

MONTGOMERY COUNTY, GEORGIA
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2017

Prepared by:
Finance Department

MONTGOMERY COUNTY, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

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August 10, 2018

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Montgomery County, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of **Montgomery County, Georgia** (the County), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Montgomery County Board of Health, which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for Montgomery County Board of Health, is based solely on the report of the other auditors. 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.

Auditor's Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Montgomery County, Georgia as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1.N. to the financial statements, beginning net assets has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 25-28 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-21, and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedules of expenditures of special purpose local option 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining, individual nonmajor fund financial statements, and the schedule of expenditures of special purpose sales tax proceeds are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2018, on our consideration of Montgomery County, 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 solely 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montgomery County, Georgia's internal control over financial reporting and compliance.

Mc Naair, Mc Lemoire, Middlebrooks & Co., LLC
McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

BASIC FINANCIAL STATEMENTS

MONTGOMERY COUNTY, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Primary Government Governmental Activities	Component Unit Health Department
Assets		
Cash and Cash Equivalents	\$ 3,073,357	\$ 387,819
Receivables		
Property Taxes	628,559	-
Accounts	24,089	-
Due from Other Governments	124,912	-
Inventory	5,688	-
Prepaid Items	33,981	-
Capital Assets		
Nondepreciable	552,293	-
Depreciable, Net of Accumulated Depreciation	7,119,991	1,520
Total Assets	<u>11,562,870</u>	<u>389,339</u>
Deferred Outflows of Resources		
Deferred Outflows of Resources Related to Pensions	-	54,165
Liabilities		
Accounts Payable	117,863	-
Accrued Expenses / Liabilities	44,696	2,598
Due to Other Governments	44,587	-
Long-Term Liabilities		
Compensated Absences	-	10,391
Capital Leases Due Within One Year	221,962	-
Capital Leases Due In More Than One Year	398,417	-
Note Payable Due In More Than One Year	121,836	-
Proportionate Share of Collective Net Pension Liability	-	213,531
Total Liabilities	<u>949,361</u>	<u>226,520</u>
Deferred Inflows of Resources		
Deferred Inflows of Resources Related to Pensions	-	16,534
Net Position		
Net Investment in Capital Assets	6,930,069	1,520
Restricted for		
Capital Projects	282,566	-
Other Purposes	216,561	43,589
Unrestricted	<u>3,184,313</u>	<u>155,341</u>
Total Net Position	<u><u>\$ 10,613,509</u></u>	<u><u>\$ 200,450</u></u>

See accompanying notes which are an integral part of these financial statements.

**MONTGOMERY COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Health Department
Primary Government						
Governmental Activities						
General Government	\$ 1,187,112	\$ 159,944	\$ -	\$ -	\$ (1,027,168)	\$ -
Judicial	407,080	216,098	-	-	(190,982)	-
Public Safety	1,941,431	95,843	19,551	50,000	(1,776,037)	-
Public Works	1,090,542	-	-	671,913	(418,629)	-
Health and Welfare	173,591	4,715	82,546	-	(86,330)	-
Culture and Recreation	87,481	20,647	-	-	(66,834)	-
Housing and Development	151,483	-	-	-	(151,483)	-
Interest on Long-Term Debt	19,985	-	-	-	(19,985)	-
Total Governmental Activities and Primary Government	<u>\$ 5,058,705</u>	<u>\$ 497,247</u>	<u>\$ 102,097</u>	<u>\$ 721,913</u>	<u>(3,737,448)</u>	<u>-</u>
Health Department	<u>\$ 257,758</u>	<u>\$ 86,836</u>	<u>\$ 182,595</u>	<u>\$ -</u>		<u>\$ 11,673</u>
General Revenues						
Property Taxes					2,475,788	-
Sales Taxes					947,961	-
Insurance Premium Tax					298,893	-
Alcohol Beverage Taxes					24,878	-
Other Taxes					489,949	-
Interest					5,397	-
Other					36,689	51,710
Total General Revenues					<u>4,279,555</u>	<u>51,710</u>
Change in Net Position					542,107	63,383
Net Position at Beginning of Year, As Previously Reported					10,070,932	137,067
Prior Period Adjustment					470	-
Net Position at Beginning of Year, As Restated					<u>10,071,402</u>	<u>137,067</u>
Net Position at End of Year					<u>\$ 10,613,509</u>	<u>\$ 200,450</u>

See accompanying notes which are an integral part of these financial statements.

