

City of Madison, Georgia
Financial Statements
Fiscal Year Ended
June 30, 2016

City of Madison, Georgia
Financial Statements
For the Fiscal Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council of the
City of Madison, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Madison, Georgia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Managements' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Madison, Georgia, as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, the Other Postemployment Benefits – Schedule of Funding Progress, and the Schedule of Changes in the Net Pension Liability and Related Ratios on page on pages i through ix, 37-38, 39 and 40-41 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Madison, Georgia's basic financial statements. The combining and individual fund schedules, other general fund schedules, bond disclosure schedules, and the Schedule of Projects Constructed with Special Sales Tax Proceeds, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the Schedule of Projects Constructed with Special Sales Tax Proceeds and the schedule of expenditures of federal awards 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, the combining and individual nonmajor fund financial statements, the Schedule of Projects Constructed with Special Sales Tax Proceeds and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The bond disclosure schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2017 on our consideration of the City of Madison, Georgia's internal control over financial reporting and 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* in considering the City of Madison, Georgia's internal control over financial reporting and compliance.

Treadwell Tamplin + Co.

Madison, Georgia
February 7, 2017

CITY OF MADISON, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Madison, Georgia, we present our analysis of the City's financial condition and activities for the fiscal year ended June 30, 2016. This information should be read and considered in conjunction with the financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of fiscal year 2016 by \$36,555,463 (total net position). Of this amount, \$4,029,014 (unrestricted net position) was available for use to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net position increased by \$1,668,556 during the most recent fiscal year, resulting from governmental and business-type activities.
- At the close of fiscal year 2016, the City's governmental funds reported combined ending fund balances of \$2,214,662. Of this amount, \$947,819 or 43% is available for spending at the government's discretion (General unassigned fund balance). The balance of this amount (\$1,266,843) is available for spending according to the guidelines of the source of the funds.
- At the end of the fiscal year, the unassigned fund balance for the general fund was \$947,819.
- Beginning with fiscal year 2013, the Madison Downtown Development Authority is presented in the City's financial statements as a blended component unit. This is a result of the City implementing GASB 61.

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to the City of Madison's basic financial statements. The City's basic financial statements include the government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A should be read and considered with the basic audited financial statements and supplementary information.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with an overview of the City's finances in a manner similar to commercial enterprises.

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

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

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, judicial, public safety, public works, culture and recreation, and housing and development. The business-type activities of the City include water and sewer, natural gas, and solid waste management.

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, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into governmental funds and proprietary funds.

Governmental funds. Government funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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, readers may better understand the long-term impact of the government'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 this comparison between governmental funds and governmental activities.

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the general fund and the Downtown Development Authority, which is considered major funds. The data from the seven other funds, the non-major funds, is aggregated into a single presentation. The individual fund data for each of these non-major funds is provided in the form of combining statements on page 44 through 54.

Beginning with fiscal year 2012, the City of Madison implemented GASB No. 54, Fund Balance Report and Governmental Fund Type definitions. The following are the new fund balance categories, definitions, and examples:

- (1) **Nonspendable Fund Balance** - These are amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. Some examples include prepaid expenses, Cemetery principle and Ricketts principle.
- (2) **Restricted Fund Balance** - These are amounts that can be spent only for specific purposes stipulated by limitation imposed by creditors, grantors, contributors, laws, regulations, and enabling legislation. These limitations are imposed by entities, laws and regulations external to the organization. Some examples include Confiscated Assets fund, donations, and SPLOST.
- (3) **Committed Fund Balance** - These include amounts that can be used only for the specific purposes determined by a formal action of the City of Madison Mayor and Council. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Mayor and Council. These limitations are self-imposed. Some examples include Cemetery interest.
- (4) **Assigned Fund Balance** - This includes amounts to be used by the government for a specific purpose. These are amounts that do not meet the definition of restricted or committed fund balance. This intent can be expressed by the Mayor and City Council or by the City Manager who they have authorized to make assignments of fund balance through the budgetary process. Some examples include the futures fiscal year's budgeted fund balance and debt service.
- (5) **Unassigned Fund Balance** - These are the funds in excess of the other categories and are available for any purpose.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement for these funds has been provided to demonstrate compliance with this budget. The City also adopted an annual budget for its special revenue funds. Budgetary comparisons for these non-major funds are included as supplementary information.

Proprietary funds. The City maintains one type of proprietary 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 solid waste operations, water and sewer system operations, and its natural gas system operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on the Water and Sewer Fund, the Natural Gas Fund, and the Solid Waste Fund. The Water & Sewer and Gas funds are considered to be major funds of the City. The Solid Waste fund is a non-major enterprise fund.

Permanent Funds. The City maintains two permanent funds. These funds have specific restrictions and nonspendable fund balances. The two funds are the Ricketts Environmental Trust and the Cemetery Fund.

Notes to the financial statements. The notes provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes provide information about the City's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Other supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding the City's obligation in funding pension benefits and other postemployment benefits to its employees.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The assets exceeded the liabilities at the close of fiscal year 2016 by \$36,555,463.

The largest component of the City's net position is net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding, which comprises \$31,890,000 or 87%. The City uses these capital assets to provide services to its 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.

City of Madison Net Position

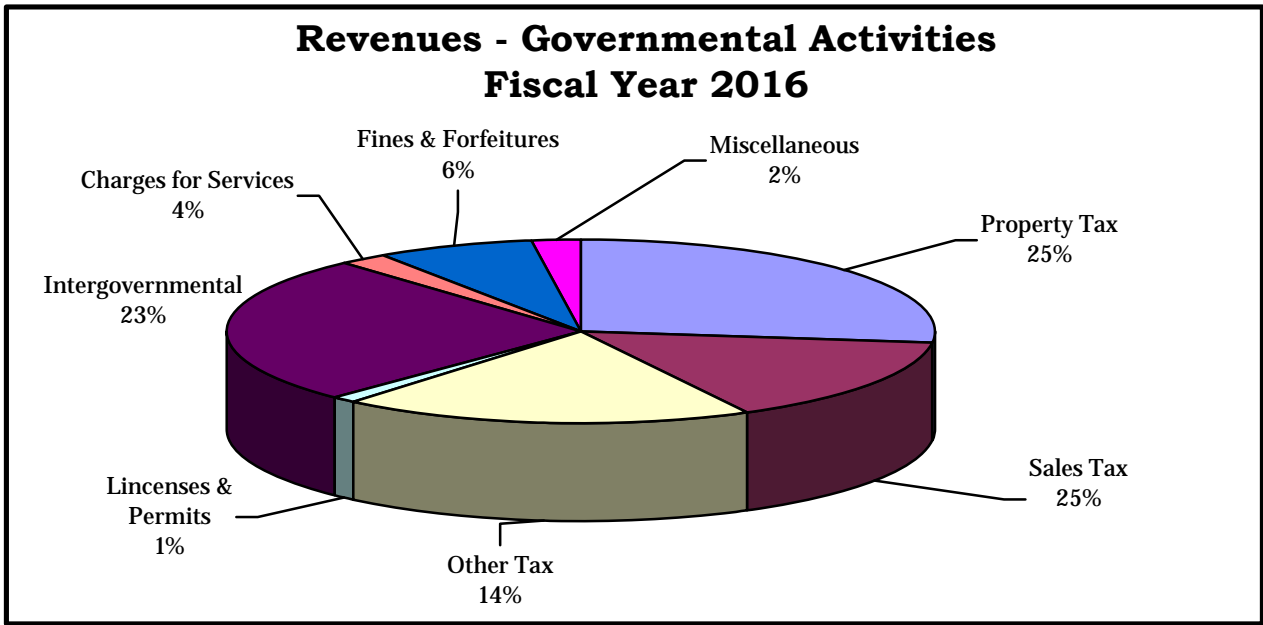
	Governmental Activities		Business Activities		Total	
	2015	2016	2015	2016	2015	2016
Assets:						
Current assets	\$ 1,841,875	\$ 2,289,828	\$ 4,227,027	\$ 4,650,295	\$ 6,068,902	\$ 6,940,123
Restricted assets	\$ 292,016	\$ 303,335	\$ 311,060	\$ 308,534	\$ 603,076	\$ 611,869
Capital assets	\$ 15,381,628	\$ 15,687,133	\$ 25,752,218	\$ 26,207,530	\$ 41,133,846	\$ 41,894,663
Total assets	\$ 17,515,519	\$ 18,280,296	\$ 30,290,305	\$ 31,166,359	\$ 47,805,824	\$ 49,446,655
Deferred Outflows of Resources:						
Deferred amount of debt refunding	\$ -	\$ -	\$ 1,156,205	\$ 1,079,125	\$ 1,156,205	\$ 1,079,125
Deferred amount related to pensions	\$ 220,597	\$ 488,913	\$ 127,736	\$ 283,103	\$ 348,333	\$ 772,016
Total assets and deferred outflows	\$ 17,736,116	\$ 18,769,209	\$ 31,574,246	\$ 32,528,587	\$ 49,310,362	\$ 51,297,796
Liabilities:						
Current liabilities	\$ 252,927	\$ 345,766	\$ 633,407	\$ 703,818	\$ 886,334	\$ 1,049,584
Accrued Interest	\$ 9,962	\$ 7,443	\$ -	\$ -	\$ 9,962	\$ 7,443
Long-term liabilities	\$ 3,257,433	\$ 3,222,514	\$ 9,150,521	\$ 9,669,164	\$ 12,407,954	\$ 12,891,678
Deferred Inflows of Resources:						
Deferred amount related to pensions	\$ 401,639	\$ 179,117	\$ 232,566	\$ 103,716	\$ 634,205	\$ 282,833
Total liabilities and deferred inflows	\$ 3,921,961	\$ 3,754,840	\$ 10,501,494	\$ 10,987,493	\$ 14,423,455	\$ 14,742,333
Net position:						
Net investment in capital assets	\$ 12,653,654	\$ 13,503,118	\$ 17,569,738	\$ 18,386,882	\$ 30,223,392	\$ 31,890,000
Restricted for Public Safety	\$ 19,891	\$ 29,138	\$ -	\$ -	\$ 19,891	\$ 29,138
Restricted for Public Works	\$ 180,374	\$ -	\$ -	\$ -	\$ 180,374	\$ -
Restricted for Culture and Recreation	\$ 75,460	\$ -	\$ -	\$ -	\$ 75,460	\$ -
Restricted for Renewal/Extention	\$ -	\$ -	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Restricted for non expendable trust	\$ 292,016	\$ 307,311	\$ -	\$ -	\$ 292,016	\$ 307,311
Unrestricted	\$ 592,760	\$ 1,174,802	\$ 3,203,014	\$ 2,854,212	\$ 3,795,774	\$ 4,029,014
Total net position	\$ 13,814,155	\$ 15,014,369	\$ 21,072,752	\$ 21,541,094	\$ 34,886,907	\$ 36,555,463

An additional portion of the City's net position, \$636,449 or 1.7% represents resources that are subject to external restrictions on how they may be used. Of this amount, \$29,138 is restricted for Public Safety, \$282,311 is restricted for Public Works, and \$25,000 is restricted for Culture and Recreation. Another category of this portion of the City's net position is restricted for water & sewer system renewal and extension in the amount of \$300,000. The last category is restricted for non-expendable trust in the amount \$307,311. This represents two items (1) the Ricketts Environmental Excellence Trust (T.R.E.E.) program. A non-expendable trust was established by resolution in February 2000 from a bequest from Mr. Gwyn Thomas Ricketts. The interest from the bequest is to be used solely for the purchase of trees for the beautification of the City. (2) The City of Madison cannot spend the principle of cemetery lot sales. The interest can be used for cemetery maintenance.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole as well as for its separate governmental and business-type activities.

Governmental Activities. Governmental activities increased the City's net position by \$1,200,214. A transfer from the Natural Gas Fund of \$425,000, a transfer from the Water & Sewer Fund of \$425,000, and a transfer from the Solid Waste Fund for \$95,000 attributed to no further decreases in governmental activity net position.

	City of Madison Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Revenues:						
Program Revenues:						
Charges for service	\$ 658,424	\$ 703,207	\$ 6,315,348	\$ 6,303,047	\$ 6,973,772	\$ 7,006,254
Operating grants/contributions	\$ 44,162	\$ 72,442	\$ -	\$ 9,019	\$ 44,162	\$ 81,461
Capital grants/contributions	\$ 859,206	\$ 1,280,848	\$ 1,494,751	\$ 515,320	\$ 2,353,957	\$ 1,796,168
General revenues:						
Property taxes	\$ 1,355,942	\$ 1,420,963	\$ -	\$ -	\$ 1,355,942	\$ 1,420,963
Sales tax	\$ 1,345,968	\$ 1,395,253	\$ -	\$ -	\$ 1,345,968	\$ 1,395,253
Other Taxes	\$ 854,160	\$ 822,739	\$ -	\$ -	\$ 854,160	\$ 822,739
Intergovernmental rev	\$ 2,785	\$ 3,960	\$ -	\$ -	\$ 2,785	\$ 3,960
Investment earnings	\$ 2,860	\$ 3,230	\$ 6,229	\$ 6,306	\$ 9,089	\$ 9,536
Other	\$ 4,019	\$ 6,303	\$ -	\$ 83,288	\$ 4,019	\$ 89,591
Gain/(Loss) on sale of capital assets	\$ 802	\$ 26,562	\$ 1,296	\$ 1,500	\$ 2,098	\$ 28,062
Contributions to perm. fund prin.	\$ 14,210	\$ 15,925	\$ -	\$ -	\$ 14,210	\$ 15,925
Total revenue	\$ 5,142,538	\$ 5,751,432	\$ 7,817,624	\$ 6,918,480	\$ 12,960,162	\$ 12,669,912
Expenses:						
General government	\$ 858,713	\$ 972,110	\$ -	\$ -	\$ 858,713	\$ 972,110
Judicial	\$ 77,560	\$ 84,337	\$ -	\$ -	\$ 77,560	\$ 84,337
Public safety	\$ 2,165,768	\$ 1,573,253	\$ -	\$ -	\$ 2,165,768	\$ 1,573,253
Public works	\$ 536,000	\$ 1,182,866	\$ -	\$ -	\$ 536,000	\$ 1,182,866
Health and Welfare	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	\$ 339,881	\$ 391,501	\$ -	\$ -	\$ 339,881	\$ 391,501
Housing and development	\$ 721,350	\$ 981,472	\$ -	\$ -	\$ 721,350	\$ 981,472
Payment to Component Unit	\$ 225,425	\$ 245,425	\$ -	\$ -	\$ 225,425	\$ 245,425
Interest and fiscal charges	\$ 85,045	\$ 65,254	\$ -	\$ -	\$ 85,045	\$ 65,254
Water and sewer	\$ -	\$ -	\$ 1,787,358	\$ 3,395,444	\$ 1,787,358	\$ 3,395,444
Natural gas	\$ -	\$ -	\$ 3,407,905	\$ 1,632,562	\$ 3,407,905	\$ 1,632,562
Solid waste	\$ -	\$ -	\$ 452,040	\$ 477,132	\$ 452,040	\$ 477,132
Total Expenses	\$ 5,009,742	\$ 5,496,218	\$ 5,647,303	\$ 5,505,138	\$ 10,657,045	\$ 11,001,356
Inc in net position before transfers	\$ 132,796	\$ 255,214	\$ 2,170,321	\$ 1,413,342	\$ 2,303,117	\$ 1,668,556
Transfers	\$ 1,445,000	\$ 945,000	\$ (1,445,000)	\$ (945,000)	\$ -	\$ -
Change in net position	\$ 1,577,796	\$ 1,200,214	\$ 725,321	\$ 468,342	\$ 2,303,117	\$ 1,668,556
Net Position Beginning	\$ 12,909,738	\$ 13,814,155	\$ 20,737,345	\$ 21,072,752	\$ 33,647,083	\$ 34,886,907
Prior Period Adjustment	\$ (673,379)	\$ -	\$ (389,914)	\$ -	\$ (1,063,293)	\$ -
Net Position Beginning, as restated	\$ 12,236,359	\$ 13,814,155	\$ 20,347,431	\$ 21,072,752	\$ 32,583,790	\$ 34,886,907
Net Position Ending	\$ 13,814,155	\$ 15,014,369	\$ 21,072,752	\$ 21,541,094	\$ 34,886,907	\$ 36,555,463



Revenues. Property taxes of \$1,420,963 and sales tax of \$1,395,253 accounted for 50% of total governmental revenues.

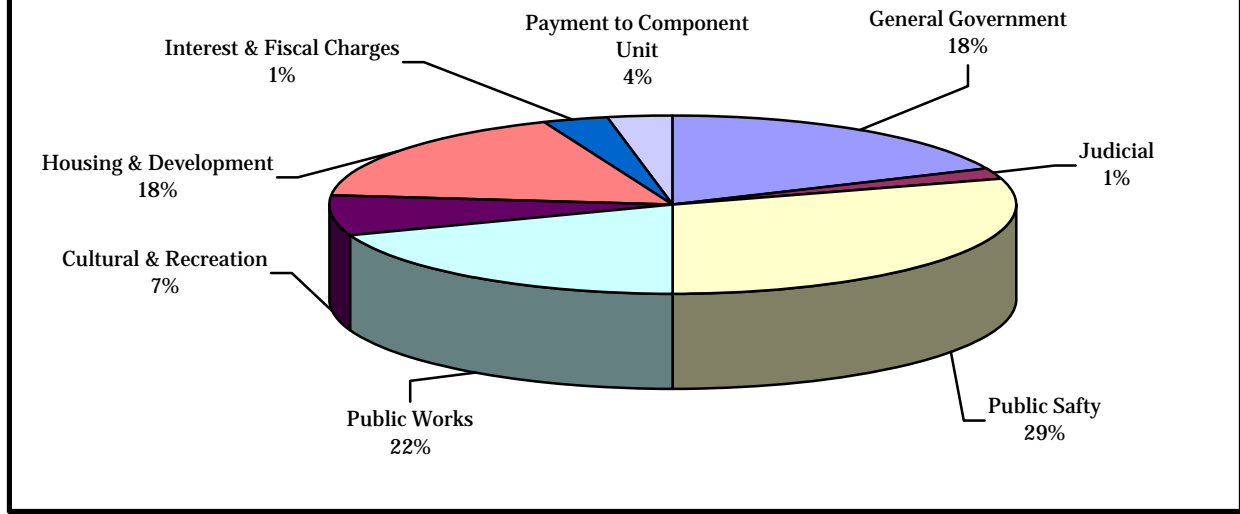
Capital grants and contributions consisted of the following:

- Total SPLOST funds received from Morgan County were \$406,649. SPLOST funds were received from the 2012 Referendum.
- The City of Madison received a Georgia Department of Transportation grant for airport expansion land acquisition in the amount of \$461,182.
- The City of Madison received a Department of Natural Resource trails grant for \$22,412.

