.

Transfers In	Transfers Out	Amount
General Fund	Hotel / Motel Tax Fund	$ 7,700
Water Fund	2006-2010 SPLOST Fund	12,380
Sewer Fund	2006-2010 SPLOST Fund	2,167
Sewer Fund	2011-2016 SPLOST Fund	397,532
Solid Waste Fund	2006-2010 SPLOST Fund	163,759
		$ 583,538

Transfers are used to move excess financial resources from the Hotel/Motel Tax Fund to the General Fund. The 2006-2010 SPLOST and the 2011-2016 SPLOST paid certain Water Fund, Sewer Fund and Solid Waste capital outlay expenditures; these payments are made directly out of the SPLOST funds to the vendors.

III. DETAILED NOTES ON ALL FUNDS (Continued)

4. Enterprise Fund Deficit

The Solid Waste Fund had a deficit in net assets of $249,679 at September 30, 2011. The City anticipates that this deficit will be eliminated in future years through the expansion of services and anticipated rate increases.

5. Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

Governmental Activities	Balance 9/30/2010	Additions	Sales or Dispositions	Balance 9/30/2011	Accumulated Depreciation 9/30/2011	Book Value 9/30/2011
Nondepreciable:						
Land	$ 301,337	$ -	$ -	$ 301,337	$ -	$ 301,337
Construction in Progress	476,694	-	476,694	-	-	-
Depreciable:						
Buildings	2,157,513	-	-	2,157,513	850,462	1,307,051
Improvements	178,144	486,584	-	664,728	108,545	556,183
Machinery & Equipment	1,315,673	154,419	138,461	1,331,631	849,827	481,804
Infrastructure	1,769,605	-	-	1,769,605	279,587	1,490,018
Totals	$ 6,198,966	$ 641,003	$ 615,155	$ 6,224,814	$ 2,088,421	$ 4,136,393

Governmental Activities Accumulated Depreciation	Balance 9/30/2010	Additions	Deletions	Balance 9/30/2011
Buildings	$ 807,312	$ 43,150	$ -	$ 850,462
Improvements	88,496	20,049	-	108,545
Machinery & Equipment	892,623	95,665	138,461	849,827
Infrastructure	235,348	44,239	-	279,587
Totals	$ 2,023,779	$ 203,103	$ 138,461	$ 2,088,421

Business-Type Activities	Balance 9/30/2010	Additions	Sales or Dispositions	Balance 9/30/2011	Accumulated Depreciation 9/30/2011	Book Value 9/30/2011
Nondepreciable:						
Land	$ 988,149	$ 30,687	$ -	$ 1,018,836	$ -	$ 1,018,836
Construction in Progress	72,338	19,080	16,386	75,032	-	75,032
Depreciable:						
Buildings	14,553	-	-	14,553	10,329	4,224
Improvements	10,577,196	106,839	-	10,684,035	4,988,363	5,695,672
Machinery & Equipment	1,918,427	191,375	9,500	2,100,302	1,422,292	678,010
Totals	$ 13,570,663	$ 347,981	$ 25,886	$ 13,892,758	$ 6,420,984	$ 7,471,774

Business-Type Activities Accumulated Depreciation	Balance 9/30/2010	Additions	Deletions	Balance 9/30/2011
Buildings	$ 9,753	$ 576	$ -	$ 10,329
Improvements	4,726,183	262,180	-	4,988,363
Machinery & Equipment	1,293,663	138,129	9,500	1,422,292
Totals	$ 6,029,599	$ 400,885	$ 9,500	$ 6,420,984

III. DETAILED NOTES ON ALL FUNDS (Continued)

5. Capital Assets (Continued)

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

Governmental Activities:	
General Government	$ 43,579
Public Safety	69,412
Public Works	80,099
Culture and Recreation	10,013
Total Depreciation Expense - Governmental Activities	$ 203,103
Business-Type Activities:	
Water	$ 42,916
Sewer	267,390
Solid Waste	79,467
Airport	11,112
Total Depreciation Expense - Business-Type Activities	$ 400,885

A summary of capital asset activity for the Downtown Development Authority Component Unit for the year ended September 30, 2011 is as follows:

Governmental Activities	Balance 9/30/2010	Additions	Sales or Dispositions	Balance 9/30/2011	Accumulated Depreciation 9/30/2011	Book Value 9/30/2011
Nondepreciable:						
Land	$ 111,770	$ -	$ -	$ 111,770	$ -	$ 111,770
Depreciable:						
Buildings	324,391	-	-	324,391	32,397	291,994
Totals	$ 436,161	$ -	$ -	$ 436,161	$ 32,397	$ 403,764

Governmental Activities Accumulated Depreciation	Balance 9/30/2010	Additions	Deletions	Balance 9/30/2011
Buildings	$ 21,584	$ 10,813	$ -	$ 32,397
Totals	$ 21,584	$ 10,813	$ -	$ 32,397

Total depreciation expense for the Downtown Development Authority Component Unit for the year ended September 30, 2011 was $10,813 and is reflected in the expenses in the Statement of Activities.

III. DETAILED NOTES ON ALL FUNDS (Continued)

6. Long-term Debt

The Sewer Fund borrowed funds under a December 1, 1995 note payable; this note is due to the Georgia Environmental Facilities Authority (GEFA). The note requires quarterly payments of $46,439 including interest at 4.0%. The last payment will be due September 1, 2015. The proceeds of the note were used to expand sewer facilities in the City. The balance of the note payable as of September 30, 2011 is $683,485; the original amount of the note was approximately $1,583,000.

The annual debt service requirements to maturity for the note payable including interest of $59,542 are as follows:

Year Ended	Principal	Interest	Total
2012	160,809	24,948	185,757
2013	167,339	18,418	185,757
2014	174,133	11,623	185,756
2015	181,204	4,553	185,757
Total	$ 683,485	$ 59,542	$ 743,027

The Sewer Fund borrowed funds under an April 1, 2008 note payable; this note is due to the Georgia Environmental Facilities Authority (GEFA). The note requires monthly payments of $11,744 including interest at 2.0%. The last payment will be due April 1, 2028. The proceeds of the note were used to consolidate sewer facilities in the City. The balance of the note payable as of September 30, 2011 is $1,985,910; the original amount of the note was approximately $2,300,000.

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

Year Ended	Principal	Interest	Total
2012	$ 102,142	$ 38,785	$ 140,927
2013	104,204	36,724	140,928
2014	106,307	34,620	140,927
2015	108,453	32,475	140,928
2016	110,642	30,286	140,928
2017-2021	587,624	117,014	704,638
2022-2026	649,371	55,267	704,638
2027-2028	217,168	3,602	220,770
Total	$ 1,985,911	$ 348,773	$ 2,334,684

During fiscal year 2011 the City entered into a capital lease payable to the Georgia Municipal Association for police cars. The original cost of these vehicles was $99,198. This lease is associated with governmental activities. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011 were as follows:

Year Ended	Principal	Interest	Total Minimum Lease Payments
2012	$ 32,078	$ 3,026	$ 35,104
2013	33,056	2,047	35,103
2014	34,064	1,039	35,103
Total	$ 99,198	$ 6,112	$ 105,310

III. DETAILED NOTES ON ALL FUNDS (Continued)

6. Long-term Debt (Continued)

During fiscal year 2011 the City entered into a capital lease payable to the Georgia Municipal Association for a John Deere backhoe. The original cost of this equipment was $55,455. This lease is associated with business-type activities. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011 were as follows:

Year Ended	Principal	Interest	Total Minimum Lease Payments
2012	$ 10,360	$ 1,891	$ 12,251
2013	10,713	1,538	12,251
2014	11,079	1,172	12,251
2015	11,456	795	12,251
2016	11,847	404	12,251
Total	$ 55,455	$ 5,800	$ 61,255

During fiscal year 2011 the City entered into a capital lease payable to the Georgia Municipal Association for a sewer vacuum. The original cost of this equipment was $34,752. This lease is associated with business-type activities. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011 were as follows:

Year Ended	Principal	Interest	Total Minimum Lease Payments
2012	$ 11,201	$ 1,175	$ 12,376
2013	11,580	796	12,376
2014	11,971	405	12,376
Total	$ 34,752	$ 2,376	$ 37,128

During fiscal year 2011 the City entered into a capital lease payable to the Georgia Municipal Association for a sewer mounted camera. The original cost of this equipment was $63,475. This lease is associated with business-type activities. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011 were as follows:

Year Ended	Principal	Interest	Total Minimum Lease Payments
2012	$ 11,792	$ 2,342	$ 14,134
2013	12,227	1,907	14,134
2014	12,679	1,456	14,135
2015	13,146	988	14,134
2016	13,631	503	14,134
Total	$ 63,475	$ 7,196	$ 70,671

III. DETAILED NOTES ON ALL FUNDS (Continued)

6. Long-term Debt (Continued)

During the year ended September 30, 2011, the following changes occurred in the liability reported in long-term debt:

Governmental Activities	Balance 9/30/2010	Increase	Decrease	Balance 9/30/2011	Amount Due in One Year
Compensated Absences	$ 77,551	$ 47,326	$ 47,745	$ 77,132	$ 53,993
Capital Leases	99,496	99,198	99,495	99,199	$ 32,078
Net Pension Obligation	-	102,024	-	102,024	-
Totals	$ 177,047	$ 248,548	$ 147,240	$ 278,355	$ 86,071
Business-Type Activities					
Compensated Absences	$ 28,206	$ 23,364	$ 16,679	$ 34,891	$ 34,891
Notes Payable	2,924,052	-	254,656	2,669,396	262,952
Capital Leases	145,056	153,682	145,056	153,682	33,353
Net Pension Obligation	-	40,746	-	40,746	-
Totals	$ 3,097,314	$ 217,792	$ 416,391	$ 2,898,715	$ 331,196

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 obligation.. The Water Fund, Sewer Fund and Sanitation Fund are used to liquidate compensated absences and the net pension obligation of business-type activities.

7. Employees' Retirement Plans

Plan Descriptions 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. The Georgia Constitution enables 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.

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.

III. DETAILED NOTES ON ALL FUNDS (Continued)

7. Employees' Retirement Plans (Continued)

Changes to Plan:

The recommended contribution, beginning October 1, 2011, decreases from $263,432 to $205,933. The plan amendment, effective October 1, 2010, ends active participation in the plan for officials and nonvested participants.

Annual Pension Cost:

For 2011, the City's annual pension cost of $263,432 (the required contributions) was not equal to the City's actual contributions. The required contribution was determined as part of the January 1, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included:

(a) An 7.75% investment rate of return
(b) A projected salary increase at 3.5% per year for inflation
(c) A projected salary increase at 3.50% plus age and service merit increases
(d) A 3.50% cost of living adjustment

TREND INFORMATION FOR THE PLAN

Fiscal Year Ending	Annual Pension Cost (APC)	APC Contributed	Net Pension Obligation
September 30, 2009	$ 223,842	100%	$ -
September 20, 2010	237,099	100%	-
September 30, 2011	263,432	46%	142,769

The actuarial valuation method is the sum of actuarial value at the beginning of the 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 market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods as a level dollar amount. The total level dollar amortization must be within a corridor of the 10-year and the 30-year amortization of the unfunded/(surplus) actuarial accrued liability. The amortization periods, if applicable, are closed for this plan year.

As of the most recent valuation date, the funded status of the Plan was as follows:

Actuarial Valutation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll	Percentage of Covered Payroll
January 1, 2011	$ 4,460,468	$ 5,243,448	85.1%	$ 782,980	$ 723,781	108.2%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

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 exception of (1) the City legal officer, (2) elected or appointed officials and (3) employees not participating in the City's 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.

III. DETAILED NOTES ON ALL FUNDS (Continued)

8. Risk Management

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

9. Health Insurance Program

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

The City has entered into an agreement with a third party administrator for the processing of the Fund's claims. The participants have agreed to pay those claims related to their employees plus their ratable share of reinsurance premiums and the Fund's administrative expenses. Payments by the City in excess of the City's expenses, if any, may be retained in the Fund as a reserve for future expenses. Since the Fund's inception, the Fund has neither accumulated significant financial resources nor experienced financial stress. 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:

	2011	2010
Unpaid claims, beginning of fiscal year	$ 27,187	$ 37,016
Claims incurred	281,003	209,410
Claim payments	(257,199)	(219,239)
Unpaid claims, end of the fiscal year	$ 50,990	$ 27,187

10. 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, 2011 four individuals were covered by the plan. The amount of expenditure/expense for these postretirement benefits for the year ended September 30, 2011 was approximately $19,004.