MONTGOMERY COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General Fund</u>	<u>SPLOST 2015 Fund</u>	<u>Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and Cash Equivalents	\$ 2,584,958	\$ 276,099	\$ 12,187	\$ 200,113	\$ 3,073,357
Receivables					
Property Taxes	628,559	-	-	-	628,559
Accounts	23,747	-	-	342	24,089
Due from Other Governments	41,425	51,054	-	32,433	124,912
Inventory	5,688	-	-	-	5,688
Prepaid Items	33,981	-	-	-	33,981
Total Assets	<u>\$ 3,318,358</u>	<u>\$ 327,153</u>	<u>\$ 12,187</u>	<u>\$ 232,888</u>	<u>\$ 3,890,586</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts Payable	\$ 91,410	\$ -	\$ -	\$ 26,452	\$ 117,862
Accrued Expenses / Liabilities	42,635	-	-	2,062	44,697
Due to Other Governments	-	44,587	-	-	44,587
Total Liabilities	<u>134,045</u>	<u>44,587</u>	<u>-</u>	<u>28,514</u>	<u>207,146</u>
Deferred Inflows of Resources - Unavailable Revenue	<u>326,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>326,570</u>
Fund Balances					
Nonspendable	39,669	-	-	-	39,669
Restricted for					
Capital Projects	-	282,566	-	-	282,566
Other Purposes	-	-	12,187	204,374	216,561
Unassigned	<u>2,818,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,818,074</u>
Total Fund Balances	<u>2,857,743</u>	<u>282,566</u>	<u>12,187</u>	<u>204,374</u>	<u>3,356,870</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,318,358</u>	<u>\$ 327,153</u>	<u>\$ 12,187</u>	<u>\$ 232,888</u>	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					7,672,284
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.					326,570
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.					
Note Payable					(121,836)
Capital Leases Payable					<u>(620,379)</u>
Net Position of Governmental Activities					<u>\$ 10,613,509</u>

See accompanying notes which are an integral part of these financial statements.

MONTGOMERY COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	SPLOST 2015 Fund	Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 2,967,457	\$ -	\$ -	\$ -	\$ 2,967,457
Sales Taxes	274,669	501,090	-	197,080	972,839
Other Taxes	298,893	-	-	-	298,893
Licenses and Permits	14,966	-	-	-	14,966
Intergovernmental	69,551	-	397,886	356,573	824,010
Charges for Services	144,978	-	-	121,205	266,183
Fines, Forfeitures, and Fees	243,976	-	-	30,643	274,619
Other	14,711	-	-	220	14,931
Interest	3,358	577	624	839	5,398
	<u>4,032,559</u>	<u>501,667</u>	<u>398,510</u>	<u>706,560</u>	<u>5,639,296</u>
Expenditures					
Current					
General Government	782,823	-	-	-	782,823
Judicial	420,234	-	-	3,939	424,173
Public Safety	1,721,630	-	-	75,580	1,797,210
Public Works	717,290	27,560	-	51,822	796,672
Health and Welfare	105,321	-	-	58,370	163,691
Culture and Recreation	75,305	-	-	20,202	95,507
Housing and Development	46,987	-	-	85,304	132,291
Intergovernmental	-	224,614	-	-	224,614
Capital Outlay	-	129,511	677,246	453,954	1,260,711
Debt Service					
Principal	16,302	102,973	-	-	119,275
Interest	446	14,598	-	4,941	19,985
Total Expenditures	<u>3,886,338</u>	<u>499,256</u>	<u>677,246</u>	<u>754,112</u>	<u>5,816,952</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>146,221</u>	<u>2,411</u>	<u>(278,736)</u>	<u>(47,552)</u>	<u>(177,656)</u>
Other Financing Sources (Uses)					
Insurance Proceeds	10,633	-	-	-	10,633
Transfers In	188,000	-	-	95,118	283,118
Transfers Out	(95,118)	-	-	(188,000)	(283,118)
Total Other Financing Sources (Uses)	<u>103,515</u>	<u>-</u>	<u>-</u>	<u>(92,882)</u>	<u>10,633</u>
Net Change in Fund Balances	249,736	2,411	(278,736)	(140,434)	(167,023)
Fund Balances, Beginning, As Previously Reported	2,608,007	280,155	290,923	344,338	3,523,423
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>470</u>	<u>470</u>
Fund Balances, As Restated	<u>2,608,007</u>	<u>280,155</u>	<u>290,923</u>	<u>344,808</u>	<u>3,523,893</u>
Fund Balances, Ending	<u>\$ 2,857,743</u>	<u>\$ 282,566</u>	<u>\$ 12,187</u>	<u>\$ 204,374</u>	<u>\$ 3,356,870</u>

See accompanying notes which are an integral part of these financial statements.

**MONTGOMERY COUNTY, 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 DECEMBER 31, 2017**

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ (167,023)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	628,239
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(38,494)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>119,385</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 542,107</u></u>
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See accompanying notes which are an integral part of these financial statements.

MONTGOMERY COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2017

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	<u>\$ 43,028</u>
Liabilities	
Due to Others	<u>\$ 43,028</u>

See accompanying notes which are an integral part of these financial statements.

MONTGOMERY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

A. Reporting Entity

Montgomery County was established under the provisions of an act of the General Assembly of Georgia on December 19, 1793. The County is governed by an elected board of five County Commissioners and provides the following services as authorized by state law: public safety, highways and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning and general administrative services.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of Montgomery County, Georgia (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationship with the County. In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component units are discretely presented in the government-wide financial statements.

Blended Component Unit - A blended component unit, although a legally separate entity, is, in substance, part of the County's operations. Following is a description of the County's blended component unit.

Montgomery County Development Authority

The governing board of the Montgomery County Development Authority (Development Authority) consists of nine members appointed by the Montgomery County Board of Commissioners. The purpose of the Development Authority is to promote, develop and expand, for the public good and welfare of the County and its citizens, industry, agriculture, trade, commerce and recreation within the County. The Development Authority maintains its financial records on a calendar year ending December 31. The Development Authority does not issue stand-alone financial statements.

Discretely Presented Component Unit - A discretely presented component unit is reported in a separate column in the combined financial statements to emphasize they are legally separate from the County. Following is a description of the County's discretely presented component unit.