Operating grants and contributions consisted of the following:

- Ricketts Environmental Excellence Trust (T.R.E.E.) program received donations of \$913.
- The City of Madison received a Georgia Department of Transportation grant for striping in the amount of \$60,849
- The City of Madison received a Georgia Department of Transportation grant for airport crack seal in the amount of \$82,391.
- The City of Madison received a Georgia Municipal Association Safety grant for \$4,682.
- The City of Madison received a Georgia Department of Transportation grant for paving in the amount of \$46,591.

Expenses - Governmental Activities Fiscal Year 2016



Expenses. The total expense for the governmental activities is \$5,496,218. The largest single expenditure is public safety. Public safety includes the police, fire, custody of prisoners, E-911, and animal control department. The total public safety expense is \$1,573,253 or 29% of total governmental activity expense.

Total program revenues and general revenues exceeded expenses by \$1,200,214.

Business-type activities. Business-type activities increased the City's net position by \$468,342.

Revenues. Water and sewer operating revenue was \$3,495,400. Natural gas operating revenue was \$2,198,408. Sanitation operating revenue was \$609,239. Water and sewer revenue is derived from the sale of water and sewer services to the citizens of the City. Natural gas revenue is derived from the sale of natural gas to the citizens of the City. Sanitation revenue is derived from sanitation services provided to the citizens of the City.

Expenses. Water and sewer operating expense was \$3,312,156. Natural gas operating expense was \$1,632,562. Sanitation operating expense was \$477,132.

Financial Analysis of the City of Madison's Funds

The City of Madison uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,214,662. Approximately 43% of this amount (\$947,819) constitutes unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the June 30, 2016, unassigned fund balance of the general fund was \$947,819. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned balance and total fund balances to total fund expenditures. General Fund's unassigned fund balance represents 19% of total fund expenditures.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The total change in Water and Sewer net position was \$288,142; the change in Natural Gas net position was \$142,389; and the change in Solid Waste net position was \$37,811.

General Fund Budgetary Highlights

Differences between the original budgeted expenditures and the final amended budgeted expenditures are approximately \$467,300 or 10% of the original budget. The increase in budgeted expenditures is attributable primarily to the increase in Fire and Airport. Budgeted revenue increased from the original budget in the amount of \$277,300. The increase is for Taxes, Intergovernmental revenues and Fines and Forfeitures.

During the year, actual revenues were less than budgetary estimates by \$235,483, and actual expenditures were less than budgetary estimates by \$443,635.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$41,894,663 (net of accumulated depreciation). This investment in capital assets includes land, historical treasures, construction in progress, land improvements, infrastructure, buildings, equipment, and vehicles.

Major capital asset events during the current fiscal year include the following:

Governmental-type activities:

- The Recreational Trails grant is underway with a total cost for FY2016 of \$30,395.
- A 2016 Ford Explorer was purchased for the City Manager in the amount of \$26,038.
- The Police department purchased two 2016 Dodge Chargers for a total cost of \$49,438.
- The Fire department purchased a 2003 Pierce Dash 85' aerial fire truck in the amount of \$300,000.
- The Fire department purchased a HP SC Spreader / Combi Hurst Tool in the amount of \$9,000.
- The Street department purchased an 8' snow plow in the amount of \$4,497.
- The Street department purchased a 54" Hustler X One Mower for \$8,065.
- Ground work for the new tot lot on MLK Drive has begun. The cost for FY2016 is \$5,500.
- The Airport department finished the runway paving and crack seal project. The amount for FY2016 is \$61,130. The total project cost was \$ 82,015.
- A hanger parking lot was paved in the Airport department for a cost of \$12,400.
- SPLOST funds paid for sidewalk improvements for S. Main Street in the amount of \$40,287.
- SPLOST funds paid for road improvements on Crawford Street in the amount of \$63,100
- The Governmental Capital Project fund also had airport expansion land acquisition of \$560,820 and runway expansion cost of \$28,243.

Business-type activities:

- The Wastewater department made system improvements to the Northside Wastewater Treatment Plant for a cost of \$704,777.
- The Wastewater department had a system expansion on the Georgia Pacific Sewer Force Main for a cost of \$314,995. This project is complete with a total cost of \$328,120.
- The Wastewater department also purchased a 2008 Freightliner Model M-2 with a 16' mild steel bed in the amount of \$51,700.
- The Water department made system improvements on Fifth Street in the amount of \$ 32,382.
- The Gas department had a system expansion on Mission Road in the amount of \$ 8,054.
- The Gas department purchased a 2015 Vermeer Directional Boring machine in the amount of \$112,319.
- The Gas department purchased a 2016 Ford F-150 in the amount of \$20,320.

**City of Madison Capital Assets
(Net of Depreciation)**

	Government Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Land	\$ 3,983,183	\$ 4,421,464	\$ 261,782	\$ 261,782	\$ 4,244,965	\$ 4,683,246
Historical Treasures	\$ 24,318	\$ 24,318	\$ -	\$ -	\$ 24,318	\$ 24,318
Construction in progress	\$ 527,178	\$ 570,431	\$ 256,388	\$ 1,063,646	\$ 783,566	\$ 1,634,077
Land improvements	\$ 1,412,887	\$ 1,311,048	\$ 6,881	\$ 6,489	\$ 1,419,768	\$ 1,317,537
Infrastructure	\$ 3,524,923	\$ 3,365,639	\$ 13,826,194	\$ 13,933,841	\$ 17,351,117	\$ 17,299,480
Building	\$ 5,163,971	\$ 4,996,826	\$ 6,867,266	\$ 6,674,703	\$ 12,031,237	\$ 11,671,529
Equipment	\$ 593,428	\$ 522,702	\$ 4,316,680	\$ 4,013,882	\$ 4,910,108	\$ 4,536,584
Vehicles	\$ 151,740	\$ 474,705	\$ 217,027	\$ 253,187	\$ 368,767	\$ 727,892
Total	\$ 15,381,628	\$ 15,687,133	\$ 25,752,218	\$ 26,207,530	\$ 41,133,846	\$ 41,894,663

Long-term debt. At the end of the current fiscal year, the City had total outstanding revenue bond indebtedness in the amount of \$8,775,124. The water and sewerage revenue bonds represent bonds secured solely by a pledge of and a lien on the net revenues of the Water & Sewer System. In FY 2008, the City financed the new Public Works Facility through a capital lease with Georgia Municipal Association in the amount of \$2,100,000. This is a ten-year lease. In FY 2012, the City of Madison financed a new John Deere Tractor through a capital lease with Georgia Municipal Association in the amount of \$85,017. This is a four-year lease. In FY 2013, the City of Madison financed a new garbage truck through a capital lease with Georgia Municipal Association in the amount of \$106,648. This is a five year lease. In FY2016, the City of Madison financed an aerial fire truck through a capital lease with Georgia Municipal Association in the amount of \$300,000. This is a five year lease. The remainder of the capital lease obligations at FY 2016 is \$805,128. In fiscal year 2013, Downtown Development Authority became a blended component unit and the long term debt is included below. The notes payable balance at the end of the fiscal year is \$836,599, which has the purpose of purchasing property. The Downtown Development Authority issued bonds in the amount of \$1,110,000. The bonds were issued to retire the outstanding note payable at Bank of Madison which was for the Town Park project. The bonds payable-DDA balance at the end of the year was \$570,244.

**City of Madison Outstanding Debt
Revenue Bonds & Capital Leases**

	Government Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Revenue Bonds	\$ -	\$ -	\$ 9,289,062	\$ 8,775,124	\$ 9,289,062	\$ 8,775,124
Bonds Payable - DDA	\$ 793,312	\$ 570,244	\$ -	\$ -	\$ 793,312	\$ 570,244
Notes Payable - GEFA	\$ -	\$ -	\$ -	\$ 689,652	\$ -	\$ 689,652
Notes Payable - DDA	\$ 124,519	\$ 836,599	\$ -	\$ -	\$ 124,519	\$ 836,599
Capital Lease Obligations	\$ 710,143	\$ 777,172	\$ 49,623	\$ 124,649	\$ 759,766	\$ 901,821
Total	\$ 1,627,974	\$ 2,184,015	\$ 9,338,685	\$ 9,589,425	\$ 10,966,659	\$ 11,773,440

Readers should refer to the notes to the financial statements for more detail on capital assets and long-term debt activity.

Economic Factors and Budgeting Considerations

Natural Gas operating revenues decreased by \$72,624, a 3% decrease from FY 2015.

Water and Wastewater operating revenues decreased by \$48,886, a 1% increase from FY 2015.

Sanitation operating revenues increased by \$ 109,209, a 22% increase from FY2015.

Sales tax revenues increased by \$49,285, a 4% increase from FY 2015.

Requests for Information

This financial report is designed to provide a general overview of the City'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 addressed to the Office of the City Manager, City of Madison, P. O. Box 32, Madison, Georgia, 30650.

Basic Financial Statements

City of Madison, Georgia
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 1,482,010	\$ 1,320,341	\$ 2,802,351
Investments, plus accrued interest	490,195	2,183,956	2,674,151
Accounts receivable, net	24,685	1,113,068	1,137,753
Taxes receivable, net	24,539	-	24,539
Internal balances (Note 5)	21,986	(21,986)	-
Due from other governments	178,282	9,019	187,301
Prepaid expenses	68,131	45,897	114,028
Restricted assets:			
Cash	25,000	308,534	333,534
Investments	278,335	-	278,335
Capital assets (Note 4)			
Capital assets not being depreciated	5,016,213	1,325,428	6,341,641
Capital assets being depreciated, net	10,670,920	24,882,102	35,553,022
Total capital assets	<u>15,687,133</u>	<u>26,207,530</u>	<u>41,894,663</u>
Total assets	<u>18,280,296</u>	<u>31,166,359</u>	<u>49,446,655</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount of debt refunding	-	1,079,125	1,079,125
Deferred amount related to pensions (Note 9)	488,913	283,103	772,016
Total deferred outflows	<u>488,913</u>	<u>1,362,228</u>	<u>1,851,141</u>
Total assets and deferred outflows	<u>18,769,209</u>	<u>32,528,587</u>	<u>51,297,796</u>
LIABILITIES			
Accounts payable and accrued expenses	345,766	362,867	708,633
Accrued interest	7,443	-	7,443
Customer deposits	-	340,951	340,951
Long-term liabilities: (Note 6)			
Portion due or payable within one year:			
Bonds and notes payable, net	548,758	510,795	1,059,553
Capital lease obligation	292,410	43,766	336,176
Portion due or payable after one year:			
Bonds and notes payable, net	858,085	8,953,981	9,812,066
Capital lease obligation	484,762	80,883	565,645
Compensated absences	101,136	44,419	145,555
Net pension liability (Note 9)	921,192	533,409	1,454,601
OPEB obligation (Note 10)	16,171	12,706	28,877
Total liabilities	<u>3,575,723</u>	<u>10,883,777</u>	<u>14,459,500</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amount related to pensions (Note 9)	179,117	103,716	282,833
Total deferred inflows	<u>179,117</u>	<u>103,716</u>	<u>282,833</u>
Total liabilities and deferred inflows	<u>3,754,840</u>	<u>10,987,493</u>	<u>14,742,333</u>
NET POSITION			
Net investment in capital assets	13,503,118	18,386,882	31,890,000
Restricted for :			
Public safety	29,138	-	29,138
Public works:			
Nonexpendable	282,311	-	282,311
Culture & recreation:			
Nonexpendable	25,000	-	25,000
Renewal & extensions (Note 6)	-	300,000	300,000
Unrestricted	1,174,802	2,854,212	4,029,014
Total net position	<u>\$ 15,014,369</u>	<u>\$ 21,541,094</u>	<u>\$ 36,555,463</u>

The accompanying notes are an integral part of these financial statements.

City of Madison, Georgia
Statement of Activities
For the Fiscal Year Ended June 30, 2016

Activities:	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental:							
General government	\$ 972,110	\$ 81,159	\$ -	\$ 52,174	\$ (838,777)	\$ -	\$ (838,777)
Judicial	84,337	352,918	-	-	268,581	-	268,581
Public safety	1,573,253	17,035	5,536	71,739	(1,478,943)	-	(1,478,943)
Public works	1,182,866	54,104	-	179,421	(949,341)	-	(949,341)
Culture and recreation	391,501	32,542	22,657	178,388	(157,914)	-	(157,914)
Housing and development	1,226,897	165,449	44,249	799,126	(218,073)	-	(218,073)
Interest and fiscal charges	65,254	-	-	-	(65,254)	-	(65,254)
Total governmental activities	5,496,218	703,207	72,442	1,280,848	(3,439,721)		(3,439,721)
Business-type:							
Gas	1,632,562	2,198,408	-	-	\$ -	\$ 565,846	\$ 565,846
Water and sewer	3,312,156	3,495,400	9,019	515,320	707,583	707,583	707,583
Sanitation	477,132	609,239	-	-	132,107	132,107	132,107
Total business-type activities	5,421,850	6,303,047	9,019	515,320		1,405,536	1,405,536
General revenues:							
Taxes							
Property taxes, levied for general purposes					1,420,963	-	1,420,963
Sales tax					1,395,253	-	1,395,253
Intangible tax					17,972	-	17,972
Business taxes					313,443	-	313,443
Franchise fees					491,324	-	491,324
Intergovernmental revenues					3,960	-	3,960
Investment earnings					3,230	6,306	9,536
Miscellaneous					6,303	-	6,303
Gain on the sale of capital assets					26,562	1,500	28,062
Contributions to permanent fund principal					15,925	-	15,925
Transfers					945,000	(945,000)	-
Total general revenues and transfers					4,639,935	(937,194)	3,702,741
Change in net position					1,200,214	468,342	1,668,556
Net position - beginning					13,814,155	21,072,752	34,886,907
Net position - ending					\$ 15,014,369	\$ 21,541,094	\$ 36,555,463

The accompanying notes are an integral part of these financial statements.

City of Madison, Georgia
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Downtown Development Authority	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 1,164,896	\$ -	\$ 321,932	\$ 1,486,828
Investments, plus accrued interest	414,306	50,000	21,913	486,219
Accounts receivable	11,378	100	13,208	24,686
Taxes receivable, net	24,539	-	-	24,539
Internal balances	208,879	-	99,584	308,463
Due from other governments	83,765	-	94,640	178,405
Prepaid items	61,611	6,520	-	68,131
Restricted cash	-	-	25,000	25,000
Restricted investments	-	-	282,311	282,311
Total assets	1,969,374	56,620	858,588	2,884,582
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	249,831	11,367	7,733	268,931
Cash overdraft	-	4,818	-	4,818
Accrued expenses	76,957	-	-	76,957
Internal balances	99,584	1,869	185,024	286,477
Total liabilities	426,372	18,054	192,757	637,183
Deferred inflows of resources:				
Unavailable property taxes	13,432	-	-	13,432
Unavailable revenues	7,210	-	12,095	19,305
Total deferred inflows of resources	20,642	-	12,095	32,737
Fund balances (Note 8):				
Nonspendable	61,611	6,520	307,311	375,442
Restricted	11,937	-	324,512	336,449
Committed	-	-	21,913	21,913
Assigned	500,993	32,046	-	533,039
Unassigned	947,819	-	-	947,819
Total fund balances	1,522,360	38,566	653,736	2,214,662
Total liabilities, deferred inflows and fund balances	\$ 1,969,374	\$ 56,620	\$ 858,588	\$ 2,884,582

The accompanying notes are an integral part of these financial statements.

City of Madison, Georgia
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016

Total *fund* balances for governmental funds (Exhibit 3) \$ 2,214,662

Total *net position* reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Capital assets not being depreciated	5,016,213	
Capital assets being depreciated, net of \$6,377,402 of accumulated depreciation	<u>10,670,920</u>	
Total capital assets		15,687,133

Some of the City's taxes and other charges will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.		32,735
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Deferred outflows and inflows of resources related to pensions represent differences between actual and projected income that accounting standards require be amortized into income over future periods. These deferrals do not constitute current financial resources and are not reported in the funds.		309,796
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net position. Balances at June 30, 2016 are:

Capital leases payable	(777,172)	
Notes payable	(1,406,843)	
Interest payable	(7,443)	
Compensated absences	(101,136)	
Net pension obligation	(921,192)	
OPEB obligation	<u>(16,171)</u>	
Total long-term liabilities		<u>(3,229,957)</u>

Total net position of governmental activities (Exhibit 1)		\$ <u><u>15,014,369</u></u>
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City of Madison, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General Fund	Downtown Development Authority	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 3,329,119	\$ -	\$ 304,395	\$ 3,633,514
Licenses and permits	51,798	-	-	51,798
Intergovernmental revenue	220,952	200,000	896,144	1,317,096
Charges for services	153,259	3,365	42,748	199,372
Fines and forfeitures	352,918	-	10,660	363,578
Investment income	2,341	94	964	3,399
Contributions and donations	205	9,138	913	10,256
Miscellaneous	56,175	44,163	-	100,338
Total revenues	<u>4,166,767</u>	<u>256,760</u>	<u>1,255,824</u>	<u>5,679,351</u>
EXPENDITURES				
Current:				
General government	847,745	-	-	847,745
Judicial	83,993	-	-	83,993
Public safety	1,850,622	-	748	1,851,370
Public works	819,393	-	-	819,393
Culture and recreation	379,623	-	860	380,483
Housing and development	651,871	239,776	245,875	1,137,522
Capital outlay:				
Public works	-	-	164,833	164,833
Culture and recreation	-	-	200,000	200,000
Housing and development	-	-	589,063	589,063
Debt service:				
Principal payments	232,971	610,988	-	843,959
Interest and fiscal charges	21,897	45,876	-	67,773
Total expenditures	<u>4,888,115</u>	<u>896,640</u>	<u>1,201,379</u>	<u>6,986,134</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(721,348)</u>	<u>(639,880)</u>	<u>54,445</u>	<u>(1,306,783)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	300,000	-	-	300,000
Proceeds of governmental asset dispositions	30,000	399,112	-	429,112
Transfers in	1,003,520	245,425	127,881	1,376,826
Transfers (out)	(373,306)	-	(58,520)	(431,826)
Total other financing sources (uses)	<u>960,214</u>	<u>644,537</u>	<u>69,361</u>	<u>1,674,112</u>
Net change in fund balances	238,866	4,657	123,806	367,329
Fund balances - beginning	1,283,494	33,909	529,930	1,847,333
Fund balances - ending	<u>\$ 1,522,360</u>	<u>\$ 38,566</u>	<u>\$ 653,736</u>	<u>\$ 2,214,662</u>

The accompanying notes are an integral part of these financial statements.