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 2011, eight 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, 2011 was approximately $899.

11. 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.

III. DETAILED NOTES ON ALL FUNDS (Continued)

12. 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, 2011 is summarized below:

Hotel Motel Tax Revenue in 2011	$	(13,113)
Required Expenditure in 2011		(5,245)
Actual Allowable Expenditures in 2011		5,212

13. 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, 2011 the City contributed $4,735 to the Commission.

14. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through May 9, 2012, the date the financial statements were available to be issued.

CITY OF MONTEZUMA, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2011

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN

Actuarial Valuation Date	-1- Actuarial Value of Assets	-2- Actuarial Accrued Liability (AAL)	-3- Funded Ratio (1) / (2)	-4- Unfunded AAL (UAAL) (2) - (1)	-5- Annual Covered Payroll	-6- UAAL as a Percentage of Covered Payroll (4) / (5)
11/1/1998	$ 2,466,661	$ 2,186,409	112.8%	$ (280,252)	$ 669,107	-41.9%
11/1/1999	3,219,282	2,286,580	140.8%	(932,702)	754,588	-123.6%
11/1/2000	3,409,234	2,604,814	130.9%	(804,420)	986,417	-81.5%
11/1/2001	3,540,199	2,840,316	124.6%	(699,883)	891,462	-78.5%
11/1/2002	3,338,057	3,852,137	86.7%	514,080	699,946	73.4%
11/1/2003	3,453,281	4,135,391	83.5%	682,110	771,566	88.4%
11/1/2004	3,592,035	4,244,997	84.6%	652,962	786,717	83.0%
11/1/2005	3,750,788	4,511,739	83.1%	760,951	716,230	106.2%
11/1/2006	3,897,638	4,669,113	83.5%	771,475	897,246	86.0%
11/1/2007	4,085,873	5,103,977	80.1%	1,018,104	948,192	107.4%
11/1/2008	4,252,550	5,286,259	80.4%	1,033,709	986,307	104.8%
10/1/2009	3,894,674	5,545,946	70.2%	1,651,272	1,050,735	157.2%
1/1/2010	4,308,880	4,900,967	87.9%	592,087	1,067,895	55.4%
1/1/2011	4,460,468	5,243,448	85.1%	782,980	723,781	108.2%

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Hotel / Motel Tax Fund - to account for revenues received from levy of a hotel / motel tax in accordance with the provisions of OCGA 48-13-51 to be used for the promotion of tourism, conventions and trade shows.

Revolving Loan Fund - to account for a federal grant received through the Georgia Department of Community Affairs to be used for economic development through the use of low interest loans to commercial and industrial entities to create new jobs.

Flood Revolving Loan Fund - to account for a Community Development Block Grant received from the Georgia Department of Community Affairs to be used for the Flood Disaster Business Loan Recovery Program.

CITY OF MONTEZUMA, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2011

	Special Revenue			
	Hotel/Motel Tax	Revolving Loan Fund	Flood Revolving Loan Fund	Total Nonmajor Governmental
ASSETS				
Cash and Cash Equivalents	$ 41	$ 155,011	$ 5,715	$ 160,767
Accounts Receivable	1,238	-	-	1,238
Interest Receivable	-	7,702	-	7,702
Loans Receivable	-	256,540	78,774	335,314
Total Assets	1,279	419,253	84,489	505,021
LIABILITIES AND FUND BALANCES				
Accounts Payable	$ -	$ -	$ -	$ -
Due to Other Fund	-	2,000	222	2,222
Total Liabilities	-	2,000	222	2,222
Fund Balances:				
Nonspendable:				
Noncurrent Loans Receivable	-	256,540	78,774	335,314
Restricted for:				
Loans	-	160,713	5,493	166,206
Other	1,279	-	-	1,279
Total Fund Balances	1,279	417,253	84,267	502,799
Total Liabilities and Fund Balances	$ 1,279	$ 419,253	$ 84,489	$ 505,021