Montgomery County Board of Health

The Montgomery County Board of Health d/b/a Montgomery County Public Health Center (Health Center), a component unit, has a governing board consisting of seven members. Four of the members are either County officials or members appointed by the County. Although the County does not have the authority to approve or modify the budget of the Health Center, the County is obligated to provide financial support to the Health Center. The Health Center has a June 30 year-end. The Health Center's financial statements may be obtained by writing to the District Administrator, South Central Health District, 2121-D Bellevue Road, Dublin, Georgia 31201.

(1) Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues. The *primary government* is reported separately from the legally separate component unit.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to those who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the 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 as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, any debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Unavailable revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The County reports the following major governmental funds:

The *General Fund* is the County'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 *SPLOST 2015 Fund* accounts for the acquisition and construction of approved projects within the County from resources provided by the 2015 special County one percent sales and use tax.

The *Project Fund* accounts for revenues received for various County projects.

Additionally, the County reports the following fund types:

The *special revenue funds* account for specific revenues that are legally restricted to expenditures for particular purposes.

The *capital projects fund* accounts for financial resources to be used for the acquisition and construction of major capital facilities.

The *agency funds* are used to account for the collection and disbursement of monies by the County on behalf of other governments and individuals, such as cash bonds, traffic fines, support payments and ad valorem and property taxes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges for services provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The County does not report any proprietary funds in these financial statements.

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

(1) Summary of Significant Accounting Policies (Continued)

D. Cash, Cash Equivalents and Investments

The County and its discretely presented component unit's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the County to invest in obligations of the United States and of its agencies and instrumentalities, bonds of the state of Georgia and its agencies, instrumentalities and political subdivisions, certificates of deposit of national or state banks that are fully insured or collateralized by United States obligations.

E. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year as well as all other outstanding balances between funds are reported as "Due to/from Other Funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

F. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The consumption method is used to account for inventories. Under the consumption method, inventory items are recognized as expenditures when used.

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method is used by recording an asset for the prepaid amount and by recording the expenditure/expense in the period in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved, as this amount is not available for general appropriation.

H. Capital Assets

Capital assets, which include property, plant, equipment and the infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Capital assets of the primary government are depreciated using the straight-line method over the following useful lives:

<u>Asset Category</u>	<u>Years</u>
Buildings and Improvements	10 - 30
Infrastructure	10 - 50
Machinery and Equipment	3 - 12

(1) Summary of Significant Accounting Policies (Continued)

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

J. Compensated Absences

Accumulated unpaid vacation, sick pay and other fringe benefits are not accrued since the amounts do not exceed a normal year's accumulation. These expenses are recorded as incurred.

K. Government-Wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position are divided into three components:

Invested in capital assets - consists of historical cost of capital assets less accumulated depreciation;

Restricted - consists of net position that is restricted by the state enabling legislation, by grantors (both federal and state), and by other contributors; and

Unrestricted - all other net position is reported in this category.

L. Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - amounts that cannot be spent either because they are not in a spendable form (such as prepaid items) or because they are legally or contractually required to be maintained intact;

Restricted fund balance - amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors;

Committed - amounts that are constrained for specific purposes that are internally imposed by the County through formal action by the Board of Commissioners and does not lapse at year-end. Committed amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes the specified use by taking the same type of action it employed to previously commit those amounts;

Assigned - amounts that are designated by the County manager for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote by the Board of Commissioners; and

Unassigned - all amounts not included in other spendable classifications.

(1) Summary of Significant Accounting Policies (Continued)

L. Governmental Fund Balances (Continued)

Flow Assumptions - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the County's policy to use restricted amounts first then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, the County's policy is to use fund balance in the following order: committed, assigned, unassigned.

Net Position - Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the County has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. Use of Estimates

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

N. Prior Period Adjustment

Net assets of governmental activities at the beginning of 2017 have been adjusted to reflect the net assets of the CDBG Fund in the amount of \$470 which were not included in the statement of net assets as of December 31, 2016.

Net Assets as Previously Reported, December 31, 2016	\$ 10,070,932
Prior Period Adjustment - Net Assets of CDBG Fund	<u>470</u>
Net Assets, As Restated, December 31, 2016	<u><u>\$ 10,071,402</u></u>

(2) Legal Compliance - Budgets

Budgetary Information. The annual budget document is the financial plan for the operation of the County. The budget process exists for the purpose of providing a professional management approach to the establishment of priorities and the implementation of work programs while providing an orderly means for control and evaluation of the financial posture of the County. All budgets are adopted on a basis consistent with generally accepted accounting principles. An annual operation budget is prepared for all governmental funds except capital projects funds. Capital projects funds use project-length budgets.

Department heads submit to the county manager a proposed operating budget for the year commencing the following January 1. The proposed budgets are then submitted to the Board of Commissioners by the county manager for study. Public hearings are conducted to obtain taxpayer comments. Prior to January 1, the budget is legally adopted by the Board of Commissioners.

The legal level of control for each legally adopted annual budget is the department level for the General Fund. The budget so adopted may be revised during the year only by formal action of the Board of Commissioners in a regular meeting, and no increase shall be made therein without provision also being made for financing it. Budget amounts are as originally adopted, or as amended by the Board of Commissioners, if such amendments are considered material to the budget as a whole.