City of Madison, Georgia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Net Activities
For the Fiscal Year Ended June 30, 2016

Net change in <i>fund</i> balances - total governmental funds (Exhibit 4)	\$	367,329
The change in <i>net position</i> 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 reported as depreciation expense. This is the amount by which capital outlays (\$1,113,283) exceeded depreciation (\$651,643) in the current period.		461,640
In governmental funds, capital assets are not recorded in the fund. Thus a disposal of an asset has no effect in the governmental fund, other than recording of the proceeds, if any, from the sale. However, the statement of activities recognizes a gain or loss related to the disposal of the assets.		(156,135)
Pension expenditures represent contributions to the pension plan made during the fiscal year and are reported in the funds. Pension expense represents the change in the net pension liability and any amortization of differences in projected and actual earnings, changes in assumptions, changes in benefits or differences between expected and actual experience. The statement of activities reports pension expense.		(18,597)
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. The adjustment resulting from the different basis of accounting is as follows:		
Compensated absences		1,807
OPEB liability		(1,412)
Interest payable		2,519
Governmental funds defer all tax revenues not collected within 60 days of year end. However, the statement of activities uses the accrual method and, thus, the entire amount is recognized as revenue, regardless of the collection date.		(896)
Loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Net Position.		(300,000)
Debt principal payments are reported as expenditures in the governmental funds, but reduce the liability in the statement of net position.		843,959
Change in net position of governmental activities (Exhibit 2)	\$	1,200,214

The accompanying notes are an integral part of these financial statements.

City of Madison, Georgia
Statement of Net Position
Proprietary Funds
June 30, 2016

	Enterprise Funds			Total
	Gas Fund	Water & Sewer Fund	Nonmajor Sanitation Fund	
ASSETS				
Current assets:				
Cash	\$ 315,658	\$ 943,355	\$ 61,328	\$ 1,320,341
Investments, plus accrued interest	585,340	1,408,773	189,843	2,183,956
Accounts receivable, net (Note 3)	424,838	582,225	106,005	1,113,068
Due from other governments	-	9,019	-	9,019
Due from other funds (Note 5)	6,436	14,720	-	21,156
Prepaid expenses	5,224	37,208	3,465	45,897
Total current assets	<u>1,337,496</u>	<u>2,995,300</u>	<u>360,641</u>	<u>4,693,437</u>
Noncurrent assets:				
Restricted assets - cash	-	308,534	-	308,534
Capital assets (Note 4)				
Capital assets not being depreciated	34,153	1,291,275	-	1,325,428
Capital assets being depreciated, net	1,985,316	22,742,541	154,245	24,882,102
Total capital assets	<u>2,019,469</u>	<u>24,033,816</u>	<u>154,245</u>	<u>26,207,530</u>
Total noncurrent assets	<u>2,019,469</u>	<u>24,342,350</u>	<u>154,245</u>	<u>26,516,064</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on debt refunding	-	1,079,125	-	1,079,125
Deferred amount related to pensions (Note 9)	72,161	189,737	21,205	283,103
Total deferred outflows	<u>72,161</u>	<u>1,268,862</u>	<u>21,205</u>	<u>1,362,228</u>
Total assets and deferred outflows	<u>3,429,126</u>	<u>28,606,512</u>	<u>536,091</u>	<u>32,571,729</u>
LIABILITIES				
Current liabilities:				
Accounts payable	171,425	114,858	12,449	298,732
Accrued expenses	15,714	42,583	5,838	64,135
Due to other funds (Note 5)	11,240	4,163	27,739	43,142
Bonds payable, net (Note 6)	-	490,000	-	490,000
Capital leases (Note 6)	21,480	-	22,286	43,766
Note payable, net (Note 6)	-	20,795	-	20,795
Customer deposits	126,805	214,146	-	340,951
Total current liabilities	<u>346,664</u>	<u>886,545</u>	<u>68,312</u>	<u>1,301,521</u>
Noncurrent liabilities:				
Bonds payable, net (Note 6)	-	8,285,124	-	8,285,124
Capital leases (Note 6)	75,213	-	5,670	80,883
Note payable (Note 6)	-	668,857	-	668,857
Compensated absences	11,158	32,350	911	44,419
Net pension liability (Note 9)	135,961	357,494	39,954	533,409
OPEB obligation (Note 10)	3,465	7,797	1,444	12,706
Total noncurrent liabilities	<u>225,797</u>	<u>9,351,622</u>	<u>47,979</u>	<u>9,625,398</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amount on pension (Note 9)	26,436	69,511	7,769	103,716
Total deferred inflows	<u>26,436</u>	<u>69,511</u>	<u>7,769</u>	<u>103,716</u>
Total liabilities and deferred inflows	<u>598,897</u>	<u>10,307,678</u>	<u>124,060</u>	<u>11,030,635</u>
NET POSITION				
Net investment in capital assets	1,922,776	16,337,817	126,289	18,386,882
Restricted for renewal and extensions (Note 6)	-	300,000	-	300,000
Unrestricted	907,453	1,661,017	285,742	2,854,212
Total net position	<u>\$ 2,830,229</u>	<u>\$ 18,298,834</u>	<u>\$ 412,031</u>	<u>\$ 21,541,094</u>

The accompanying notes are an integral part of these financial statements.

City of Madison, Georgia
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	Enterprise Funds			Total
	Gas Fund	Water & Sewer Fund	Nonmajor Sanitation Fund	
Operating Revenues:				
Charges for services	\$ 2,188,755	\$ 3,469,486	\$ 609,239	\$ 6,267,480
Tap fees	1,150	17,885	-	19,035
Other revenues	8,503	8,029	-	16,532
Total operating revenues	<u>2,198,408</u>	<u>3,495,400</u>	<u>609,239</u>	<u>6,303,047</u>
Operating Expenses:				
Cost of gas sold	927,062	-	-	927,062
Personal services	439,079	1,072,482	178,767	1,690,328
Purchased/contracted services	97,623	312,054	100,034	509,711
Supplies	90,073	646,737	56,630	793,440
Other costs	8,540	21	119,204	127,765
Depreciation	67,373	952,940	21,321	1,041,634
Total operating expenses	<u>1,629,750</u>	<u>2,984,234</u>	<u>475,956</u>	<u>5,089,940</u>
Operating income	568,658	511,166	133,283	1,213,107
Nonoperating revenues (expenses):				
Investment earnings	1,543	4,059	704	6,306
Grant revenue	-	9,019	-	9,019
Gain on sale of asset	-	1,500	-	1,500
Interest expense	(2,812)	(327,922)	(1,176)	(331,910)
Total nonoperating revenues (expenses)	<u>(1,269)</u>	<u>(313,344)</u>	<u>(472)</u>	<u>(315,085)</u>
Income before contributions and transfers	567,389	197,822	132,811	898,022
Contributions and transfers:				
Capital contributions - connection fees	-	515,320	-	515,320
Transfers (out)	(425,000)	(425,000)	(95,000)	(945,000)
Net contributions and transfers	<u>(425,000)</u>	<u>90,320</u>	<u>(95,000)</u>	<u>(429,680)</u>
Change in net position	142,389	288,142	37,811	468,342
Total net position - beginning	2,687,840	18,010,692	374,220	21,072,752
Total net position - ending	<u>\$ 2,830,229</u>	<u>\$ 18,298,834</u>	<u>\$ 412,031</u>	<u>\$ 21,541,094</u>

The accompanying notes are an integral part of these financial statements.

City of Madison, Georgia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	Enterprise Funds			Total
	Gas Fund	Water & Sewer Fund	Nonmajor Sanitation Fund	
Cash flows from operating activities:				
Receipts from customers	\$ 1,944,648	\$ 3,438,485	\$ 590,738	\$ 5,973,871
Payments to suppliers	(1,026,727)	(963,933)	(329,515)	(2,320,175)
Payments to employees	(435,861)	(1,020,021)	(175,942)	(1,631,824)
Net cash provided by operating activities	<u>482,060</u>	<u>1,454,531</u>	<u>85,281</u>	<u>2,021,872</u>
Cash flows from noncapital financing activities:				
Interfund balances	6,119	(188,448)	(52,322)	(234,651)
Transfers (out)	(425,000)	(425,000)	(95,000)	(945,000)
Net cash (used) by noncapital financing activities	<u>(418,881)</u>	<u>(613,448)</u>	<u>(147,322)</u>	<u>(1,179,651)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(185,368)	(1,199,260)	-	(1,384,628)
Capital contributions - connections	-	515,320	-	515,320
Proceeds from note payable	-	689,652	-	689,652
Proceeds from sale of assets	-	1,500	-	1,500
Principal payments on debt	(15,626)	(485,000)	(21,667)	(522,293)
Interest payments on debt	(2,812)	(279,780)	(1,176)	(283,768)
Net cash used by capital and related financing activities	<u>(203,806)</u>	<u>(757,568)</u>	<u>(22,843)</u>	<u>(984,217)</u>
Cash flows from investing activities:				
Interest	112	611	238	961
Net cash provided by investing activities	<u>112</u>	<u>611</u>	<u>238</u>	<u>961</u>
Net increase (decrease) in cash and cash equivalents	(140,515)	84,126	(84,646)	(141,035)
Balances - beginning	456,173	1,167,763	145,974	1,769,910
Balances - end	<u>\$ 315,658</u>	<u>\$ 1,251,889</u>	<u>\$ 61,328</u>	<u>\$ 1,628,875</u>
Displayed as:				
Unrestricted cash	315,658	943,355	61,328	1,320,341
Restricted cash	-	308,534	-	308,534
Total	<u>\$ 315,658</u>	<u>\$ 1,251,889</u>	<u>\$ 61,328</u>	<u>\$ 1,628,875</u>

City of Madison, Georgia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	<u>Enterprise Funds</u>			<u>Total</u>
	<u>Gas Fund</u>	<u>Water & Sewer Fund</u>	<u>Nonmajor Sanitation Fund</u>	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 568,658	\$ 511,166	\$ 133,283	\$ 1,213,107
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	67,373	952,940	21,321	1,041,634
Changes in assets, deferred outflows, liabilities and deferred inflows:				
Receivables, net	(257,192)	(28,741)	(18,501)	(304,434)
Prepaid expenses	268	(8,781)	186	(8,327)
Accounts payable	96,303	3,660	(53,833)	46,130
Accrued expenses	474	7,324	2,018	9,816
Pension deferrals	(72,445)	(190,484)	(21,288)	(284,217)
Pension liability	75,189	197,700	22,095	294,984
Customer deposits	3,432	9,747	-	13,179
Net cash provided by operating activities	<u>\$ 482,060</u>	<u>\$ 1,454,531</u>	<u>\$ 85,281</u>	<u>\$ 2,021,872</u>
Noncash transactions affecting financial position:				
Acquisition of capital assets through lease payable	112,319	-	-	112,319
Net effect of noncash transactions	<u>\$ 112,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,319</u>

Notes to Financial Statements

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Madison was incorporated under the laws of the State of Georgia in 1809 and operates under a City Manager form of government. The City provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, general and administrative services, and gas and water utilities.

The financial statements of the City of Madison, Georgia, (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In conformity with generally accepted accounting principles, as set forth in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, the financial statements of the reporting entity include those of the City of Madison (the primary government) and its component units. The City implemented the guidance of GASB Statement No. 61 *The Financial Reporting Entity: Omnibus*, which amends some of the provisions of Statement 14, as of July 1, 2012. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in its own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Discretely presented component units: Based on the aforementioned criteria, the City of Madison had no discretely presented component units.

Blended component units: Based on the aforementioned criteria, the Downtown Development Authority of Madison qualifies as a blended component unit.

Downtown Development Authority of Madison: The Downtown Development Authority, an entity legally separate from the City, is governed by a seven-member board appointed by the City Council. Separate financial statements of the component unit can be obtained from the Downtown Development Authority, P.O. Box 32, Madison, Georgia 30650.

Based on the GASB-61 definition of a component unit, the City has determined that the Madison-Morgan County Airport Authority is a jointly-governed entity (Note 13) rather than a potential component unit.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 1: Summary of Significant Accounting Policies, continued

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. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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 to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

General Fund - This fund is the government's primary operating fund. It accounts for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Downtown Development Authority - This is a blended component unit. This fund is used to account for all of the transactions of the development authority. This fund receives intergovernmental revenue money from the City and contributions and donations from foundations and individuals.

The City reports the following major enterprise funds:

Gas Fund – This fund accounts for the operation, maintenance and development of the City's natural gas system.

Water and Sewer Fund - This fund accounts for the operation, maintenance and development of the City's water and sewer system.

The City reports the following nonmajor enterprise fund:

Sanitation Fund - This fund accounts for the operation and maintenance of the City's garbage, trash and recycling collection.

Measurement Focus, Basis of Accounting

Government-wide and proprietary Fund Financial Statements: The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions are transactions in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 1: Summary of Significant Accounting Policies, continued

Nonexchange transactions include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, insurance premium tax, franchise taxes, licenses and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

C. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Mayor submits to the City Council a proposed budget for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance.
4. All revisions are submitted to the City Council for approval.
5. The budget is prepared and adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the General Fund and the Special Revenue Funds. A project length budget is adopted for all Capital Projects Funds. An operating budget is prepared for each Enterprise Fund for planning, control, cost allocation and evaluation purposes.
6. Budgetary appropriations lapse at the end of the fiscal year.

D. Encumbrances

The City does not use encumbrance accounting; under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation.

E. Deposits and Investments

Cash includes amounts in demand and interest-bearing deposits held in banks. All deposits with financial institutions must be collateralized in an amount equal to 110% of uninsured deposits.

For purposes of the statement of cash flows, cash and cash equivalents include all short-term highly liquid investments with original maturities of three months or less.

Investments of the City consist of time deposits in banks. The certificates of deposit are not negotiable or transferrable, so they meet the definition of a "nonparticipating interest earning investment contract" and are measured at cost in accordance with GASB Statement No. 31.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 1: Summary of Significant Accounting Policies, continued

F. Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectible amounts, when material.

G. Property Tax Calendar

Property taxes are administered based on the following calendar:

Property Tax Year	2015
Lien date	January 1, 2015
Levy date	July 16, 2015
Collection period	August 17, 2015 - November 15, 2015
Due date	November 15, 2015

Property taxes are levied based on the assessed value of property as listed on the previous January 1. Assessed values are an approximation of market value. Assessments are made by the Morgan County Tax Assessor and approved by the State of Georgia.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Property, plant and equipment, except for infrastructure, with individual costs that equal or exceed \$2,500 are recorded as capital assets.

Infrastructure with an individual cost that is equal to or exceeds \$100,000 is recorded as a capital asset. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, net of related interest earned, is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	15-99
Building and improvements	20-50
Water and sewer distribution system	20-50
Vehicles	5
Furniture and fixtures	10
Equipment	10
Computer equipment	5
Heavy machinery	5

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 1: Summary of Significant Accounting Policies, continued

Pursuant to GASB Statement No. 34, Phase 3 governments are not required to report major general infrastructure assets retroactively. As a result, the governmental activities column in the government-wide financial statements does not reflect those infrastructure asset projects completed before June 30, 2002.

J. Vacation, Sick Leave, and Other Compensated Absences

It is the intent of the City to require that all vacation leave be taken within the fiscal year; however, when an employee is separated from employment with the City, such employee shall be paid for unused annual leave unless he or she fails to give proper notice of resignation. Accrued sick leave is a contingent liability of the City. Such accrued sick leave time is available for use only during each employee's tenure with the City and is not payable upon retirement or termination. Compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds report only the matured compensated absence payable as a result of employee resignations and retirements.

K. Restricted Assets

Enterprise Funds, based on certain bond covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to segregate amounts to be utilized for construction or acquisition of capital assets.

L. Fund Equity

As of June 30, 2011, the City adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* in an effort to improve the consistency in reporting fund balance components, enhance fund balance presentation, improve the usefulness of fund balance information, and clarify the definitions of the governmental fund types. As a result of the implementation, the governmental funds now report the following five categories of fund balance: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

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

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Through resolution, the City Council has authorized the City manager to assign fund balances.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City has provided otherwise in its commitment or assignment actions.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 2: Deposits and Investments

Custodial Credit Risk

Custodial credit risk is the risk that in that in the event of a bank failure, the City's deposits may not be recovered. State law requires deposits with financial institutions be collateralized in an amount equal to 110% of uninsured deposits. As of June 30, 2016, the City was entirely insured or collateralized by securities held by the pledging financial institutions. Therefore, the City has no custodial credit risk for deposits.

Interest Rate Risk

Interest rate risk is the risk that the changes in interest rates of debt investments will adversely affect the fair value of an investment. The City does not have a formal investment policy for managing interest rate risk.

Credit Risk and Foreign Currency Risk

Georgia law authorizes local governments to invest in the following types of obligations:

- Obligations of the State of Georgia or of any other states;
- Obligations issued by the United States;
- Obligations fully insured or guaranteed by the United States government or governmental agency;
- Obligations of any corporation of the United States government;
- Prime bankers' acceptances;
- The State of Georgia Local Government Investment Pool;
- Repurchase agreements; and
- Obligations of other political subdivisions of the State of Georgia.

The City does not have an investment policy that would further limit its investment choices. The City does not have any foreign investments and is therefore not exposed to foreign currency risk.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. GASB Statement 40 requires disclosure when an entity invests 5% or more of its investments in the securities of any one issuer. The City had no investments that met this requirement at June 30, 2016.