CITY OF MONTEZUMA, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue			
	Hotel/Motel Tax	Revolving Loan Fund	Flood Revolving Loan Fund	Total Nonmajor Governmental
REVENUES				
Taxes	$ 13,113	$ -	$ -	$ 13,113
Investment Income	1	10,693	1	10,695
Total Revenues	13,114	10,693	1	23,808
EXPENDITURES				
Current:				
Economic Development	5,212	48,068	-	53,280
Total Expenditures	5,212	48,068	-	53,280
Excess of Revenues Over Expenditures	7,902	(37,375)	1	(29,472)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(7,700)	-	-	(7,700)
Total Other Financing Sources (Uses)	(7,700)	-	-	(7,700)
Excess of Revenues Over Expenditures or Other Uses	202	(37,375)	1	(37,172)
Fund Balances - Beginning	1,077	454,628	84,266	539,971
Fund Balances - Ending	$ 1,279	$ 417,253	$ 84,267	$ 502,799

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, 2011

	Hotel/Motel Tax		
	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES			
Taxes	$ 17,000	$ 13,113	$ (3,887)
Investment Income	-	1	1
Total Revenues	17,000	13,114	(3,886)
EXPENDITURES			
Current:			
Economic Development	6,800	5,212	(1,588)
Total Expenditures	6,800	5,212	(1,588)
Excess of Revenues Over Expenditures	10,200	7,902	(2,298)
OTHER FINANCING SOURCES			
Transfers Out	(10,200)	(7,700)	(2,500)
Total Other Financing Sources	(10,200)	(7,700)	(2,500)
Net Change in Fund Balances	-	202	202
Fund Balances - Beginning	1,077	1,077	-
Fund Balances - Ending	$ 1,077	$ 1,279	$ 202

Revolving Loan			Flood Revolving Loan		
Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
$ -	$ -	$ -	$ -	$ -	$ -
10,000	10,693	693	-	1	1
-	-	-	-	-	-
10,000	10,693	693	-	1	1
2,000	48,068	46,068	1,000	-	(1,000)
2,000	48,068	46,068	1,000	-	(1,000)
8,000	(37,375)	(45,375)	(1,000)	1	1,001
-	-	-	-	-	-
-	-	-	-	-	-
8,000	(37,375)	(45,375)	(1,000)	1	1,001
454,628	454,628	-	84,266	84,266	-
$ 462,628	$ 417,253	$ (45,375)	$ 83,266	$ 84,267	$ 1,001

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INTERNAL SERVICE FUND

Risk Management Fund - to account for the activity of the City's health insurance program.

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CITY OF MONTEZUMA, GEORGIA
INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

ASSETS	
Cash	$ 37
Accounts Receivable	10,840
Due from Other Funds	50,840
Due from Other Governments	184,507
Total Assets	$ 246,224
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts and Contracts Payable	$ 50,990
Due to Other Funds	195,234
Total Liabilities	246,224
Net Assets:	
Unrestricted	-
Total Net Assets	-
Total Liabilities and Net Assets	$ 246,224

CITY OF MONTEZUMA, GEORGIA
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

OPERATING REVENUES	
Charges for Services	$ 432,873
Total Operating Revenues	432,873
OPERATING EXPENSES	
Insurance Claims	281,004
Insurance Premiums	139,393
Administration	12,478
Total Operating Expenses	432,875
Net Operating (Loss)	(2)
NONOPERATING REVENUE	
Interest Revenue	2
Total Nonoperating Revenue	2
Change in Net Assets	-
Net Assets - Beginning of Year	-
Net Assets - End of Year	$ -

CITY OF MONTEZUMA, GEORGIA
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2011

Cash Flows from Operating Activities:	
Cash Received from Governments for Services Provided	$ 65,985
Cash Received from Other Funds for Services Provided	289,094
Cash Payments to Suppliers	(355,491)
Net Cash Provided by (Required for) Operating Activities	(412)
Cash Flows from Investing Activities:	
Interest on Investments	2
Net Cash Provided by Investing Activities	2
Net Increase in Cash and Cash Equivalents	(410)
Cash and Equivalents at Beginning of Year	447
Cash and Equivalents at End of Year	$ 37
Reconciliation of Operating Income (Loss) to Net Cash Provided from Operating Activities:	
Operating (Loss)	$ (2)
Decrease in Accounts Receivable	(6,260)
Decrease in Due from Other Funds	2,960
(Increase) in Due from Other Governments	(28,707)
(Decrease) in Accounts Payable	23,804
Increase in Due to Other Funds	7,793
Net Cash Provided by (Required for) Operating Activities	$ (412)