(3) Deposits and Investments

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties or municipalities. The County has no custodial credit risk policies requiring additional collateral. As of December 31, 2017, the carrying amount of the County's deposits was \$3,073,357 and the bank balance was \$5,173,754. With regard to the bank balance, \$950,655 was covered by federal deposit insurance, \$4,223,909 was collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.

As of June 30, 2017, the Health Department was properly insured and collateralized as required by the Official Code of Georgia Annotated (OCA) Section 45-8-12(c) and as defined by GASB pronouncements.

The County had no investments as of December 31, 2017.

(4) Receivables

Receivables for the government's individual major and nonmajor funds in the aggregate, including the applicable allowance for uncollectible accounts, are as follows at December 31, 2017:

	General Fund	Nonmajor Governmental Funds	Total
Receivables			
Accounts	\$ 23,747	\$ 342	\$ 24,089
Property Taxes	661,641	-	661,641
	685,388	342	685,730
Allowance for Uncollectibles	(33,082)	-	(33,082)
	<u>\$ 652,306</u>	<u>\$ 342</u>	<u>\$ 652,648</u>

Property taxes were levied on September 7, 2017. Bills were payable on or before December 20, 2017, after which the applicable property is subject to lien, and penalties and interest are assessed. The County bills and collects its own property taxes. Property taxes levied for 2017 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the year ended December 31, 2017 and collected by February 28, 2018 are recognized as revenues in the year ended December 31, 2017. Net receivables estimated to be collected subsequent to February 28, 2018 are deferred as of December 31, 2017 and recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually.

(5) Capital Assets

Capital asset activity for the period ended December 31, 2017 is as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 552,293	\$ -	\$ -	\$ 552,293
Capital Assets, Depreciable				
Buildings and Improvements	5,977,849	69,750	-	6,047,599
Infrastructure	3,099,438	1,108,897	-	4,208,335
Furniture and Fixtures	260,036	46,146	-	306,182
Road Machinery and Equipment	4,309,061	50,819	-	4,359,880
	<u>13,646,384</u>	<u>1,275,612</u>	<u>-</u>	<u>14,921,996</u>
Accumulated Depreciation for				
Buildings and Improvements	(2,791,155)	-	(161,980)	(2,953,135)
Infrastructure	(1,049,801)	-	(115,351)	(1,165,152)
Furniture and Fixtures	(253,016)	-	(7,484)	(260,500)
Road Machinery and Equipment	(3,060,660)	-	(362,558)	(3,423,218)
	<u>(7,154,632)</u>	<u>-</u>	<u>(647,373)</u>	<u>(7,802,005)</u>
Total Capital Assets, Depreciable, Net	<u>6,491,752</u>	<u>1,275,612</u>	<u>(647,373)</u>	<u>7,119,991</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 7,044,045</u>	<u>\$ 1,275,612</u>	<u>\$ (647,373)</u>	<u>\$ 7,672,284</u>

The schedule above includes the capital asset activity of the Montgomery County Development Authority which is classified as a blended component unit of the County.

(5) Capital Assets (Continued)

Primary Government (Continued)

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

Governmental Activities

General Government	\$ 163,447
Judicial	1,493
Public Safety	169,862
Public Works	291,520
Health and Welfare	9,901
Culture and Recreation	7,599
Community Development	<u>3,551</u>
	<u>\$ 647,373</u>

Discretely Presented Component Unit

Activity for the Health Center for the fiscal year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Depreciable				
Equipment and Vehicles	\$ 15,782	\$ 1,900	\$ -	\$ 17,682
Accumulated Depreciation	<u>(15,697)</u>	<u>(465)</u>	<u>-</u>	<u>(16,162)</u>
	<u>\$ 85</u>	<u>\$ 1,435</u>	<u>\$ -</u>	<u>\$ 1,520</u>

(6) Long-Term Debt

Primary Government

The following is a summary of long-term debt activity for the primary government for the year ended December 31, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Capital Leases	\$ 739,764	\$ -	\$ (119,385)	\$ 620,379	\$ 221,962
Notes Payable	<u>121,836</u>	<u>-</u>	<u>-</u>	<u>121,836</u>	<u>-</u>
	<u><u>\$ 861,600</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (119,385)</u></u>	<u><u>\$ 742,215</u></u>	<u><u>\$ 221,962</u></u>

Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of various items of equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inception.

(6) Long-Term Debt (Continued)

Primary Government (Continued)

Capital Leases (Continued)

The following is an analysis of leased assets under capital leases as of December 31, 2017:

	Governmental Activities
Equipment	\$ 1,004,960
Less: Accumulated Depreciation	<u>(436,496)</u>
	<u><u>\$ 568,464</u></u>

The County reported \$124,774 of depreciation expense for Governmental Activities on the above leased assets for the year ended December 31, 2017.

The County's total capital lease debt service requirements to maturity are as follows:

Year Ending December 31	Governmental Activities
2018	\$ 234,663
2019	360,540
2020	<u>46,132</u>
Total Minimum Lease Payments	641,335
Less Amount Representing Interest	<u>(20,956)</u>
Present Value of Future Minimum Lease Payments	<u><u>\$ 620,379</u></u>

Notes Payable

In a prior year, the County issued a note payable for the purchase of a building for possible resale to a potential buyer. The note bears interest at a rate of 4.50 percent and matures on February 14, 2019. Debt service requirements at maturity include \$121,836 in principal and \$5,585 in interest.