Note 3: Receivables

Receivables as of year end for the government's individual major funds and the nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	Gas Fund	Water & Sewer Fund	Nonmajor Sanitation Fund	Total
Gross accounts receivable	\$ 434,817	\$ 621,820	\$ 112,556	\$ 1,169,193
Less: allowance for uncollectible	(9,979)	(39,595)	(6,551)	(56,125)
Net total receivables	<u>\$ 424,838</u>	<u>\$ 582,225</u>	<u>\$ 106,005</u>	<u>\$ 1,113,068</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 4: Capital Assets

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

Primary Government	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,983,183	\$ 590,978	\$ 152,697	\$ 4,421,464
Historical treasures	24,318	-	-	24,318
Construction in progress	527,178	125,268	82,015	570,431
Total capital assets not being depreciated	<u>4,534,679</u>	<u>716,246</u>	<u>234,712</u>	<u>5,016,213</u>
Capital assets being depreciated:				
Infrastructure	6,061,360	82,015	-	6,143,375
Land improvements	2,044,965	-	-	2,044,965
Buildings and improvements	5,957,591	-	1,242	5,956,349
Equipment	1,464,882	21,562	-	1,486,444
Vehicles	1,063,679	375,475	21,965	1,417,189
Total capital assets being depreciated	<u>16,592,477</u>	<u>479,052</u>	<u>23,207</u>	<u>17,048,322</u>
Less accumulated depreciation for:				
Infrastructure	2,536,437	241,299	-	2,777,736
Land improvements	632,078	101,839	-	733,917
Buildings and improvements	793,620	165,903	-	959,523
Equipment	871,454	92,288	-	963,742
Vehicles	911,939	50,314	19,769	942,484
Total accumulated depreciation	<u>5,745,528</u>	<u>651,643</u>	<u>19,769</u>	<u>6,377,402</u>
Total capital assets being depreciated, net	<u>10,846,949</u>	<u>(172,591)</u>	<u>3,438</u>	<u>10,670,920</u>
Governmental activity capital assets, net	<u>\$ 15,381,628</u>	<u>\$ 543,655</u>	<u>\$ 238,150</u>	<u>\$ 15,687,133</u>

Depreciation expense was charged to functions as follows:

General government	\$ 183,042
Public safety	69,007
Public works	214,150
Culture and recreation	11,463
Housing and development	173,981
Total governmental activities depreciation expense	<u>\$ 651,643</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 4: Capital Assets, continued

Water & Sewer Fund:	Beginning			Ending
<i>Capital assets not being depreciated:</i>	Balance	Increases	Decreases	Balance
Land	\$ 252,282	\$ -	\$ -	\$ 252,282
Construction in progress	251,935	1,115,178	328,120	1,038,993
Total capital assets not being depreciated	<u>504,217</u>	<u>1,115,178</u>	<u>328,120</u>	<u>1,291,275</u>
<i>Capital assets being depreciated:</i>				
Land improvements	51,348	-	-	51,348
Infrastructure	17,805,747	360,502	-	18,166,249
Buildings and improvements	9,272,082	-	-	9,272,082
Equipment	7,107,300	-	-	7,107,300
Vehicles	186,665	51,700	-	238,365
Total capital assets being depreciated	<u>34,423,142</u>	<u>412,202</u>	<u>-</u>	<u>34,835,344</u>
Less accumulated depreciation for:				
Land improvements	44,467	392	-	44,859
Infrastructure	5,729,080	341,354	-	6,070,434
Buildings and improvements	2,404,816	192,563	-	2,597,379
Equipment	2,809,405	403,596	-	3,213,001
Vehicles	152,095	15,035	-	167,130
Total accumulated depreciation	<u>11,139,863</u>	<u>952,940</u>	<u>-</u>	<u>12,092,803</u>
Capital assets being depreciated, net	<u>23,283,279</u>	<u>(540,738)</u>	<u>-</u>	<u>22,742,541</u>
Water and sewer capital assets, net	<u>\$ 23,787,496</u>	<u>\$ 574,440</u>	<u>\$ 328,120</u>	<u>\$ 24,033,816</u>

Gas Fund:	Beginning			Ending
<i>Capital assets not being depreciated:</i>	Balance	Increases	Decreases	Balance
Land	\$ 9,500	\$ -	\$ -	\$ 9,500
Construction in progress	4,453	20,200	-	24,653
Total capital assets not being depreciated	<u>13,953</u>	<u>20,200</u>	<u>-</u>	<u>34,153</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	2,713,193	144,848	-	2,858,041
Equipment	272,013	112,319	-	384,332
Vehicles	98,933	20,320	11,763	107,490
Total capital assets being depreciated	<u>3,084,139</u>	<u>277,487</u>	<u>11,763</u>	<u>3,349,863</u>
Less accumulated depreciation for:				
Infrastructure	963,666	56,349	-	1,020,015
Equipment	259,339	8,507	-	267,846
Vehicles	85,931	2,518	11,763	76,686
Total accumulated depreciation	<u>1,308,936</u>	<u>67,374</u>	<u>11,763</u>	<u>1,364,547</u>
Capital assets being depreciated, net	<u>1,775,203</u>	<u>210,113</u>	<u>-</u>	<u>1,985,316</u>
Gas capital assets, net	<u>\$ 1,789,156</u>	<u>\$ 230,313</u>	<u>\$ -</u>	<u>\$ 2,019,469</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 4: Capital Assets, continued

Nonmajor - Sanitation Fund:	Beginning			Ending
<i>Capital assets being depreciated:</i>	Balance	Increases	Decreases	Balance
Equipment	\$ 66,116	\$ -	\$ 12,331	\$ 53,785
Vehicles	477,814	-	-	477,814
Total capital assets being depreciated	<u>543,930</u>	<u>-</u>	<u>12,331</u>	<u>531,599</u>
Less accumulated depreciation for:				
Equipment	60,005	3,014	12,331	50,688
Vehicles	308,359	18,307	-	326,666
Total accumulated depreciation	<u>368,364</u>	<u>21,321</u>	<u>12,331</u>	<u>377,354</u>
Sanitation capital assets, net	<u>\$ 175,566</u>	<u>\$ (21,321)</u>	<u>\$ -</u>	<u>\$ 154,245</u>
 Business-type activities capital assets, net	 <u>\$ 25,752,218</u>	 <u>\$ 783,432</u>	 <u>\$ 328,120</u>	 <u>\$ 26,207,530</u>

Total interest cost incurred was \$ 349,022. All of the interest cost incurred was expensed.

Note 5: Interfund Balances and Activity

Interfund balances at June 30, 2016 consist of the following:

Payable Fund:							
Receivable Fund:	General Fund	Downtown Dev. Ath.	Nonmajor Gov. Fund	Gas Fund	Water & Sewer Fund	Nonmajor Enterprise	Total
General Fund	\$ -	\$ 1,869	\$ 182,217	\$ 9,335	\$ 4,163	\$ 11,295	\$ 208,879
Nonmajor governmental	99,584	-	-	-	-	-	99,584
Gas Fund	-	-	221	-	-	6,215	6,436
Water & Sewer Fund	-	-	2,586	1,905	-	10,229	14,720
	<u>\$ 99,584</u>	<u>\$ 1,869</u>	<u>\$ 185,024</u>	<u>\$ 11,240</u>	<u>\$ 4,163</u>	<u>\$ 27,739</u>	<u>\$ 329,619</u>

The interfund balances represent amounts owed, other than charges for goods and services due in less than one year.

Transfers to/from Other Funds

Transfers In:				
Transfers Out:	General Fund	Downtown Dev. Auth.	Non major Governmental	Total
General Fund	\$ -	\$ 245,425	\$ 127,881	\$ 373,306
Nonmajor governmental	58,520	-	-	58,520
Gas Fund	425,000	-	-	425,000
Water and Sewer Fund	425,000	-	-	425,000
Nonmajor enterprise	95,000	-	-	95,000
	<u>\$ 1,003,520</u>	<u>\$ 245,425</u>	<u>\$ 127,881</u>	<u>\$ 1,376,826</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 5: Interfund Balances and Activity, continued

The transfers to the General fund in the amount of \$1,003,520 were to assist in the daily operation of this fund. The General Fund transferred \$245,425 to the Downtown Development Authority Fund to assist with the operations of the Authority. The General Fund transferred \$127,881 to a non major governmental fund for the local match portion of the grant.

Note 6: Long-term Obligations

Governmental Activities

Categories of Debt

Notes Payable

On September 16, 2014, the Downtown Development Authority entered into a loan agreement with the Bank of Madison with a principal amount of \$192,000. The purpose of the loan is for the Depot project. The Authority shall make quarterly payments on the note for the period of its date until its maturity date at the rate of 3.58% per annum; beginning the date of execution until its maturity date. The principal outstanding at June 30, 2016 was \$180,540. All principal and unpaid interest on the note is due upon the maturity date of the note which is September 15, 2021.

On October 11, 2014, the Downtown Development Authority entered into a loan agreement with the Bank of Madison with available amount of \$297,656. The purpose of the loan is for the Gilmore project. The Authority shall make monthly payments on the note for the period of its date until its maturity date at the rate of 3.58% per annum; beginning the date of execution until its maturity date. The principal outstanding at June 30, 2016 was \$280,375. All principal and unpaid interest on the note is due upon the maturity date of the note which is October 11, 2021.

On June 27, 2014, the Downtown Development Authority entered into a loan agreement with United Bank with a principal amount of \$307,416. The purpose of the loan is to purchase property. The Authority shall make monthly payments in the amount of \$5,611 on the note until its maturity date at the rate of 3.55% per annum; beginning the date of execution until its maturity date. The principal outstanding at June 30, 2016 was \$196,122. All principal and unpaid interest on the note is due upon the maturity date of the note which is July 5, 2019.

On December 23, 2014, the Downtown Development Authority entered into a loan agreement with Bank of Madison with an available amount of \$95,000. The purpose of the loan is to purchase property. The Authority shall make monthly payments in the amount of \$1,201 on the note until its maturity date at the rate of 3.55% per annum; beginning the date of execution until its maturity date. The principal outstanding at June 30, 2016 was \$24,193. All principal and unpaid interest on the note is due upon the maturity date of the note which is May 15, 2025.

On January 30, 2015, the Downtown Development Authority entered into a loan agreement with United Bank with a principal amount of \$166,773. The purpose of the loan is to purchase property. The Authority shall make monthly payments in the amount of \$1,201 on the note until its maturity date at the rate of 3.55% per annum; beginning the date of execution until its maturity date. The principal outstanding at June 30, 2016 was \$155,369. All principal and unpaid interest on the note is due upon the maturity date of the note which is January 5, 2018.

Bonds Payable

On December 19, 2013, the Downtown Development Authority issued bonds in the amount of \$1,110,000. The bonds are designated Downtown Development Authority of Madison Lease Revenue Bond (Town Park Project), Series 2013. The bonds bear an interest rate of 1.5% payable quarterly on March 1, June 1, September 1, and December 1, in each year, beginning March 1, 2014, and shall be paid in principal and interest installments on each Installment Date. The final principal and interest installment shall be due and payable on December 1, 2018. The proceeds of these bonds were used to retire the outstanding note payable at the Bank of Madison and pay for all costs of issuance.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 6: Long-term Obligations, continued

Capital Lease Obligation

The City is obligated by a lease purchase agreement for the construction of the municipal complex. The lease is for a period of 10 years at an interest rate of 3.38% and will be liquidated by payments from the General Fund.

On August 2, 2011, the City entered into an \$84,358 lease purchase agreement for purchasing a new John Deere mower. The lease is for a period of 48 months at an interest rate of 3.12% and will be liquidated by payments from the General Fund. The lease is payable in 16 quarterly payments.

On September 28, 2012, the City entered into an \$106,648 lease purchase agreement for purchasing a new Ford Garbage Truck. The lease is for a period of 60 months at an interest rate of 2.830% and will be liquidated by payments from the Sanitation Fund. The lease is payable in 20 quarterly payments.

On September 29, 2015, the City entered into an \$112,319 lease purchase agreement for purchasing a boring machine. The lease is for a period of 60 months at an interest rate of 3.50% and will be liquidated by payments from the Gas Fund. The lease is payable in 20 quarterly payments.

On May 24, 2016, the City entered into an \$300,000 lease purchase agreement for purchasing a fire truck. The lease is for a period of 60 months at an interest rate of 2.23% and will be liquidated by payments from the General Fund. The lease is payable in 20 quarterly payments.

All of the leases qualify as capital lease for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception.

Amortization expense on the capital leases are included in depreciation expense.

	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>
Municipal complex	\$ 2,100,000	\$ 735,542
John Deere Tractor	85,017	28,339
Garbage Truck	106,648	25,477
Fire Truck	300,000	4,167
Boring Machine	112,319	6,240

Future minimum lease payments at June 30, 2016:

Fiscal Year Ending June 30,	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2017	\$ 312,812	47,427
2018	312,812	30,295
2019	63,574	24,585
2020	63,574	24,585
2021	63,574	6,146
Minimum lease payments	816,346	133,038
Less: Interest	(39,174)	(8,389)
Net present value of minimum lease payments	<u>\$ 777,172</u>	<u>124,649</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 6: Long-term Obligations, continued

Business-type Activities

Revenue Bonds

2005 Series

The City issued bonds in the original amount of \$12,760,000 bearing interest at rates varying from 3.3% to 4.625% payable each July 1 through 2030 with principal payments ranging from \$100,000 to \$810,000. The purpose of the bonds was to (i) pay the costs of acquiring, constructing and equipping certain improvements to the water and sewer system, (ii) advance refunding the City's Water and Sewerage Revenue Bonds, Series 1996 (iii) funding a debt service reserve and (iv) paying the costs of issuing the Series 2005 Bonds. These bonds are secured by and are payable from a first pledge and lien on the net revenues derived from the operations of the System. In fiscal year 2013, these bonds were advance refunded by the City's issuance of the Series 2013 Bonds.

2013 Series

The City issued Water and Sewer Refunding Revenue Bonds, Series 2013A (the "Series 2013A Bonds") in the amount of \$8,780,000 and its Taxable Water and Sewer Revenue Bonds, Series 2013B (the "Series 2013B Bonds") in the amount of \$1,020,000. The bonds bear interest at rates varying from 2.0% to 4.0% payable each July 1 through 2030 with principal payments ranging from \$470,000 to \$735,000. The proceeds of these bonds were used to: (a) refund the City's Water and Sewerage Revenue Bonds, Series 2005, in the aggregate principal amount of \$10,365,000 (b) pay the premium for a debt reserve surety bond and (c) pay the costs of issuing the Series 2013 Bonds. These bonds are secured by and are payable from a first pledge and lien on the net revenues derived from the operations of the System.

The economic gain on refunding is calculated by discounting the total cash flow savings to their present value using the average yield of the Series 2013 Bonds as the discount rate. The economic gain on refunding is \$343,934. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This difference amounted to \$1,310,364 and is being charged to interest expense through the year 2030 using the straight-line method.

Note Payable - GEFA

The City entered into a note payable with the Georgia Environmental Finance Authority (GEFA) which allows for \$1,630,000 of borrowing. If all loan funds are drawn down, GEFA agrees to forgive \$163,000. The proceeds of this note were used to make improvements to the sewer system. At year-end, the City had drawn \$689,652. All of the money drawn during the year was still outstanding at year-end. The note calls for 1.40% of interest to be paid monthly during the construction period. Afterward, the City will make equal 239 monthly principal and interest payments of an amount sufficient to pay the interest accruing at 1.40% and principal outstanding at the completion of the project. Based on current borrowings, these monthly payments would be \$3,292.