SUPPLEMENTARY DATA SECTION

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CITY OF MONTEZUMA, GEORGIA
SEWER ENTERPRISE FUND - GEFA LOANS
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
SEPTEMBER 30, 2011

GEFA Loan #2	Fiscal Year	Principal	Interest	Total Annual Requirements
	2012	160,809	24,948	185,757
	2013	167,339	18,418	185,757
	2014	174,133	11,623	185,756
	2015	181,204	4,553	185,757
		$ 683,485	$ 59,542	$ 743,027

GEFA Loan #3	Fiscal Year	Principal	Interest	Total Annual Requirements
	2012	102,142	38,785	140,927
	2013	104,204	36,724	140,928
	2014	106,307	34,620	140,927
	2015	108,453	32,475	140,928
	2016	110,642	30,285	140,927
	2017	112,875	28,052	140,927
	2018	115,154	25,773	140,927
	2019	117,478	23,449	140,927
	2020	119,849	21,078	140,927
	2021	122,268	18,659	140,927
	2022	124,736	16,191	140,927
	2023	127,254	13,673	140,927
	2024	129,822	11,105	140,927
	2025	132,442	8,485	140,927
	2026	135,116	5,811	140,927
	2027	137,843	3,084	140,927
	2028	79,326	524	79,850
		$ 1,985,911	$ 348,773	$ 2,334,684

GOVERNMENT AUDIT SECTION

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BUTLER, WILLIAMS & WYCHE, LLP
CERTIFIED PUBLIC ACCOUNTANTS
915 HILL PARK
MACON, GEORGIA 31201

May 9, 2012

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Montezuma, Georgia, as of and for the year ended September 30, 2011, which collectively comprise the City of Montezuma, Georgia's basic financial statements and have issued our report thereon dated May 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Montezuma, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Montezuma, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Montezuma, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Butler, Williams & Wyche, LLP

Macon, Georgia

CITY OF MONTEZUMA, GEORGIA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

None reported.

CITY OF MONTEZUMA, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

2010-1 ***Criteria*** – Generally accepted accounting principles require the reporting of all capital assets at their historical costs. Cost includes all normal and necessary outlays incurred to ready the asset for its intended use.

Recommendation – The City should review all expenses to determine if they relate to the purchase of a capital asset. If the expense was necessary in order to ready the asset for its intended use, the expense should be capitalized.

Status – The above finding was corrected during fiscal year 2011 and is not included as a finding for the current year.

STATE AUDIT SECTION

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CITY OF MONTEZUMA, GEORGIA
SCHEDULE OF PROJECTS UNDERTAKEN
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Previously Reported Original Estimated Cost	Revised Original Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
From 2006 Referendum:						
Police, Fire, Streets, Sanitation, Water and Sewer Departments, Street & Drainage Improvements and Sidewalks	$ 1,400,000	$ 1,426,000	$ 1,244,872	$ 304,803	$ 1,549,675	109%

CITY OF MONTEZUMA, GEORGIA
SCHEDULE OF PROJECTS UNDERTAKEN
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Estimated Cost	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
From 2010 Referendum:					
Machinery and Equipment for Police, Fire, Streets, Sanitation, Water, Sewer and Public Building Departments; Sewer Debt, Drainage and Sidewalks	$ 2,400,010	$ -	$ 417,635	$ 417,635	17%

$99,198 in 2011-2016 SPLOST Fund capital outlay was funded by a capital lease in 2011; this expense is not included in current year expenditures above.

CITY OF MONTEZUMA, GEORGIA
SEWER IMPROVEMENT COMMUNITY DEVELOPMENT BLOCK GRANT
10p-x-096-2-5308

PROJECT COST SCHEDULE
FOR THE PERIOD ENDING SEPTEMBER 30, 2011

Program Activity	Activity Number	Budget	Cumulative Expenditures
Contingencies	C-022-00	$ 39,261	$ 678
Water Facilities	P-03J-01	392,619	-
Engineering - Water/Sewer Improvements	T-03J-01	37,120	10,000
Administration	A-21A-00	31,000	8,400
		$ 500,000	$ 19,078

Accounted for in Sewer Fund.