(7) Interfund Receivables, Payables and Transfers

There were no interfund receivables or payables as of December 31, 2017.

Interfund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 188,000
Nonmajor Governmental Funds	General Fund	<u>95,118</u>
		<u><u>\$ 283,118</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(8) Senior Citizens Nutrition Fund

The County entered into contracts with the Heart of Georgia Altamaha Regional Commission as the Area Agency on Aging for the purpose of planning and administering services authorized by the Older Americans Act.

The revenues and expenditures by contract are as follows:

<u>Contract Number</u>	<u>Revenues</u>	<u>Expenditures</u>
HGAAAA-2017-11	\$ 37,560	\$ 37,560
HGAAAA-2018-11	<u>20,358</u>	<u>20,358</u>
	<u><u>\$ 57,918</u></u>	<u><u>\$ 57,918</u></u>

Salaries for this program are presented below as required by the Department of Human Resources:

<u>Employee</u>	<u>Salary</u>
Kathleen D. Fennel	\$ 16,586
Sylvia Fowler	14,846
James Selph	5,275
Carol Helms	3,222
Evelyn Carpenter	<u>70</u>
	<u><u>\$ 39,999</u></u>

(8) Senior Citizens Nutrition Fund (Continued)

The program operated the following vehicles during the contract periods:

<u>Year</u>	<u>Model</u>	<u>Make</u>	<u>Model</u>	<u>Body Style</u>	<u>Vehicle Identification Number</u>
2004		Buick	LeSabre	4 Door	1G4HPSZK74U196040
1996		Ford	Crown Victoria	4 Door	2FALP74W1TX192976

(9) Joint Venture

Under Georgia law, the County is a participating member of the Heart of Georgia Altamaha Regional Commission (RC) and is required to pay annual dues thereto. During the year ended December 31, 2017, the County paid \$5,073 in such dues. Membership in the RC is required by OCGA Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC board membership includes the chief elected official of each county and municipality of the area. OCGA Section 50-8-39.1 provides that the member governments are liable for any debts and obligations of the RC. Separate financial statements may be obtained from: Heart of Georgia Altamaha Regional Commission, 5405 Oak Street, Eastman, Georgia 31023.

(10) Retirement Plans

Defined Contribution Plan

Effective January 1, 2015, the County established the ACCG (Association County Commissioners of Georgia) 401(a) Defined Contribution Plan for Montgomery County Employees (plan), a single employer defined contribution plan established and administered by ACCG-GEBCorp for substantially all of its full-time employees. The plan provides retirement benefits to participants and beneficiaries. Plan provision and contribution requirements are established by ACCG-GEBCorp; however, they may be amended by the Montgomery County Board of Commissioners within the limits set forth in Section 12.01 of the plan document. The County will contribute three percent of the employee's compensation under the plan. Employees with less than five years of service are not vested in the plan and become 100 percent vested after five years of service.

The County's contributions to the plan for the year ended December 31, 2017 were \$39,316.

(11) Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which, except as described in the following paragraph, the County carries commercial insurance in amounts deemed prudent by County management.

The County participates in the Association of County Commissioners Interlocal Risk Management Agency Property and Liability Insurance Fund and the Association of County Commissioners of Georgia Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

(11) Risk Management (Continued)

As part of these risk pools, the County is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The County is also to allow the pools' agents and attorneys to represent the County in the investigation, settlement discussions and all levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the Workers' Compensation laws of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment and all expenses incurred for investigation, negotiation or defense.

There have been no significant reductions of insurance coverage from coverage in the prior year, and settlement amounts have not exceeded insurance coverage for the current year or three prior years.

(12) Contingencies and Commitments

Grant Contingencies

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their representatives. Such audits could lead to disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, County management believes such disallowances, if any, will not be significant.

Litigation

The County is involved in lawsuits in the ordinary course of business. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the County.

REQUIRED SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Property Taxes	\$ 2,808,200	\$ 2,967,457	\$ 2,967,457	\$ -
Sales Taxes	289,000	274,669	274,669	-
Other Taxes	285,200	298,893	298,893	-
Licenses and Permits	15,000	14,966	14,966	-
Intergovernmental	5,000	69,551	69,551	-
Charges for Services	105,500	144,978	144,978	-
Fines, Forfeitures, and Fees	303,300	243,976	243,976	-
Interest	3,500	3,358	3,358	-
Other	16,700	14,711	14,711	-
Total Revenues	3,831,400	4,032,559	4,032,559	-
Expenditures				
Current				
General Government				
Board of Commissioners	51,100	49,432	49,432	-
Elections	50,170	49,817	49,817	-
Financial Administration	253,365	258,408	258,408	-
Tax Commissioner	136,590	125,511	125,511	-
Tax Assessor	156,975	136,497	136,497	-
General Government Building	197,425	163,158	163,158	-
Total General Government	845,625	782,823	782,823	-
Judicial				
Superior Court	69,000	72,476	72,476	-
Clerk of Superior Court	135,340	130,295	130,295	-
Magistrate Court	83,390	82,437	82,437	-
Probate Court	113,190	112,840	112,840	-
Traffic Court	3,600	3,600	3,600	-
Legal	21,000	18,586	18,586	-
Total Judicial	\$ 425,520	\$ 420,234	\$ 420,234	\$ -