Long-term Obligation Activity

Changes in long-term obligations for the year ended June 30, 2016 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental activities:					
Capital lease obligations	\$ 710,143	\$ 300,000	\$ 232,971	\$ 777,172	\$ 292,410
Notes Payable - DDA	1,224,519	-	387,920	836,599	322,968
Bonds Payable - DDA	793,312	-	223,068	570,244	225,790
Net pension liability	411,757	763,217	253,782	921,192	-
Compensated absences	102,943	62,664	64,471	101,136	-
	<u>\$ 3,242,674</u>	<u>\$ 1,125,881</u>	<u>\$ 1,162,212</u>	<u>\$ 3,206,343</u>	<u>\$ 841,168</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 6: Long-term Obligations, continued

For governmental activities, compensated absences are liquidated by the general fund.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Business-type activities:					
Gas Fund:					
Net pension liability	60,772	112,646	37,457	135,961	-
Compensated absences	15,058	9,945	13,845	11,158	-
Capital leases	-	112,319	15,626	96,693	21,480
	<u>\$ 75,830</u>	<u>\$ 234,910</u>	<u>\$ 66,928</u>	<u>\$ 243,812</u>	<u>\$ 21,480</u>
Water and Sewer Fund:					
Revenue bonds	8,855,000	-	485,000	8,370,000	490,000
Deferred amounts:					
Issuance premiums	434,062	-	(28,938)	405,124	-
Total bonds payable	<u>9,289,062</u>	<u>-</u>	<u>456,062</u>	<u>8,775,124</u>	<u>490,000</u>
Note Payable	-	689,652	-	689,652	20,795
Net pension liability	159,794	296,188	98,488	357,494	-
Compensated absences	30,369	28,711	26,730	32,350	-
	<u>\$ 9,479,225</u>	<u>\$ 1,014,551</u>	<u>\$ 581,280</u>	<u>\$ 9,854,620</u>	<u>\$ 510,795</u>
Nonmajor-Sanitation Fund:					
Net pension liability	17,859	33,102	11,007	39,954	-
Compensated absences	1,387	4,528	5,004	911	-
Capital leases	49,623	-	21,667	27,956	22,286
	<u>\$ 68,869</u>	<u>\$ 37,630</u>	<u>\$ 37,678</u>	<u>\$ 68,821</u>	<u>\$ 22,286</u>
Total Business-type	<u>\$ 9,623,924</u>	<u>\$ 1,287,091</u>	<u>\$ 685,886</u>	<u>\$ 10,167,253</u>	<u>\$ 554,561</u>

Debt service requirements:

Governmental activities

Year Ending June 30,	Downtown Development Authority			
	Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2017	\$ 97,178	\$ 28,240	\$ 225,790	\$ 7,297
2018	237,642	22,665	229,196	3,891
2019	92,990	16,380	115,258	653
2020	25,012	14,170	-	-
2021	21,070	13,416	-	-
2022	362,707	3,884	-	-
	<u>\$ 836,599</u>	<u>\$ 98,755</u>	<u>\$ 570,244</u>	<u>\$ 11,841</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 6: Long-term Obligations, continued

Business-type activities

Year Ending June 30,	Water & Sewer Fund			
	Revenue Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2017	\$ 490,000	\$ 271,168	\$ 20,795	\$ 8,795
2018	500,000	263,188	30,339	9,170
2019	510,000	253,187	30,767	8,742
2020	520,000	242,987	31,200	8,309
2021	535,000	227,387	31,640	7,869
2022 - 2026	3,010,000	800,537	165,013	32,532
2027 - 2031	2,805,000	242,251	176,971	20,574
2032 - 2036	-	-	189,795	7,750
2037	-	-	13,132	38
	\$ 8,370,000	\$ 2,300,705	\$ 689,652	\$ 103,779

Note 7: Net Position Restricted by Enabling Legislation

In 2007 and 2012, referendums were passed providing for a 1% sales tax to be used by the City for various construction projects. Additionally, the City maintains several special revenue and capital project funds to account for activities in accordance with Georgia law. These funds have restrictions on the use of the remaining fund balance in the funds as follows:

Capital projects	\$ 197,474
Public safety	24,606
	\$ 222,080

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 8: Fund Balance – Governmental Funds

As of June 30, 2016, fund balances are composed of the following:

	<u>General Fund</u>	<u>Downtown Development Authority</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Prepays	\$ 61,611	\$ 6,520	\$ -	\$ 68,131
Permanent fund principal	-	-	307,311	307,311
Total nonspendable	<u>61,611</u>	<u>6,520</u>	<u>307,311</u>	<u>375,442</u>
Restricted				
Public safety	11,040	-	18,098	29,138
Public works	250	-	282,061	282,311
Culture & recreation	647	-	24,353	25,000
Total restricted	<u>11,937</u>	<u>-</u>	<u>324,512</u>	<u>336,449</u>
Committed				
Public works	-	-	21,913	21,913
Total committed	<u>-</u>	<u>-</u>	<u>21,913</u>	<u>21,913</u>
Assigned				
Public works	249,238	-	-	249,238
Housing & development	-	32,046	-	32,046
Subsequent years' budget	251,755	-	-	251,755
Total assigned	<u>500,993</u>	<u>32,046</u>	<u>-</u>	<u>533,039</u>
Unassigned				
Total unassigned	<u>947,819</u>	<u>-</u>	<u>-</u>	<u>947,819</u>
Total fund balance	<u>\$ 1,522,360</u>	<u>\$ 38,566</u>	<u>\$ 653,736</u>	<u>\$ 2,214,662</u>

Note 9: Retirement Benefits

Defined Benefit Pension Plan

The City established a defined benefit plan for full-time employees. The City amended the plan by eliminating the one-year waiting period for eligibility to participate. Full-time city employees now participate in the plan immediately upon employment. The City's defined benefit pension plan, the City of Madison Retirement Plan, provides retirement and disability benefits to plan members and beneficiaries. The plan has selected a measurement date of September 30.

Plan Description

The City's defined benefit pension plan, the City of Madison Retirement Plan, provides retirement and disability benefits to plan members and beneficiaries. The City of Madison Retirement Plan is a participating member in the Georgia Municipal Employees Benefit System (GMEBS), an agent-multiple-employer plan. O.G.G.A. Section 47-5-1 et. Seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in the GMEBS to the respective employer entities.

For the City of Madison Retirement Plan, that authority rests with the City of Madison, Georgia. It is the responsibility of the GMEBS to function as investment and administrative agent for the City of Madison, Georgia with respect to the pension plan. The Georgia Municipal Employee Benefits System issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Employee Benefits System, 201 Pryor Street, SW, Atlanta, GA 30303 or calling (404) 688-0472.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 9: Retirement Benefits, continued

For the year ended September 30, 2015 (the most recent actuarial valuation date), the City's total covered payroll amounted to \$2,577,221. Covered payroll refers to all compensation paid by the City to active employees covered by the City of Madison Retirement Plan on which contributions to the pension are based.

Under the provision of the Plan, all employees who work twenty hours or more per week, including elected officials, are eligible to participate immediately. The pension benefits are fully vested after 10 years in the Plan. An employee may retire at the earlier of age 65 with 5 years of service or after 30 years of service. Terminations prior to July 1, 2000 will receive benefits of 1.25% to 1.75% of his final average earnings in excess of a breakpoint that is determined based on age. Terminations on or after July 1, 2000 will receive benefits of 2.0% of his final average earnings in excess of a breakpoint that is determined based on age. An employee may elect early retirement at age 55 provided he has a minimum of 10 years total credited service. Elected officials may retire at 65 or after 30 years of service and receive benefits of \$30 per month for each year of service.

Plan Asset Mix and Accounting Policies

The Plan's financial statements are prepared on an accrual basis, modified to include unrealized gains or losses on marketable securities owned by the Plan and increments in cash value of death benefits. Plan member contributions are recognized when due and the City has made a formal commitment to provide the contributions.

Investments in securities are valued at current market prices. Plan assets are invested approximately 65% in equity investments, 25% in fixed income investments and 10% in real estate investments. Plan assets do not include any loans, bonds, or other instruments or securities of the City or related parties.

Plan Membership

Retirees and beneficiaries receiving benefits	34
Terminated plan members entitled to, but not receiving benefits	12
Active plan members	72
Total beneficiaries	118
Covered compensation for active participants	\$ 2,577,221

Contributions

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The GMEBS Board of Trustees has adopted an actuarial funding policy which requires a different funding level than the estimated minimum annual contribution to minimize fluctuation in annual contribution amounts and to accumulate sufficient funds to secure benefits under the plan. Administrative expenses are based on total covered payroll of plan members and are added to the annual funding requirement. The estimated minimum annual contribution under those standards is \$257,373, or 9.99% of covered payroll. The City paid the minimum annual contribution after the measurement date of September 30 but before the City's fiscal year-end. Accordingly, the City reported no current payable and the plan reported no receivable for amounts due for the current plan year. The GMEBS funding policy is to contribute an amount equal to the recommended contribution each year. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method. Ongoing plans in compliance with the GMEBS funding policy are projected to have no unfunded benefits. Plan members are not permitted to contribute to the City of Madison Retirement Plan.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 9: Retirement Benefits, continued

Net Pension Liability

The City's *total pension liability* was determined based on an actuarial valuation as of September 30, 2015 and the *net pension liability* was measured as of the same date. The actuarial valuation determined the total pension liability using assumptions that were applied to all periods included in the measurement as follows:

Actuarial Methods and Assumptions

Investment return	7.75%
Salary increases	3.25% plus service based merit increases
Cost of living adjustments	3.25%
Mortality:	RP-2000, Combined
Mortality for disabled participants:	RP-2000 Disabled Mortality Table with sex-distinct rates

The plan performed an experience study between 2010 and 2014. This experience study resulted in the plan removing a two year set-forward for males and a one year set-forward for females from the mortality tables used.

Discount Rate

The discount rate total pension liability and the expected rate of return on plan assets was determined using a building-block method in which expected arithmetic rates of future return for each asset class are weighted based on the expected asset allocation and then totaled to determine an expected real rate of return. The expected inflation is then added to the expected real rate of return to determine the discount rate. The asset allocation, estimate of arithmetic rates of return, weighted averages and the expected inflation rate follow:

<u>Asset Class</u>	<u>Allocation</u>	<u>Long-term Expected Real Return</u>	<u>Long-term Expected Nominal Return</u>
Domestic equity	50%	5.95%	9.20%
International equity	15%	6.45%	9.70%
Fixed income	25%	1.55%	4.80%
Real estate	10%	3.75%	7.00%
Cash	0%	0.00%	0.00%
	<u>100%</u>		
Weighted average expected return		4.71%	7.96%
Inflation expectation		<u>3.25%</u>	
Total expected return		<u>7.96%</u>	
Discount rate		7.75%	

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 9: Retirement Benefits, continued

The above calculated discount rate was used to calculate both the beginning and ending total pension liability. The projected plan assets are sufficient to pay all projected benefits promised to current plan participants. Because projected plan assets are sufficient to pay all projected promised benefits, the expected long-term rate of return was used to discount all projected benefit payments.

Sensitivity Analysis

Because of the sensitivity of the calculation of the total pension liability to relatively small changes in the discount rate, the total pension liability calculated using discount rates one percentage point higher and lower than the discount rates actually used to calculate the total pension liability follows:

	Discount Rate	
	Sensitivity Analysis	
	6.75%	8.75%
Total Pension Liability	\$ 12,325,347	\$ 9,897,415
Fiduciary Net Position	<u>9,547,900</u>	<u>9,547,900</u>
Net Pension Liability	<u>\$ 2,777,447</u>	<u>\$ 349,515</u>

Summary of Changes in Total Pension Liability, Fiduciary Net Position and Net Pension Liability

The changes in the total pension liability from the beginning to the ending of the year are as follows:

Summary of Changes	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Beginning of year	\$ 10,357,761	\$ 9,707,578	\$ 650,183
Service cost	210,373	-	210,373
Interest on total pension liability	781,575	-	781,575
Employer contributions	-	289,053	(289,053)
Net investment income	-	111,680	(111,680)
Benefit payments	(545,819)	(545,819)	-
Administrative expenses	-	(14,592)	14,592
Experience (gain)/ loss	198,611	-	198,611
End of year	<u>\$ 11,002,501</u>	<u>\$ 9,547,900</u>	<u>\$ 1,454,601</u>

The beginning and ending net pension liability is calculated as follows:

Calculation of Net Pension Liability

	Beginning	Ending
Total Pension Liability	\$ 10,357,761	\$ 11,002,501
Fiduciary Net Position	<u>9,707,578</u>	<u>9,547,900</u>
Net Pension Liability	<u>\$ 650,183</u>	<u>\$ 1,454,601</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 9: Retirement Benefits, continued

Pension Expense, Deferred Outflows Related to Pension Items and Deferred Inflows Related to Pension Items

The following schedule reconciles the pension contributions to the total pension expense reported by the City in the government-wide statements:

Pension Expense and Deferred Outflows and Inflows

Pension contributions	\$ 289,053
Change in net pension liability	804,418
Deferred outflow related to investment results	(504,114)
Deferred outflow resulting from experience losses	(158,888)
Amortization of deferred outflows and inflows	<u>(143,731)</u>
Pension expense	<u>\$ 286,738</u>

The unamortized deferred outflows and inflows related to pension items are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions paid after the measurement date and before year-end	\$ 257,373	\$ -
Differences between expected and actual experience	203,348	-
Change of assumptions	-	282,833
Net difference between projected and actual earnings on Plan investments	<u>311,295</u>	<u>-</u>
	<u>\$ 772,016</u>	<u>\$ 282,833</u>

The pension contributions paid after the measurement date will be recognized as a part of pension expense next year. The City amortizes the differences between expected and actual experience, the changes of assumptions and the differences between projected and actual investment returns into pension expense equally over a closed five year amortization period. The effect of amortizing deferred outflows of resources will be to increase pension expense and the effect of amortizing deferred inflows of resources will be to decrease pension expense in future years. The expected amortization of the City's current deferred outflows and inflows over the next five years is as follows:

Year ended June 30,	<u>Experience Difference</u>	<u>Assumption Change</u>	<u>Investment Results Difference</u>
2017	\$ 54,542	\$ 94,278	\$ 61,755
2018	54,542	94,278	61,755
2019	54,542	94,277	61,755
2020	39,722	-	126,030
2021	-	-	-
	<u>\$ 203,348</u>	<u>\$ 282,833</u>	<u>\$ 311,295</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 9: Retirement Benefits, continued

Deferred Compensation Plan

City employees may participate in a deferred compensation plan established by the City of Madison on June 14, 1999, under the provisions of the Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). The deferred compensation plan is available to all employees of the City of Madison, Georgia. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation plan is administered by Nationwide Retirement Solutions, an unrelated entity. The City has no fiduciary responsibility for this plan.

Note 10: Other Postemployment Benefits

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, became effective for the City beginning with fiscal year ending June 30, 2010. This pronouncement requires the recognition of certain postemployment obligations in the accrual basis financial statements (proprietary and governmental wide governmental activities) of state and local governments. The purpose of the statement is to require local governments to recognize the cost of promised postemployment benefits as those benefits are earned by employees. Consequently, the expense recorded in the accrual basis statements of the City report the actuarially determined cost of benefits earned this year plus an amortization component of benefits earned in previous years. The actuarial valuation of the City's postemployment benefits amortizes the cost of the previously earned benefits over 30 years. The pronouncement allows, and the City has chosen, to apply its requirements on a prospective basis. Accordingly, the City has reported a beginning net postemployment benefit obligation of zero.

The City provides postretirement healthcare benefits, in accordance with City statutes, to all employees who retire from the City after 30 years of service. The benefit is provided for the retiree until they reach the age of eligibility for Medicare. The plan is a single employer plan, and it does not issue a separately available financial report. The City contributes toward retiree health costs on the authority of a resolution by the Mayor and Council. Any plan amendments would similarly be approved by a resolution of the Mayor and Council. Plan members do not contribute to the plan. The plan members are not allowed to contribute to the plan.

Currently there are six retirees that meet those eligibility requirements. The City provides health insurance coverage for its retirees and active employees through the Georgia Municipal Employees Benefit System. During the year, \$42,516 was recognized for postretirement healthcare. These postemployment benefits are on a pay-as-you-go basis and are not included as part of the City defined benefit pension plan.

The Actuarial Accrued Liability and the Unfunded Actuarial Accrued Liability for the City's OPEB are calculated as follows:

Normal cost (current service cost)	\$ 13,986
Amortization of UAAL (share of past service cost)	31,010
Annual Required Contribution (ARC)	<u>44,996</u>
Adjustment for timing	51
OPEB costs paid during year	<u>(42,516)</u>
Increase in Net OPEB Obligation	2,531
Net OPEB Obligation, beginning	<u>26,356</u>
Net OPEB Obligation, ending	<u><u>\$ 28,887</u></u>

Percentage of ARC contributed	94%
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The City finances its postemployment benefits on a pay-as-you-go basis resulting in the City having no present value of plan assets. Consequently, all of the actuarial accrued liability is unfunded.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 10: Other Postemployment Benefits, continued

The following contains summary information about the City's funding progress for its OPEB obligation:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2016	\$ -	\$ 423,574	\$ 423,574	0%	\$ 2,724,546	15.5%

Actuarial Assumptions and Methods

The actuary performed his valuation based on the benefits offered under the plan as explained by the City. The actuarial valuation of the plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The actuarial valuation projects the costs of the benefits provided based on the substantive plan currently in place and the relative cost sharing of the plan between the City and the retired employees. The actuarial calculations reflect a long-term perspective, consistent with that perspective the methods and assumption used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The following table contains the significant methods used and assumptions made by the actuary for purposes of the actuarial valuation:

Valuation date	1/1/2016
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed, 25 years
Remaining amortization period	19 years as of July 1, 2015
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4%
Medical cost trend rate	7.0% graded to 4.50% over 5 years

Trend Information

Year Ended	OPEB Cost	Contribution (ARC)	OPEB Cost Contributed	% of ARC Contributed	OPEB Obligation
6/30/2016	\$ 44,123	\$ 45,040	\$ 42,516	94%	\$ 28,877
6/30/2015	25,427	26,105	33,971	130%	26,356
6/30/2014	25,427	26,105	25,680	98%	34,222

Immediately following the notes is a required schedule of funding progress which presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 11: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and job-related illnesses or injuries to employees.

The City joined the Georgia Interlocal Risk Management Agency on December 13, 1999. This membership allows the City to share liability, crime, motor vehicle and property damage risks.

Chapter 85 of Title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities. GIRMA establishes and administers one or more group self-insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of a municipal government.

GIRMA, in accordance with the member government contract and related Coverage Descriptions, is to defend and protect any member of GIRMA against liability or loss.

The City of Madison must participate at all times in at least one fund established by GIRMA. Other responsibilities of the City are as follows:

- To pay all contributions, assessments or other sums due to GIRMA at such times and in such amounts as may be established by GIRMA.
- To select a person to serve as a Member Representative.
- To allow GIRMA and its agents reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of GIRMA.
- To assist and cooperate in the defense and settlement of claims against the City.
- To furnish full cooperation to GIRMA's attorneys, claims adjusters, Service Company, and any agent, employee, officer, or independent contractor of GIRMA relating to the purposes of GIRMA.
- To follow all loss reduction and prevention procedures established by GIRMA.
- To furnish GIRMA with budget, operating, and underwriting information that may be requested.
- To report as promptly as possible, and in accordance with any Coverage Descriptions issued, all incidents which could result in GIRMA or any Fund established by GIRMA being required to pay claim for loss or injuries to municipal property or injuries to persons or property, when such loss or injury is in the scope of the protection of a Fund or Funds in which the City participates.

The City of Madison retains the first \$1,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss up to the \$2,500 deductible.

The basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary.

Settled claims in the past three years have not exceeded the coverages.

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, the City of Madison, Georgia became a member of the Georgia Municipal Association Worker's Compensation Self Insurance Fund, a public entity risk pool. The liability of the fund to the employees of any employer (City of Madison) is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability.

As part of this risk pool, the City is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's 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 fund being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the fund.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 11: Risk Management, continued

The Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding compensation therefore, although such suits, other proceedings, allegations or demands may be wholly groundless, false or fraudulent. The Fund is 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.

The City provides health insurance coverage for its employees through the Georgia Municipal Employees Benefit System.

Commercial Insurance:

The City carries commercial insurance for Airport Liability with a \$1,000,000 limit. There were no claims on this policy and there are no premiums or refunds due as of June 30, 2016.