**MONTGOMERY COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Budget
Public Safety				
Sheriff	\$ 1,026,584	\$ 1,038,540	\$ 1,038,540	\$ -
Rural Fire Protection	105,000	105,411	105,411	-
Emergency Medical Services	211,000	208,856	208,856	-
Emergency Management	57,860	57,990	57,990	-
Coroner	12,900	12,179	12,179	-
E-911	337,350	298,654	298,654	-
Total Public Safety	1,750,694	1,721,630	1,721,630	-
Public Works				
Road Department	520,950	497,544	497,544	-
Solid Waste	228,715	219,746	219,746	-
Total Public Works	749,665	717,290	717,290	-
Health and Welfare				
Health Center	48,372	48,206	48,206	-
Aid to Depend Children	5,520	5,520	5,520	-
Senior Citizens Center	49,500	51,595	51,595	-
Total Health and Welfare	103,392	105,321	105,321	-
Culture and Recreation				
Forest Resources	15,450	15,625	15,625	-
Recreation	45,770	38,680	38,680	-
Library	21,000	21,000	21,000	-
Total Culture and Recreation	82,220	75,305	75,305	-
Housing and Development				
County Extension	\$ 63,600	\$ 46,987	\$ 46,987	\$ -

**MONTGOMERY COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Budget
Debt Service				
Principal	\$ -	\$ 16,302	\$ 16,302	\$ -
Interest	-	446	446	-
Total Debt Service	-	16,748	16,748	-
Total Expenditures	4,020,716	3,886,338	3,886,338	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(189,316)	146,221	146,221	-
Other Financing Sources (Uses)				
Insurance Proceeds	-	10,633	10,633	-
Transfers In	284,334	188,000	188,000	-
Transfers Out	(95,018)	(95,118)	(95,118)	-
Total Other Financing Sources (Uses)	189,316	103,515	103,515	-
Net Change in Fund Balance	-	249,736	249,736	-
Fund Balance, Beginning	2,608,007	2,608,007	2,608,007	-
Fund Balance, Ending	<u>\$ 2,608,007</u>	<u>\$ 2,857,743</u>	<u>\$ 2,857,743</u>	<u>\$ -</u>

**MONTGOMERY COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
PROJECT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Intergovernmental	\$ 370,000	\$ 397,886	\$ 397,886	\$ -
Interest	-	624	624	-
Total Revenues	370,000	398,510	398,510	-
Expenditures				
Capital Outlay	370,000	677,246	677,246	-
Net Change in Fund Balance	-	(278,736)	(278,736)	-
Fund Balance, Beginning	<u>290,923</u>	<u>290,923</u>	<u>290,923</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 290,923</u></u>	<u><u>\$ 12,187</u></u>	<u><u>\$ 12,187</u></u>	<u><u>\$ -</u></u>

OTHER INFORMATION

MONTGOMERY COUNTY, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS

These funds are generally used to account for tax supported activities which include the nonmajor special revenue and the capital projects funds of the County.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Capital Projects Funds are used to account for the acquisition or construction of major capital facilities.

Special Drug Education Fund - To account for proceeds from a state-mandated addendum to fines, which may be expended for drug and alcohol abuse treatment and education programs.

Drug Forfeiture Fund - To account for the net proceeds of property deemed by the courts to be forfeited, in cases related to illegal drug activity. Expenditures are legally restricted to purchases of law enforcement materials and equipment.

Senior Citizens Nutrition Fund - To account for revenues from grants and other sources to provide meals and other services to the elderly.

Emergency 911 Fund - To account for revenues collected from telephone system subscribers, which are used to operate and maintain a countywide emergency response telephone system.

County (Jail) Fee Fund - To account for the additional ten percent penalty charged on all court fines imposed within Montgomery County. Money collected by this fund is to be expended solely and exclusively for the constructing, operating and staffing of Montgomery County jails.

Law Library Fund - To account for the purchase of County Law Library materials, from revenue generated for that purpose, based on a portion of court fines and forfeitures.

Development Authority - To account for the promotion and expansion of industry and trade within Montgomery County.

T-SPLOST Fund - To account for the County's proceeds for the Transportation Special Purpose Local Option Sales Tax.

Recreation Fund - To account for revenues generated from concessions, gate admissions and registration fees which are used to support the County's recreation programs.

Community Development Block Grant (CDBG) Fund - To account for proceeds of the Community Development Block Grant.

**MONTGOMERY COUNTY, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2017**

	Special Drug Education Fund	Drug Forfeiture Fund	Senior Citizens Nutrition Fund	Emergency 911 Fund	County (Jail) Fee Fund	Law Library Fund	Development Authority	T-SPLOST Fund	Recreation Fund	CDBG Fund	Total
Assets											
Cash and Cash Equivalents	\$ 33,221	\$ 15,134	\$ 2,219	\$ 12,919	\$ 6,710	\$ 11,929	\$ 9,265	\$ 107,797	\$ 549	\$ 370	\$ 200,113
Accounts Receivable	-	-	-	-	264	78	-	-	-	-	342
Due from Other Governments	-	-	5,864	-	-	-	-	26,569	-	-	32,433
Total Assets	<u>\$ 33,221</u>	<u>\$ 15,134</u>	<u>\$ 8,083</u>	<u>\$ 12,919</u>	<u>\$ 6,974</u>	<u>\$ 12,007</u>	<u>\$ 9,265</u>	<u>\$ 134,366</u>	<u>\$ 549</u>	<u>\$ 370</u>	<u>\$ 232,888</u>
Liabilities and Fund Balances											
Liabilities											
Accounts Payable	\$ 3,254	\$ -	\$ 4,623	\$ 1,239	\$ -	\$ -	\$ -	\$ 17,552	\$ (216)	\$ -	\$ 26,452
Accrued Liabilities	-	-	-	-	-	-	2,062	-	-	-	2,062
Total Liabilities	3,254	-	4,623	1,239	-	-	2,062	17,552	(216)	-	28,514
Fund Balance											
Restricted	<u>29,967</u>	<u>15,134</u>	<u>3,460</u>	<u>11,680</u>	<u>6,974</u>	<u>12,007</u>	<u>7,203</u>	<u>116,814</u>	<u>765</u>	<u>370</u>	<u>204,374</u>
	<u>\$ 33,221</u>	<u>\$ 15,134</u>	<u>\$ 8,083</u>	<u>\$ 12,919</u>	<u>\$ 6,974</u>	<u>\$ 12,007</u>	<u>\$ 9,265</u>	<u>\$ 134,366</u>	<u>\$ 549</u>	<u>\$ 370</u>	<u>\$ 232,888</u>

MONTGOMERY COUNTY, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Drug Education Fund	Drug Forfeiture Fund	Senior Citizens Nutrition Fund	Emergency 911 Fund	County (Jail) Fee Fund	Law Library Fund	Development Authority	T-SPLOST Fund	Recreation Fund	CDBG Fund	Total
Revenues											
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 197,080	\$ -	\$ -	\$ 197,080
Charges for Service	-	-	4,715	95,843	-	-	-	-	20,647	-	121,205
Fines, Forfeitures, and Fees	6,563	9,635	-	-	9,744	4,701	-	-	-	-	30,643
Intergovernmental	-	-	82,546	-	-	-	-	-	-	274,027	356,573
Other	-	-	-	-	-	-	-	-	220	-	220
Interest	73	29	-	238	53	36	63	347	-	-	839
Total Revenue	6,636	9,664	87,261	96,081	9,797	4,737	63	197,427	20,867	274,027	706,560
Expenditures											
Current											
Judicial	-	-	-	-	-	3,939	-	-	-	-	3,939
Public Safety	12,100	3,810	-	39,603	20,067	-	-	-	-	-	75,580
Public Works	-	-	-	-	-	-	-	51,822	-	-	51,822
Housing and Development	-	-	-	-	-	-	85,304	-	-	-	85,304
Health and Welfare	-	-	58,370	-	-	-	-	-	-	-	58,370
Culture and Recreation	-	-	-	-	-	-	-	-	20,202	-	20,202
Capital Outlay	-	-	-	46,146	-	-	-	133,681	-	274,127	453,954
Debt Service - Interest	-	-	-	-	-	-	4,941	-	-	-	4,941
Total Expenditures	12,100	3,810	58,370	85,749	20,067	3,939	90,245	185,503	20,202	274,127	754,112
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,464)	5,854	28,891	10,332	(10,270)	798	(90,182)	11,924	665	(100)	(47,552)
Other Financing Sources											
Transfer In	-	-	-	-	-	-	95,018	-	100	-	95,118
Transfer Out	-	-	(29,000)	(99,000)	-	-	-	(60,000)	-	-	(188,000)
Total Other Financing Sources (Uses)	-	-	(29,000)	(99,000)	-	-	95,018	(60,000)	100	-	(92,882)
Net Change in Fund Balance	(5,464)	5,854	(109)	(88,668)	(10,270)	798	4,836	(48,076)	765	(100)	(140,434)
Fund Balance, Beginning, As Originally Reported	35,431	9,280	3,569	100,348	17,244	11,209	2,367	164,890	-	-	344,338
Prior Period Adjustment	-	-	-	-	-	-	-	-	-	470	470
Fund Balance, As Restated	35,431	9,280	3,569	100,348	17,244	11,209	2,367	164,890	-	470	344,808
Fund Balance, Ending	\$ 29,967	\$ 15,134	\$ 3,460	\$ 11,680	\$ 6,974	\$ 12,007	\$ 7,203	\$ 116,814	\$ 765	\$ 370	\$ 204,374

MONTGOMERY COUNTY, GEORGIA

AGENCY FUNDS

Tax Commissioner - To account for the collection and payment to Montgomery County and other taxing units of the property taxes levied, billed and collected by the tax commissioner on behalf of Montgomery County and other taxing units.

Clerk of Courts - To account for all monies received by the Clerk of Superior Court on behalf of individuals, private organizations, other governmental units and other funds.

Probate Court - To account for all monies received by the Probate Court on behalf of individuals, private organizations, other governmental units and other funds.

Office of Sheriff - To account for all monies received by the Sheriff's Department on behalf of individuals, private organizations, other governmental units and other funds.

Magistrate Court - To account for all monies received by the Magistrate Court on behalf of individuals, private organizations, other governmental units and other funds.