Note 12: Commitments and Contingencies

Construction and Commitments

At June 30, 2016, the City had the following active projects:

	Estimated Project Cost	Expended to Date
Governmental Funds-City		
Airport Improvement	\$ 400,000	\$ 228,970
North Bull Street Improvements	50,000	8,435
Recreational Trails	116,470	42,042
Tot Lot	27,500	5,500
Governmental Funds-Development Authority		
Depot Project	292,650	285,483
Gas Fund		
Southeast Gas Extension	1,200,000	4,453
MXU Upgrade	202,000	20,200
Water Fund		
MXU Upgrade	200,000	131,409
Northside Diversion Project	1,600,000	907,584

Intergovernmental contract

The City of Madison, Georgia and the Downtown Development Authority of Madison (Authority) entered into an intergovernmental contract on December 10, 2012. The Authority was also designated the redevelopment agency and delegated Urban Redevelopment Project Powers of the City of Madison pursuant to the provisions of the Urban Redevelopment Law of the State of Georgia. This contract became effective upon the date of execution and shall continue in effect until January 1, 2018. The City agrees to continue funding of \$125,000 per annum for the contract period, distributed to the Authority on a quarterly basis. The Authority agrees to utilize the funds within the service area.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 12: Commitments and Contingencies, continued

The City of Madison, Georgia and the Downtown Development Authority of Madison (Authority) entered into an intergovernmental contract on June 26, 2014. The Authority was chartered to revitalize and redevelop the City. The Authority has identified a parking site with potential for acquisition and development. The Authority has secured a loan to purchase the land. The City will budget annually, for use by the Authority, \$65,000 per year for five years in consideration and services in the purchase and redevelopment of the property. The Authority shall use funds to repay a \$305,000 note for the acquisition of the property.

The City of Madison and the Downtown Development Authority of Madison (Authority) entered into an intergovernmental lease contract on December 19, 2013. The Authority has acquired, constructed, equipped and maintained Town Park, located with the downtown development area of the Authority (the "Project"). The Project provides for the public good and welfare for the citizens of the City and State of Georgia. The Authority has financed certain improvements to the Project through a loan with the Bank of Madison. The City desires to acquire the Project from the Authority and has requested that the Authority provide financing to pay the costs of the acquisition of the Project. The Authority proposes to pay the costs of the acquisition of the Project through the issuance of its Downtown Development Authority of Madison Revenue Bond (Town Park Project), Series 2013. In consideration of the facilities and services provided by the Authority, the City will provide funds sufficient to pay, *inter alia*, the principal of and interest on the Bond. Upon the retirement of the Bond and the termination of this Lease, the Authority will convey title to the Project to the City.

Concentration

Approximately 9% of Water & Sewer fund revenues are generated from one water customer.

Contingent Liabilities

The City receives grant funds, principally from the U.S. Government, for various programs. Expenditures from these grants are subject to audit and the City is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of City officials, no material refunds will be required as a result of expenditures disallowed by the grantors.

Litigation

Based on the advice of the city attorney, there are no measurable material claims outstanding against the City at June 30, 2016.

Note 13: Jointly Governed Entities

Madison-Morgan Airport Authority. The Madison-Morgan Airport Authority was established in March 1996. The Authority is governed by a seven-member board of which three members are appointed by Morgan County Commissioners, three members are appointed by the City of Madison Council, and one member is jointly appointed by the County and City. The Airport Authority has the power to adopt by-laws and rules and regulations for the proper conduct of an airport for the City of Madison and Morgan County. The City does not maintain an equity interest in the Airport Authority; therefore, the City does not recognize the Airport Authority as a component unit, but as a related jointly governed entity. The Airport Authority had no financial activity for the period ended June 30, 2016.

Note 14: Joint Ventures

Northeast Georgia Regional Commission (NEGRC) The City of Madison, Georgia, in conjunction with cities and counties in the 12 county Northeast Georgia area, is a member of the Northeast Georgia Regional Commission (NEGRC). Membership in an RC is automatic for each municipality and county in the state. The Official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RC. Each county and municipality in the state is required by law to pay minimum annual dues to the RC. The Board is comprised of not less than two (2) or more than five (5) representatives of each member county served by the RC.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 14: Joint Ventures, continued

The manner of selecting such representatives from each member county is as follows:

- The chief elected official or the chair of the board of commissioners of each county served by the Center shall be a member (or a designated government official).
- One elected or appointed municipal government official from each county served by the Center. The mayors of the municipalities in such county shall select the municipal representative of that county.
- Not less than ten (10) or more than twenty (20) public members.
- A minority representation, the percentage of which is at least equal to the minority population of the geographical region served by the Board, as established by the latest United States Census.

The Georgia Planning Act of 1989 (OCGA 50-8-34) defines RC as "public agencies and instrumentalities of their members". Georgia laws also provide that the member governments are liable for any debts or obligations of an RC beyond its resources. (OCGA 50-8-39.1)

Complete financial statements can be obtained directly from the Northeast Georgia Regional Commission's administrative office at 305 Research Drive, Athens, GA 30605.

Note 15: Related Entity

On February 17, 1958, the City of Madison (the "City") entered into a cooperative agreement with the Housing Authority of the City of Madison, Georgia (the "Housing Authority"). Under the terms of this agreement, the Housing Authority agrees to endeavor to secure a contract or contracts with the Public Housing Authority (the "PHA") for loans and annual contributions and agrees to endeavor to develop and administer one or more projects.

The obligations of the parties apply only to Projects aggregating not more than 125 units of low-rent housing located within the corporate limits of the City of Madison. Under the constitution and statutes of the State of Georgia, all projects are exempt from all real and personal property taxes levied or imposed by any taxing body.

The City agrees that it will not levy or impose real or personal property taxes or special assessments upon such projects or upon the Housing Authority with respect thereto as long as

- (1) the projects are owned or
- (2) a contract exists between the Housing Authority and the PHA, or
- (3) bonds issued in connection with the project are outstanding.

During such period, the Housing Authority shall make "Payments in Lieu of Taxes" in lieu of such taxes and special assessments and in payment for the public services and facilities furnished from time to time without other cost or charge for or with respect to such project. The Payment in Lieu of Taxes shall be an amount equal to either

- (1) ten percent (10%) of the aggregate during such fiscal year, or
- (2) the amount permitted to be paid by applicable state law.

For the fiscal year ending June 30, 2016, Payments in Lieu of Taxes paid to the City were \$3,960.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2016

Note 16: Hotel/Motel Lodging Tax

The City of Madison, Georgia has levied a 5% lodging tax. The City entered into a contract with the Madison-Morgan Chamber of Commerce, Inc., a non-profit 501(c)(6) organization in Morgan County, Georgia. The City made total payments to the Chamber in the amount of \$91,335 even though only \$76,094 was required by enabling legislation. The funds received by the Chamber shall be expended for the purposes of promoting tourism in the City of Madison, Georgia. A summary of transactions for the obligation to the Chamber of Commerce for the year ended June 30, 2016 follows:

	<u>CVB - 40%</u>	<u>City - 60%</u>	<u>Total</u>
Balance owed at 6/30/2015	\$ -	\$ -	\$ -
Lodging tax receipts FYE 6/30/2016	121,758	182,637	304,395
Disbursements to the Madison-Morgan Convention & Visitors Bureau for promotion of tourism	(121,758)	-	(121,758)
Disbursements for downtown development activities	-	(182,637)	(182,637)
Balance owed at 6/30/2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Required Supplementary Information

City of Madison, Georgia
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual - General Fund
For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 3,191,800	\$ 3,402,100	\$ 3,329,119	\$ (72,981)
Licenses and permits	50,100	50,100	51,798	1,698
Intergovernmental	97,000	240,000	220,952	(19,048)
Charges for services	127,900	127,900	153,259	25,359
Fines and forfeitures	264,000	338,000	352,918	14,918
Investment income	2,000	2,000	2,341	341
Contributions and donations	-	-	205	205
Miscellaneous revenue	392,150	242,150	56,175	(185,975)
Total revenues	<u>4,124,950</u>	<u>4,402,250</u>	<u>4,166,767</u>	<u>(235,483)</u>
EXPENDITURES				
Current:				
General government:				
Governing body	83,900	83,900	66,702	17,198
Legislative committees and special bodies	129,050	129,050	68,770	60,280
City manager	168,300	168,300	159,047	9,253
City clerk	111,150	111,150	104,464	6,686
Financial administration	136,500	136,500	106,718	29,782
Law	50,000	75,000	67,369	7,631
Data processing/MIS	142,300	142,300	139,142	3,158
General government buildings	134,600	143,600	135,533	8,067
Judicial:				
Municipal court	86,700	86,700	83,993	2,707
Public safety:				
Police	1,201,170	1,201,170	1,139,146	62,024
Custody of prisoners	36,500	46,700	45,576	1,124
Fire	190,750	501,250	491,760	9,490
E-911	125,000	115,000	111,764	3,236
Animal control	74,230	74,230	62,376	11,854
Public works:				
Highways and streets	842,400	823,400	728,481	94,919
Maintenance and shop	83,200	89,200	86,734	2,466
Cemetery	3,500	5,000	4,178	822
Culture & recreation:				
Recreation	31,500	31,600	19,536	12,064
Landscaping	332,700	386,700	360,087	26,613
Housing & development:				
Planning and zoning	316,550	316,550	265,635	50,915
Tourism	47,500	47,500	46,169	1,331
Main Street	212,450	212,450	209,830	2,620
Airport	75,000	155,000	130,237	24,763
Debt service:				
Principal payments	227,500	227,500	232,971	(5,471)
Interest and fiscal charges	22,000	22,000	21,897	103
Total expenditures	<u>4,864,450</u>	<u>5,331,750</u>	<u>4,888,115</u>	<u>443,635</u>
Excess (deficiency) of revenues over (under) expenditures	(739,500)	(929,500)	(721,348)	208,152

City of Madison, Georgia
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual - General Fund
For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Other financing sources:				
Lease proceeds	-	300,000	300,000	-
Proceeds of governmental asset dispositions	30,000	30,000	30,000	-
Transfers in	945,000	945,000	1,003,520	58,520
Transfers (out)	(235,500)	(345,500)	(373,306)	(27,806)
Total other financing sources	<u>739,500</u>	<u>929,500</u>	<u>960,214</u>	<u>30,714</u>
Net change in fund balance	-	-	238,866	238,866
Fund balance - beginning	1,283,494	1,283,494	1,283,494	-
Fund balance - ending	<u>\$ 1,283,494</u>	<u>\$ 1,283,494</u>	<u>\$ 1,522,360</u>	<u>\$ 238,866</u>

City of Madison, Georgia
Required Supplementary Information
Other Postemployment Benefits - Schedule of Funding Progress
June 30, 2016

OTHER POSTEMPLOYMENT BENEFITS

Schedule of Funding Progress

Actuarial Valuation Date	(a)	(b)		Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	(c) Covered Payroll	UAAL as a percentage of covered payroll (b - a) / c
	Actuarial Value of Assets	Actuarial Liability (AAL) Projected Unit Credit	Actuarial Liability (AAL) Projected Unit Credit				
1/1/2016	\$ -	\$ 423,574	\$ 423,574	\$ 423,574	0.0%	\$ 2,724,546	15.5%
1/1/2013	-	277,954	277,954	277,954	0.0%	2,440,522	11.4%
1/1/2010	-	264,383	264,383	264,383	0.0%	2,259,522	11.7%

Schedule of Funding Progress

Fiscal Year Ended	Annual Required Contribution		Amount Contributed		Percentage Contributed
	Annual Required Contribution	Amount Contributed	Amount Contributed	Percentage Contributed	
6/30/2016	\$ 45,040	\$ 42,516	\$ 42,516	94.40%	
6/30/2015	26,105	33,972	33,972	130.14%	
6/30/2014	26,105	25,680	25,680	98.37%	
6/30/2013	26,105	16,560	16,560	63.44%	
6/30/2012	23,479	15,624	15,624	66.54%	
6/30/2011	23,479	16,626	16,626	70.81%	
6/30/2010	23,479	13,935	13,935	59.35%	

City of Madison, Georgia
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios

Changes in Total Pension Liability	Year Ended June 30,	
	2015	2016
Total Pension Liability - beginning of year	\$ 10,258,250	\$ 10,357,761
Service cost	198,027	210,373
Interest on total pension liability	776,502	781,575
Assumption change	(471,391)	
Benefit payments	(477,726)	(545,819)
Experience gain / loss	74,099	198,611
Total Pension Liability - end of year	10,357,761	11,002,501
Changes in Fiduciary Net Position		
Fiduciary Net Position - beginning of year	8,853,574	9,707,578
Employer contributions	341,381	289,053
Net investment income	1,001,791	111,680
Benefit payments	(477,726)	(545,819)
Administrative expense	(11,442)	(14,592)
Fiduciary Net Position - end of year	9,707,578	9,547,900
Net Pension Liability	\$ 650,183	\$ 1,454,601
Plan Fiduciary Net Position as a % of Total Pension Liability	93.72%	86.78%
Covered payroll	\$ 2,593,151	\$ 2,577,221
Net Pension Liability as % of Covered Payroll	25.07%	56.44%

**City of Madison, Georgia
Required Supplementary Information
Schedule of Contributions**

Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as Percentage of Covered Employee Payroll
2015	\$ 289,053	\$ 289,053	\$ -	\$ 2,593,151	11.15%
2016	257,373	257,373	-	\$ 2,577,221	9.99%

Additional years will be presented as the information becomes available

City of Madison, Georgia
Notes to Required Supplementary Information
June 30, 2016

NOTE A: BASIS OF PRESENTATION

The budget is prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP).

Related to the Pension Data

NOTE B: VALUATION DATE

The actuarially determined contribution rates are calculated as of January 1 of each year presented. The contributions are recorded during that year by the pension plan and the City and are paid using current financial resources directly following that year.

NOTE C: METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Projected Unit Credit
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at then end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Amortization method	Closed level dollar for remaining unfunded liability
Future payroll growth	3.25% plus service based merit increases
Cost of Living Adjustments	3.25%
Investment rate of return	7.75%

NOTE D: CHANGES IN ASSUMPTIONS

As a result of the new administrative fee structure approved by the Georgia Municipal Employees' Benefit System (GMEBS) Board, the administrative expense assumption was updated beginning in 2016.

As a result of the benefit change discussed in the next note, the eligibility assumption has been changed from one year to immediate. As the result of an actuarial experience study covering the period from January 1, 2010 to June 30, 2014, the following assumption changes were made:

1. The mortality table for disabled participants was changed to remove the two year set forward for males and one year set forward for females.
2. The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover after age 55. Select period rates now have a floor of the ultimate rate.
3. Retirement rates where normal retirement is only available after age 65 were changed from the prior assumption of 100% at age 65 to 60% at ages 65 to 69 and 100% at age 70. Retirement rates where normal retirement is available prior to age 65 were changed from 100% at the earliest unreduced age, but not below age 60, to 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at age 65 to 69 and 100% at age 70.

City of Madison, Georgia
Notes to Required Supplementary Information
June 30, 2016

NOTE D: CHANGES IN ASSUMPTIONS, CONTINUED

4. Inflation and cost of living adjustment assumptions decreased from 3.50% to 3.25%.

5. Salary increases assumptions were changed from depending first on years of service and then age to a new assumption based on service-related rates. Salary increase rate assumptions were between 4% and 11% with an inflation assumption of 3.50%. Now salary increase rate assumptions range from 3.75% to 8.00% and include an inflation assumption of 3.25%.

NOTE E: BENEFIT CHANGES

The plan was amended on January 1, 2015 to provide for immediate participation for Employees. This change has no impact of service credited under the plan and has no impact on benefits

NOTE F: HISTORICAL DATA

The adoption on GASB Statement No. 68 resulted in a number of new definitions and concepts regarding measuring pension liabilities. Statement 68 introduced the concept of a total pension liability and a fiduciary net position. While the City has historical data that might be similar to these two amounts, the calculation of the amounts that the City has differ enough that presenting this information might be misleading. Accordingly, the City has not presented historical information about the changes in the total pension liability or the fiduciary net position. This information will be presented as the information becomes available over time.

Statement 68 also requires the City to present historical contribution data of its pension plan if the plan has calculated an "actuarially determined contribution". The City does not have the historical information required by Statement 68, so the required historical information is not presented. The City will present the historical information in future years as the information becomes available.

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special Revenue Funds account for revenues from specific taxes or other earmarked revenue sources which, by law, are restricted to finance particular functions or activities of government.

Confiscated Assets - The Confiscated Assets Fund accounts for the cash received either from a cash confiscation or cash received from a sale of capital assets acquired from a drug raid.

Local Development Fund - This fund is used to account for fees collected from developers that are restricted to be spent on beautification and improvements surrounding the development.

Hotel/Motel Tax - This fund is used to account for hotel/motel taxes collected as required by general law that are legally restricted for promotion of trade and tourism in the City.

CAPITAL PROJECT FUNDS

Capital Project Funds account for major capital expenditures not financed by proprietary and trust funds.

SPLOST Capital Projects Fund - The SPLOST Fund is used to account for the SPLOST monies received from Morgan County to be used to finance SPLOST approved projects.

Governmental Capital Projects Fund - This fund accounts for the major capital projects of the City.

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Ricketts Environmental Trust Fund - This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust is restricted for the purchase of trees for the beautification of the City.

Cemetery Fund - This fund is used to account for proceeds of cemetery sales. None of the principal amounts received shall be expended. The interest portion of the trust must be used for the maintenance of the cemetery as outlined in the ordinance.