**MONTGOMERY COUNTY, GEORGIA
COMBINING BALANCE SHEET
AGENCY FUNDS
DECEMBER 31, 2017**

	<u>Tax Commissioner</u>	<u>Clerk of Courts</u>	<u>Probate Court</u>	<u>Office of Sheriff</u>	<u>Magistrate Court</u>	<u>Total</u>
Assets						
Cash and Cash Equivalents	<u>\$ 20,868</u>	<u>\$ 710</u>	<u>\$ 12,136</u>	<u>\$ 8,500</u>	<u>\$ 814</u>	<u>\$ 43,028</u>
Liabilities						
Due to Others	<u>\$ 20,868</u>	<u>\$ 710</u>	<u>\$ 12,136</u>	<u>\$ 8,500</u>	<u>\$ 814</u>	<u>\$ 43,028</u>

MONTGOMERY COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2015 ISSUE
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Expenditures</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Buildings/Ground Projects/Improvements	\$ 780,000	\$ 77,982	\$ 46,460	\$ 124,442
Roads and Bridges	1,718,000	43,572	40,000	83,572
Recreation and Library Improvements	60,000	-	29,521	29,521
Capital Equipment and Vehicles	500,000	192,179	158,661	350,840
Municipalities:				
City of Ailey	331,650	62,696	30,206	92,902
City of Alston	95,700	18,041	8,717	26,758
City of Higgston	194,700	36,733	17,733	54,466
City of Mount Vernon	1,405,800	265,880	130,237	396,117
City of Tarrytown	53,900	10,107	4,909	15,016
City of Uvalda	360,250	68,278	32,812	101,090
	<u>\$ 5,500,000</u>	<u>\$ 775,468</u>	<u>499,256</u>	<u>\$ 1,274,724</u>

COMPLIANCE SECTION

McNAIR, McLEMORE, MIDDLEBROOKS & Co., LLC

CERTIFIED PUBLIC ACCOUNTANTS

389 Mulberry Street • Post Office Box One • Macon, GA 31202

Telephone (478) 746-6277 • Facsimile (478) 741-8353

mmmcpa.com

August 10, 2018

**INDEPENDENT AUDITOR'S 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**

Board of Commissioners
Montgomery County, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Montgomery County, Georgia as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Montgomery County, Georgia's basic financial statements, and have issued our report thereon dated August 10, 2018. Our report includes a reference to other auditors who audited the financial statements of Montgomery County Health Department, as described in our report on Montgomery County, Georgia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist and not be identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as findings 17-1, 17-2 and 17-3, that we consider to be material weaknesses.

Compliance and Other Matters

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

Montgomery County, Georgia's Response to Findings

Montgomery County, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Montgomery County, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

McNair, McLeMore, Middlebrooks & Co., LLC
McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

**MONTGOMERY COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

FINANCIAL STATEMENT FINDINGS AND RESPONSES

17-1 Lack of Segregation of Duties

Condition: The County's clerical staff consists of two people, the County Clerk and the County Manager. The County Clerk performs all non-cash receipts and cash disbursement functions for the County with little or no supervision or review. There is no separation of duties in the performance of accounting functions. Also, there is a lack of segregation of duties in the offices of the Probate Court, Clerk of Court, Magistrate Court, Sheriff's Office, Tax Commissioner's Office and the Board of Commissioner's Office. These situations pose dangers in that errors or thefts could occur and not be detected in a timely manner.

Criteria: Internal controls should be in place which would provide reasonable assurance that an individual cannot misappropriate funds without such an act being detected during the normal course of business.

Effect: Failure to properly segregate duties between recording, processing and reconciliation of accounts can lead to misappropriation of funds.

Recommendation: The duties of recording, processing, and reconciliation of accounts should be segregated between employees.

Views of Responsible Officials and Planned Corrective Action:

We agree with the recommendation concerning a lack of segregation of duties. Each elected official is reviewing this condition in his or her office to determine the most efficient and effective solution to segregating the duties between recording, processing and reconciliation of accounts to provide reasonable assurance that an individual cannot misappropriate funds without such an act being detected during the normal course of business.

17-2 Reconciliation of County and Tax Commissioner Balance Sheet Accounts

- Condition: Cash accounts and various asset and liability accounts are not being reconciled on a regular basis or are not accurately reconciled.
- Criteria: Policies and procedures should be in place to ensure that all asset and liability general ledger accounts are reconciled accurately and in a timely manner.
- Effect: The financial statements may be misstated either by mistake or intentionally to cover up theft.
- Recommendation: Policies and procedures should be implemented to ensure that appropriate accounts are reconciled accurately and in a timely manner and that the internal control procedure is constantly monitored by management personnel.

Views of Responsible Officials and Planned Corrective Action:

We agree with this recommendation. An outside internal control specialist will aid in instituting proper procedures to ensure all accounts are reconciled accurately and in a timely manner.

17-3 Prior-Period Adjustment Related to CDBG Fund

- Condition: CDBG Fund activity for 2016 and 2017 was excluded from the County's general ledger system.
- Criteria: Policies and procedures should be in place to ensure that all financial transactions are recorded in the general ledger accounts in a timely manner.
- Effect: A prior period adjustment was necessary to record the net assets of the CDBG Fund as of January 1, 2017.
- Recommendation: Activity for the CDBG Fund should be recorded to the County's general ledger in a timely manner.

Views of Responsible Officials and Planned Corrective Action:

We agree with this recommendation. We have created a CDBG Fund in our accounting system and have recorded all transactions to the general ledger.