City of Madison, Georgia
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	<u>Total Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Cash	\$ 24,606	\$ 283,746	\$ 13,580	\$ 321,932
Investments	-	-	21,913	21,913
Accounts receivables	-	-	13,208	13,208
Internal balances	99,584	-	-	99,584
Due from other governments	-	94,640	-	94,640
Restricted cash	-	-	25,000	25,000
Restricted investments	-	-	282,311	282,311
Total assets	<u>124,190</u>	<u>378,386</u>	<u>356,012</u>	<u>858,588</u>
Liabilities, Deferred inflows and Fund Balance				
Liabilities:				
Accounts payable	7,733	-	-	7,733
Internal balances	2,807	180,912	1,305	185,024
Total liabilities	<u>10,540</u>	<u>180,912</u>	<u>1,305</u>	<u>192,757</u>
Deferred Inflows of resources:				
Unavailable revenue	-	-	12,095	12,095
Total deferred inflows	<u>-</u>	<u>-</u>	<u>12,095</u>	<u>12,095</u>
Fund Balances:				
Nonspendable	-	-	307,311	307,311
Restricted	113,650	197,474	13,388	324,512
Committed	-	-	21,913	21,913
Total fund balances	<u>113,650</u>	<u>197,474</u>	<u>342,612</u>	<u>653,736</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 124,190</u>	<u>\$ 378,386</u>	<u>\$ 356,012</u>	<u>\$ 858,588</u>

City of Madison, Georgia
All Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance
For the Fiscal Year Ended June 30, 2016

	<u>Total Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:				
Taxes	\$ 304,395	\$ -	\$ -	\$ 304,395
Intergovernmental	-	896,144	-	896,144
Charges for services	27,453	-	15,295	42,748
Forfeitures	10,660	-	-	10,660
Interest	31	169	764	964
Contributions and donations	-	-	913	913
Total Revenues	<u>342,539</u>	<u>896,313</u>	<u>16,972</u>	<u>1,255,824</u>
Expenditures:				
Current:				
Public safety	748	-	-	748
Culture and recreation	-	-	860	860
Housing and development	245,875	-	-	245,875
Capital Outlay:				
Public works	-	164,833	-	164,833
Culture and recreation	-	200,000	-	200,000
Housing and development	-	589,063	-	589,063
Total Expenditures	<u>246,623</u>	<u>953,896</u>	<u>860</u>	<u>1,201,379</u>
Excess of revenues over expenditures	95,916	(57,583)	16,112	54,445
Other financing sources (uses):				
Transfers in	-	127,881	-	127,881
Transfers (out)	(58,520)	-	-	(58,520)
Net change in fund balances	37,396	70,298	16,112	123,806
Fund balance - beginning	<u>76,254</u>	<u>127,176</u>	<u>326,500</u>	<u>529,930</u>
Fund balance - ending	<u>\$ 113,650</u>	<u>\$ 197,474</u>	<u>\$ 342,612</u>	<u>\$ 653,736</u>

**City of Madison, Georgia
Special Revenue Funds
Combining Balance Sheet
June 30, 2016**

	<u>Confiscated Asset Fund</u>	<u>Local Development Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Total</u>
Assets				
Cash	\$ 24,606	\$ -	\$ -	\$ 24,606
Internal balances	-	89,044	10,540	99,584
Total assets	<u>24,606</u>	<u>89,044</u>	<u>10,540</u>	<u>124,190</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	-	-	7,733	7,733
Internal balances	-	-	2,807	2,807
Total liabilities	<u>-</u>	<u>-</u>	<u>10,540</u>	<u>10,540</u>
Fund balances:				
Restricted	24,606	89,044	-	113,650
Assigned	-	-	-	-
Total fund balance	<u>24,606</u>	<u>89,044</u>	<u>-</u>	<u>113,650</u>
Total liabilities and fund equity	<u>\$ 24,606</u>	<u>\$ 89,044</u>	<u>\$ 10,540</u>	<u>\$ 124,190</u>

City of Madison, Georgia
Special Revenue Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance
For the Fiscal Year Ended June 30, 2016

	<u>Confiscated Asset Fund</u>	<u>Local Development Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Total</u>
Revenues:				
Taxes	\$ -	\$ -	\$ 304,395	\$ 304,395
Charges for services	-	27,453	-	27,453
Forfeitures	10,660	-	-	10,660
Interest	31	-	-	31
Total revenue	<u>10,691</u>	<u>27,453</u>	<u>304,395</u>	<u>342,539</u>
Expenditures:				
Current:				
Public safety	748	-	-	748
Housing and development	-	-	245,875	245,875
Total expenditures	<u>748</u>	<u>-</u>	<u>245,875</u>	<u>246,623</u>
Excess (deficiency) of revenues over (under) expenditures	9,943	27,453	58,520	95,916
Other financing sources (uses):				
Transfers (out)	-	-	(58,520)	(58,520)
Total other financing sources (uses)	-	-	(58,520)	(58,520)
Net change in fund balances	9,943	27,453	-	37,396
Fund balance - beginning	14,663	61,591	-	76,254
Fund balance - ending	<u>\$ 24,606</u>	<u>\$ 89,044</u>	<u>\$ -</u>	<u>\$ 113,650</u>

City of Madison, Georgia
Confiscated Asset Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget (GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Forfeitures	\$ 4,300	\$ 4,300	\$ 10,660	\$ 6,360
Interest	200	200	31	(169)
Total revenue	<u>4,500</u>	<u>4,500</u>	<u>10,691</u>	<u>6,191</u>
Expenditures:				
Current:				
Public safety	7,000	7,000	748	6,252
Total expenditures	<u>7,000</u>	<u>7,000</u>	<u>748</u>	<u>6,252</u>
Net change in fund balances	(2,500)	(2,500)	9,943	12,443
Fund balance - beginning	14,663	14,663	14,663	-
Fund balance - ending	<u>\$ 12,163</u>	<u>\$ 12,163</u>	<u>\$ 24,606</u>	<u>\$ 12,443</u>

City of Madison, Georgia
Local Development Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget (GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Charges for services	\$ -	\$ -	\$ 27,453	\$ 27,453
Total revenue	<u>-</u>	<u>-</u>	<u>27,453</u>	<u>27,453</u>
Expenditures:				
Current:				
Public works	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	27,453	27,453
Fund balance - beginning	<u>61,591</u>	<u>61,591</u>	<u>61,591</u>	<u>-</u>
Fund balance - ending	<u>\$ 61,591</u>	<u>\$ 61,591</u>	<u>\$ 89,044</u>	<u>\$ 27,453</u>

City of Madison, Georgia
Hotel/Motel Tax Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget (GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 230,000	\$ 304,000	\$ 304,395	\$ 395
Total revenue	230,000	304,000	304,395	395
Expenditures:				
Current:				
Housing and development	230,000	244,000	245,875	(1,875)
Total expenditures	230,000	244,000	245,875	(1,875)
Excess of revenues over expenditures	-	60,000	58,520	(1,480)
Other financing (uses):				
Transfers (out)	-	(60,000)	(58,520)	1,480
	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

City of Madison, Georgia
Capital Projects Funds
Combining Balance Sheet
For the Fiscal Year Ended June 30, 2016

	<u>SPLOST</u>	<u>Governmental Capital Projects</u>	<u>Total</u>
Assets			
Cash	\$ 283,746	\$ -	\$ 283,746
Due from other governments	94,640	-	94,640
Total assets	<u>378,386</u>	<u>-</u>	<u>378,386</u>
Liabilities and Fund Balance			
Liabilities:			
Interfund payables	180,912	-	180,912
Total liabilities	<u>180,912</u>	<u>-</u>	<u>180,912</u>
Fund Balances:			
Restricted	197,474	-	197,474
Total fund balances	<u>197,474</u>	<u>-</u>	<u>197,474</u>
Total liabilities and fund balances	<u>\$ 378,386</u>	<u>\$ -</u>	<u>\$ 378,386</u>

City of Madison, Georgia
Capital Projects Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance
For the Fiscal Year Ended June 30, 2016

	<u>SPLOST</u>	<u>Governmental Capital Projects</u>	<u>Total</u>
Revenues:			
Intergovernmental	\$ 434,962	\$ 461,182	\$ 896,144
Interest	169	-	169
Total revenue	<u>435,131</u>	<u>461,182</u>	<u>896,313</u>
Expenditures:			
Capital outlay:			
Public works	164,833	-	164,833
Culture and recreation	200,000	-	200,000
Housing and development	-	589,063	589,063
Total expenditures	<u>364,833</u>	<u>589,063</u>	<u>953,896</u>
Excess of revenues over expenditures	70,298	(127,881)	(57,583)
Other financing sources (uses):			
Transfers in	-	127,881	127,881
Net change in fund balances	70,298	-	70,298
Fund balance - beginning	127,176	-	-
Fund balance - ending	<u>\$ 197,474</u>	<u>\$ -</u>	<u>\$ 197,474</u>

City of Madison, Georgia
Permanent Funds
Combining Balance Sheet
For the Fiscal Year Ended June 30, 2016

	Ricketts		
	<u>Environmental Trust</u>	<u>Cemetery</u>	<u>Total</u>
Assets			
Cash	\$ 13,580	\$ -	\$ 13,580
Investments	-	21,913	21,913
Accounts receivables	1,113	12,095	13,208
Restricted cash	25,000	-	25,000
Restricted investments	-	282,311	282,311
Total assets	<u>39,693</u>	<u>316,319</u>	<u>356,012</u>
Liabilities, Deferred Inflows and Fund Balance			
Liabilities:			
Internal balances	1,305	-	1,305
Total liabilities	<u>1,305</u>	<u>-</u>	<u>1,305</u>
Deferred inflows of resources:			
Unavailable revenue	-	12,095	12,095
Total deferred inflows	<u>-</u>	<u>12,095</u>	<u>12,095</u>
Fund Balances:			
Nonspendable	25,000	282,311	307,311
Restricted	13,388	-	13,388
Committed	-	21,913	21,913
Total fund balances	<u>38,388</u>	<u>304,224</u>	<u>342,612</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 39,693</u>	<u>\$ 316,319</u>	<u>\$ 356,012</u>

City of Madison, Georgia
Permanent Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance
For the Fiscal Year Ended June 30, 2016

	Ricketts		
	<u>Environmental Trust</u>	<u>Cemetery</u>	<u>Total</u>
Revenues:			
Charges for services	\$ -	\$ 15,295	\$ 15,295
Interest	57	707	764
Contributions and donations	913	-	913
Total revenue	<u>970</u>	<u>16,002</u>	<u>16,972</u>
Expenditures:			
Culture and recreation	860	-	860
Total expenditures	<u>860</u>	<u>-</u>	<u>860</u>
Net change in fund balances	110	16,002	16,112
Fund balance - beginning	38,278	288,222	326,500
Fund balance - ending	<u>\$ 38,388</u>	<u>\$ 304,224</u>	<u>\$ 342,612</u>

Other Schedules

City of Madison, Georgia
General Fund
Schedule of Revenues and Other Financing Sources -
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes				
General property taxes	\$ 1,914,000	\$ 2,119,000	\$ 2,050,743	\$ (68,257)
General sales and use taxes	756,000	756,000	746,079	(9,921)
Selective sales and use taxes	227,000	227,000	219,740	(7,260)
Business taxes	289,300	294,600	309,163	14,563
Penalties and interest on delinquent taxes	5,500	5,500	3,394	(2,106)
Total taxes	<u>3,191,800</u>	<u>3,402,100</u>	<u>3,329,119</u>	<u>(72,981)</u>
Licenses and Permits				
Business licenses	42,000	42,000	43,918	1,918
Non-business licenses and permits	7,100	7,100	7,145	45
Regulatory fees	500	500	250	(250)
Penalties and interest on licenses	500	500	485	(15)
Total licenses and permits	<u>50,100</u>	<u>50,100</u>	<u>51,798</u>	<u>1,698</u>
Intergovernmental Revenues				
Federal governmental grants	1,500	144,500	143,975	(525)
State governmental grants	95,000	95,000	73,017	(21,983)
Local government unit grants	500	500	3,960	3,460
Total intergovernmental revenue	<u>97,000</u>	<u>240,000</u>	<u>220,952</u>	<u>(19,048)</u>
Charges for services				
General government	42,800	42,800	79,960	37,160
Other fees	48,000	48,000	30,687	(17,313)
Other charges for services	37,100	37,100	42,612	5,512
Total charges for services	<u>127,900</u>	<u>127,900</u>	<u>153,259</u>	<u>25,359</u>
Fines & forfeitures				
Fines & forfeitures	263,000	337,000	351,479	14,479
Parking tickets	1,000	1,000	1,439	439
Total fines & forfeitures	<u>264,000</u>	<u>338,000</u>	<u>352,918</u>	<u>14,918</u>
Investment income				
Interest	2,000	2,000	2,341	341
Total investment income	<u>2,000</u>	<u>2,000</u>	<u>2,341</u>	<u>341</u>
Contributions and donations from private sources				
Contributions & donations	-	-	205	205
Total contributions and donations from private sources	<u>-</u>	<u>-</u>	<u>205</u>	<u>205</u>
Miscellaneous Revenue				
Rents and royalties	32,940	32,940	43,870	10,930
Other	359,210	209,210	12,305	(196,905)
Total miscellaneous revenue	<u>392,150</u>	<u>242,150</u>	<u>56,175</u>	<u>(185,975)</u>
Other Financing Sources				
Transfers in	945,000	945,000	1,003,520	58,520
Lease proceeds	-	300,000	300,000	-
Proceeds of governmental asset dispositions	30,000	30,000	30,000	-
Total other financing sources	<u>975,000</u>	<u>1,275,000</u>	<u>1,333,520</u>	<u>58,520</u>
Total Revenues and Other Financing Sources	<u>\$ 5,099,950</u>	<u>\$ 5,677,250</u>	<u>\$ 5,500,287</u>	<u>\$ (176,963)</u>

City of Madison, Georgia
General Fund
Schedule of Expenditures and Other Financing Uses -
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Governing body				
Personal services	\$ 36,600	\$ 36,600	\$ 35,768	\$ 832
Purchased/contracted services	44,800	44,800	28,375	16,425
Supplies	2,500	2,500	2,559	(59)
Total governing body	<u>83,900</u>	<u>83,900</u>	<u>66,702</u>	<u>17,198</u>
Historic Preservation Commission				
Purchased/contracted services	6,250	6,250	1,004	5,246
Supplies	1,250	1,250	838	412
Total Historic Preservation Commission	<u>7,500</u>	<u>7,500</u>	<u>1,842</u>	<u>5,658</u>
Corridor Design Commission				
Purchased/contracted services	3,500	3,500	90	3,410
Supplies	1,000	1,000	238	762
Total Corridor Design Commission	<u>4,500</u>	<u>4,500</u>	<u>328</u>	<u>4,172</u>
Tree Board				
Purchased/contracted services	4,100	4,100	4,393	(293)
Supplies	1,100	1,100	978	122
Capital	70,000	70,000	30,394	39,606
Total Tree Board	<u>75,200</u>	<u>75,200</u>	<u>35,765</u>	<u>39,435</u>
Cemetery Commission				
Purchased/contracted services	30,850	30,850	24,284	6,566
Supplies	1,000	1,000	1,478	(478)
Total Cemetery Commission	<u>31,850</u>	<u>31,850</u>	<u>25,762</u>	<u>6,088</u>
Affordable Home Ownership Committee				
Purchased/contracted services	9,750	9,750	3,987	5,763
Supplies	250	250	1,086	(836)
Total Affordable Home Ownership Committee	<u>10,000</u>	<u>10,000</u>	<u>5,073</u>	<u>4,927</u>
City Manager				
Personal services	130,200	130,200	126,591	3,609
Purchased/contracted services	4,750	4,750	3,317	1,433
Supplies	3,350	3,350	3,101	249
Capital outlay	30,000	30,000	26,038	3,962
Total City Manager	<u>168,300</u>	<u>168,300</u>	<u>159,047</u>	<u>9,253</u>
City Clerk				
Personal services	91,300	91,300	87,382	3,918
Purchased/contracted services	13,650	13,650	10,172	3,478
Supplies	3,700	3,700	5,357	(1,657)
Other costs	2,500	2,500	1,553	947
Total City Clerk	<u>111,150</u>	<u>111,150</u>	<u>104,464</u>	<u>6,686</u>
Financial Administration				
Personal services	109,300	109,300	82,317	26,983
Purchased/contracted services	14,800	14,800	13,479	1,321
Supplies	1,900	1,900	977	923
Other costs	10,500	10,500	9,945	555
Total Financial Administration	<u>136,500</u>	<u>136,500</u>	<u>106,718</u>	<u>29,782</u>

City of Madison, Georgia
General Fund
Schedule of Expenditures and Other Financing Uses -
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
Law				
Purchased/contracted services	50,000	75,000	67,369	7,631
Total Law	<u>50,000</u>	<u>75,000</u>	<u>67,369</u>	<u>7,631</u>
Data Processing/MIS				
Personal services	75,700	75,700	72,927	2,773
Purchased/contracted services	59,600	59,600	58,246	1,354
Supplies	7,000	7,000	7,969	(969)
Total Data Processing/MIS	<u>142,300</u>	<u>142,300</u>	<u>139,142</u>	<u>3,158</u>
General Government Buildings				
Personal services	42,800	42,800	-	42,800
Purchased/contracted services	39,800	39,800	66,862	(27,062)
Supplies	52,000	61,000	68,565	(7,565)
Other costs	-	-	106	(106)
Total General Government Buildings	<u>134,600</u>	<u>143,600</u>	<u>135,533</u>	<u>8,067</u>
Total General Government	<u>955,800</u>	<u>989,800</u>	<u>847,745</u>	<u>142,055</u>
JUDICIAL				
Municipal Court				
Personal services	45,300	45,300	43,908	1,392
Purchased/contracted services	40,200	40,200	37,998	2,202
Supplies	1,200	1,200	2,087	(887)
Total municipal court	<u>86,700</u>	<u>86,700</u>	<u>83,993</u>	<u>2,707</u>
Total Judicial	<u>86,700</u>	<u>86,700</u>	<u>83,993</u>	<u>2,707</u>
PUBLIC SAFETY				
Police				
Personal services	967,200	967,200	932,088	35,112
Purchased/contracted services	63,900	63,900	62,024	1,876
Supplies	103,550	103,550	95,436	8,114
Capital outlay	61,400	61,400	49,438	11,962
Other costs	5,120	5,120	160	4,960
Total police department	<u>1,201,170</u>	<u>1,201,170</u>	<u>1,139,146</u>	<u>62,024</u>
Custody of Prisoners				
Purchased/contracted services	1,000	6,200	6,061	139
Supplies	500	500	-	500
Other costs	35,000	40,000	39,515	485
Total custody of prisoners	<u>36,500</u>	<u>46,700</u>	<u>45,576</u>	<u>1,124</u>
Fire				
Personal services	66,000	69,500	66,786	2,714
Purchased/contracted services	62,600	69,600	64,998	4,602
Supplies	36,650	36,650	50,855	(14,205)
Capital outlay	24,500	324,500	309,000	15,500
Other costs	1,000	1,000	121	879
Total fire department	<u>190,750</u>	<u>501,250</u>	<u>491,760</u>	<u>9,490</u>

City of Madison, Georgia
General Fund
Schedule of Expenditures and Other Financing Uses -
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
E-911				
Other costs	125,000	115,000	111,764	3,236
Total E-911	<u>125,000</u>	<u>115,000</u>	<u>111,764</u>	<u>3,236</u>
Animal Control				
Personal services	52,600	52,600	49,736	2,864
Purchased/contracted services	12,350	12,350	6,987	5,363
Supplies	6,750	6,750	4,886	1,864
Other costs	2,530	2,530	767	1,763
Total animal control	<u>74,230</u>	<u>74,230</u>	<u>62,376</u>	<u>11,854</u>
Total Public Safety	<u>1,627,650</u>	<u>1,938,350</u>	<u>1,850,622</u>	<u>87,728</u>
PUBLIC WORKS				
Highways & Streets				
Personal services	448,600	394,600	279,114	115,486
Purchased/contracted services	84,500	139,500	225,439	(85,939)
Supplies	212,100	212,100	211,366	734
Capital outlay	77,200	77,200	12,562	64,638
Total highways & streets	<u>842,400</u>	<u>823,400</u>	<u>728,481</u>	<u>94,919</u>
Maintenance and shop				
Personal services	66,900	66,900	64,002	2,898
Purchased/contracted services	2,100	2,100	1,995	105
Supplies	14,200	20,200	20,737	(537)
Total maintenance and shop	<u>83,200</u>	<u>89,200</u>	<u>86,734</u>	<u>2,466</u>
Cemetery				
Purchased/contracted services	3,000	4,500	3,979	521
Supplies	500	500	199	301
Total cemetery	<u>3,500</u>	<u>5,000</u>	<u>4,178</u>	<u>822</u>
Total Public Works	<u>929,100</u>	<u>917,600</u>	<u>819,393</u>	<u>98,207</u>
CULTURE AND RECREATION				
Recreation				
Purchased/contracted services	1,500	1,600	1,536	64
Other costs	30,000	30,000	18,000	12,000
Total recreation	<u>31,500</u>	<u>31,600</u>	<u>19,536</u>	<u>12,064</u>
Landscaping				
Personal services	190,900	244,900	243,655	1,245
Purchased/contracted services	25,500	25,500	40,943	(15,443)
Supplies	76,300	76,300	69,989	6,311
Capital outlay	-	-	5,500	(5,500)
Other costs	40,000	40,000	-	40,000
Total landscaping	<u>332,700</u>	<u>386,700</u>	<u>360,087</u>	<u>26,613</u>
Total Culture & Recreation	<u>364,200</u>	<u>418,300</u>	<u>379,623</u>	<u>38,677</u>

City of Madison, Georgia
General Fund
Schedule of Expenditures and Other Financing Uses -
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
HOUSING AND DEVELOPMENT				
Planning and zoning:				
Personal services	202,300	202,300	202,150	150
Purchased/contracted services	107,950	107,950	57,174	50,776
Supplies	6,300	6,300	6,311	(11)
Total planning and zoning	<u>316,550</u>	<u>316,550</u>	<u>265,635</u>	<u>50,915</u>
Tourism				
Purchased/contracted services	7,500	7,500	7,079	421
Supplies	-	-	27	(27)
Other costs	40,000	40,000	39,063	937
Total tourism	<u>47,500</u>	<u>47,500</u>	<u>46,169</u>	<u>1,331</u>
Main Street				
Personal services	121,900	121,900	118,867	3,033
Purchased/contracted services	82,200	82,200	82,921	(721)
Supplies	8,350	8,350	8,042	308
Total main street program	<u>212,450</u>	<u>212,450</u>	<u>209,830</u>	<u>2,620</u>
Airport:				
Purchased/contracted services	31,000	31,000	28,283	2,717
Supplies	44,000	44,000	26,892	17,108
Capital outlay	-	80,000	73,530	6,470
Other costs	-	-	1,532	(1,532)
Total airport	<u>75,000</u>	<u>155,000</u>	<u>130,237</u>	<u>24,763</u>
Total Housing & Development	<u>651,500</u>	<u>731,500</u>	<u>651,871</u>	<u>79,629</u>
DEBT SERVICE				
Principal payments:				
General government buildings department	227,500	227,500	227,386	114
Highway & streets department	-	-	5,585	(5,585)
Total principal payments	<u>227,500</u>	<u>227,500</u>	<u>232,971</u>	<u>(5,471)</u>
Interest and fiscal charges:				
General government buildings department	22,000	22,000	21,853	147
Highway & streets department	-	-	44	(44)
Total interest and fiscal charges	<u>22,000</u>	<u>22,000</u>	<u>21,897</u>	<u>103</u>
Total Debt Service	<u>249,500</u>	<u>249,500</u>	<u>254,868</u>	<u>(5,368)</u>
Other Financing Uses				
Transfers (out)	235,500	345,500	373,306	(27,806)
Total Other Financing Uses	<u>235,500</u>	<u>345,500</u>	<u>373,306</u>	<u>(27,806)</u>
Total Expenditures and Other Financing Uses	<u>\$ 5,099,950</u>	<u>\$ 5,677,250</u>	<u>\$ 5,261,421</u>	<u>\$ 415,829</u>

OTHER SUPPLEMENTARY INFORMATION SECTION

Bond Disclosures

**City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Water and Sewer Demand
June 30, 2016**

Set forth below is information concerning the demand for water service for the past five calendar years.

Hard Labor Creek Plant

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Avg. Flow MGD	0.519	0.476	0.527	0.568	0.472
Max. Flow MGD	1.316	1.212	1.351	1.240	1.130

Lake Oconee Plant

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Avg. Flow MGD	0.854	0.656	0.632	0.585	0.705
Max. Flow MGD	1.957	1.730	1.409	1.233	1.629

Set forth below is information concerning the demand for sewer service for the past five calendar years.

Northside Plant

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Avg. Flow MGD	0.071	0.064	0.071	0.071	0.083
Max. Flow MGD	0.278	0.292	0.556	0.350	0.660

Southside Plant

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Avg. Flow MGD	0.300	0.248	0.314	0.299	0.380
Max. Flow MGD	0.371	1.110	1.537	1.200	2.101

Indian Creek

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Avg. Flow MGD	0.190	0.165	0.233	0.186	0.214
Max. Flow MGD	0.460	0.490	0.58	0.390	0.820

**City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Water and Sewer Customers
June 30, 2016**

Set forth below are the total number of customers for the last five years.

TOTAL CUSTOMERS

Water Customers

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Inside City	2,079	2,098	2,130	2,177	2,174
Outside City	527	542	562	628	721
Total	<u>2,606</u>	<u>2,640</u>	<u>2,692</u>	<u>2,805</u>	<u>2,895</u>

Sewerage Customers

Inside City	1,802	1,818	1,844	1,873	1,874
Outside City	73	80	89	95	106
Total	<u>1,875</u>	<u>1,898</u>	<u>1,933</u>	<u>1,968</u>	<u>1,980</u>

Most multi-family unit buildings have individual meters for each unit, with the exception that in one instance 48 units are on one meter. Individually metered units are included in the number of customers reflected above.

The following table shows the amount of water sold (in gallons) to the wholesale water customers the last five fiscal years.

<u>Year</u>	<u>City of Rutledge</u>	<u>City of Buckhead</u>	<u>City of Bostwick</u>	<u>Total</u>
2012	11,447,000	595,000	1,770,000	13,812,000
2013	9,180,000	22,000	2,140,100	11,342,100
2014	9,190,000	-	1,615,600	10,805,600
2015	6,620,000	-	1,734,000	8,354,000
2016	14,601,000	-	1,637,700	16,238,700
Total	51,038,000	617,000	8,897,400	60,552,400

City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Ten Largest Water and Sewer Customers
June 30, 2016

LARGEST CUSTOMERS

<u>Customers</u>	<u>Water Use (Gallons)</u>	<u>Water Revenue</u>	<u>Wastewater Revenue</u>	<u>Total Revenue</u>	<u>Percentage of System Revenues</u>
1. Georgia Pacific	48,156,000	\$ 304,487	\$ 2,191	\$ 306,678	8.84%
2. City of Madison	15,000,600	59,653	1,190	60,843	1.75%
3. City of Rutledge	14,601,000	57,966	-	57,966	1.67%
4. Mannington/Amtico	12,656,600	81,756	48,870	130,626	3.76%
5. Morgan Co. Schools	10,417,700	76,506	42,190	118,696	3.42%
6. Anthony	6,517,000	41,664	41,112	82,776	2.39%
7. Travel Center of America	3,723,400	24,120	23,513	47,633	1.37%
8. Pilot Travel Centers LLC	3,427,700	22,202	20,313	42,515	1.23%
9. Madison Health & Rehab	3,370,500	21,897	21,289	43,186	1.24%
10. Orchard Grove-Mercy Housing	3,073,400	19,528	19,329	38,857	1.12%

City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Historic Water and Sewer Rates
June 30, 2016

<u>Effective Date of Rate</u>	<u>Water</u>		<u>Sewer</u>	
	<u>Inside City</u>	<u>Outside City</u>	<u>Inside City</u>	<u>Outside City</u>
12/11/1995	2.00	2.65	1.50	2.05
7/1/1996	2.50	3.15	2.50	3.05
12/9/1996	3.00	3.65	2.50	3.05
9/14/1998	3.00	3.65	3.00	3.05
1/1/2003	3.30	3.65	3.30	3.65
1/1/2004	3.80	3.80	3.80	3.80
1/1/2005	4.18	4.18	4.18	4.18
1/1/2006	4.60	4.60	4.60	4.60
1/1/2007	5.06	5.06	5.06	5.06
1/1/2008	5.56	5.56	5.56	5.56
1/1/2009	6.00	6.00	6.00	6.00
1/1/2010	6.30	6.30	6.30	6.30
1/1/2011	6.30	6.30	6.30	6.30
1/1/2012	6.30	6.30	6.30	6.30
1/1/2013	6.30	6.30	6.30	6.30
1/1/2014	6.30	6.30	6.30	6.30
1/1/2015	6.30	6.30	6.30	6.30
1/1/2016	6.30	6.30	6.30	6.30

City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Water and Sewer Rates and Tap Fees
June 30, 2016

Set forth below are the current water and sewer rates and tap fees.

WATER AND SEWER RATES AND TAP FEES

Water and Sewer Rates
(Per 1,000 gallons metered)

<u>Water¹</u>		<u>Sewer²</u>	
<u>Inside City</u>	<u>Outside City</u>	<u>Inside City</u>	<u>Outside City</u>
\$ 6.30	\$ 6.30	\$ 6.30	\$ 6.30

- (1) Plus a monthly ready to serve charge, based upon meter size: \$4.60 -- 3/4" meter;
\$ 6.90 -- 1" meter; \$16.10 -- 1 1/2" meter; \$25.30 -- 2" meter; \$55.20 -- 3" meter;
\$92.00 -- 4" meter; \$193.20 -- 6" meter; \$276.00 -- 8" meter.
- (2) Plus a monthly ready to serve charge of \$4.60.

Tap Fees

Water:

Meter Size	Service Establishment Fee**	Meter Set Fee	Tap Fee*
3/4" meter	\$ 1,000	\$ 150	\$ 1,295
1" meter	2,500	TBD	1,365
1 1/2" meter	5,000	TBD	2,625
2" meter	8,000	TBD	2,765
3" meter	16,000	TBD	TBD
4" meter	25,000	TBD	TBD
6" meter	50,000	TBD	TBD
8" meter	80,000	TBD	TBD

TBD - to be determined when requested

* Charged only when City of Madison makes the tap onto the water main.

** For multi-family complexes, the service establishment shall be the greater on the following:
a) scheduled meter size or b) \$1,000 per unit for the total number of units in the complex.

Wastewater:

Service Size	Tap Fee*	Connection Fee **
3/4" meter	\$ 1,920	\$ 1,500
1" meter		\$ 3,750
1 1/2" meter		\$ 7,500
2" meter		\$ 12,000
3" meter		\$ 24,000
4"	\$ 1,920	\$ 37,500
6"	\$ 1,980	75,000
8"		\$ 120,000

* Charged only when the City of Madison makes the tap onto the sewer main.

** For multi-family complexes, the service establishment shall be the greater of the following:

- a) scheduled wastewater connection fee based on meter size or
b) \$1,500 per unit for the total number of units in the complex.

For mixed use, commercial, or industrial applications, the connection fee shall be the greater of

- a) scheduled wastewater connection fee based on water meter size, or
b) the projected daily flow of wastewater (as determined by City Manager) in gallons multiplied by \$6.00. Rates do not include bores or line extensions.

City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Historic and Historic Pro-Forma Coverage of Debt Service
For the Fiscal Years Ended June 30, 2016, 2015, 2014, 2013, 2012

Historic Debt Service Coverage

The following table sets forth the debt service coverage ratio for the last five years.

HISTORIC COVERAGE OF ACTUAL DEBT SERVICE

	<u>2012</u>		<u>2013</u>		<u>2014</u>		<u>2015</u>		<u>2016</u>
Net Income (Loss) (before transfers)	\$ 266,882	\$	(427,360)	\$	73,716	\$	179,162	\$	713,142
Plus Depreciation and Amortization	903,355		954,568		992,273		955,726		1,001,081
Plus Interest	<u>467,563</u>		<u>675,114</u>		<u>293,913</u>		<u>284,783</u>		<u>279,781</u>
Net Revenues Available for Debt Service	<u>\$ 1,637,800</u>	\$	<u>1,202,322</u>	\$	<u>1,359,902</u>	\$	<u>1,419,671</u>	\$	<u>1,994,004</u>
Actual Debt Service on Bonds	\$ 852,563	\$	848,125	\$	763,913	\$	759,783	\$	763,343
Coverage Ratio	1.92x		1.42x		1.78x		1.87x		2.61x

The following table sets forth the historic pro-forma debt service coverage ratio for the last five years assuming the issuance of the Series 2005 Bonds, and the payment of the outstanding debt on the System.

HISTORIC PRO-FORMA COVERAGE OF MAXIMUM ANNUAL DEBT SERVICE

	<u>2012</u>		<u>2013</u>		<u>2014</u>		<u>2015</u>		<u>2016</u>
Net Revenues Available for Debt Service	\$ 1,637,800	\$	1,202,322	\$	1,359,902	\$	1,419,671	\$	1,994,004
Maximum Annual Debt Service on Bonds	\$ 852,563	\$	852,563	\$	763,913	\$	763,343	\$	763,343
Coverage Ratio	1.92x		1.41x		1.78x		1.86x		2.61x

COMPLIANCE SECTION

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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*

Mayor and Council
City of Madison, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Madison, Georgia as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Madison, Georgia's basic financial statements and have issued our report thereon dated February 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Madison, 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 City of Madison, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Madison, Georgia's internal control.

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

Our consideration of the 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 that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. 2016-001 and 2016-002

Compliance and Other Matters

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

City of Madison, Georgia's Response to Findings

City of Madison, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Madison, 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Treadwell Tamplin + Co.

Madison, Georgia
February 7, 2017

Treadwell, Tamplin & Co.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mayor and Council
City of Madison, Georgia

Report on Compliance for Each Major Federal Program

We have audited the City of Madison, Georgia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Madison, Georgia's major federal programs for the year ended June 30, 2016. City of Madison, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Madison, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Madison, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Madison, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Madison, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the City of Madison, Georgia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Madison, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

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

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Treadwell Tamplin + Co.

Madison, Georgia
February 7, 2017

City of Madison, Georgia
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
Highway Planning and Construction - Cluster			
Department of Transportation			
<i>Passed through:</i>			
<i>Georgia Department of Transportation</i>	20.205	P.I. 0012734	\$ 60,849
Federal-Aid Highway Program			
<i>Georgia Department of Natural Resources</i>	20.219	NRT-12(16)	21,744
Recreational Trails Program			<u>82,593</u>
Total Highway Planning and Construction - Cluster			
Department of Transportation			
<i>Passed through:</i>			
<i>Georgia Department of Transportation</i>	20.106	AP014-9021-15(211)	438,010
Airport Improvement Program			79,338
Airport Improvement Program	20.106	AP016-9024-16(211)	517,348
Total Airport Improvement Program			<u>599,941</u>
Total Department of Transportation			
Environmental Protection Agency -			
<i>Passed through:</i>			
<i>Georgia Environmental Finance Authority</i>	66.458	CWSRF 13-007	620,579
Capitalization Grants for Clean Water State Revolving Funds			<u>620,579</u>
Total Environmental Protection Agency			
Department of Homeland Security			
<i>Passed through:</i>			
<i>Georgia Emergency Management Agency</i>	97.036	FEMA-4259-DR-GA	7,958
Disaster Grants - Public Assistance			<u>7,958</u>
Total Department of Homeland Security			
Department of Justice			
Bulletproof Vest Partnership Program	16.607		735
Total Department of Justice			
Total Expenditures of Federal Awards			
			<u>\$ 1,229,213</u>

The accompanying notes are an integral part of this schedule

City of Madison, Georgia
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2016

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of the City of Madison, Georgia under programs of the federal government for the year ended June 30, 2016. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Madison, Georgia, it is not intended to and does not present the net position, changes in net position, or cash flows of the City of Madison, Georgia

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C: SUBRECIPIENTS

The City of Madison, Georgia did not provide any funding to subrecipients during the year ended June 30, 2016.

NOTE D: DE MINIMIS INDIRECT COST RATE

The City of Madison, Georgia did not use the ten percent de minimis indirect cost rate.

City of Madison, Georgia
Schedule of Findings and Questioned Costs
June 30, 2016

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	<i>Unmodified</i>	
Internal control over financial reporting:		
Material weakness (es) identified?	X	yes no
Significant deficiency(ies) identified not considered to be material weakness(es)?	yes	X none reported
Noncompliance material to financial statements noted?	yes	X no

Federal Awards

Internal Control over major programs:		
Material weakness (es) identified?	yes	X no
Significant deficiency(ies) identified not considered to be material weakness(es)?	yes	X none reported
Type of auditor’s report issued on compliance for major programs:	<i>Unmodified</i>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	yes	X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	yes X no

City of Madison, Georgia
Schedule of Findings and Questioned Costs
June 30, 2016

Section II – Financial Statement Findings

Material Weaknesses:

2016-001

Criteria: Proprietary fund revenue and expenses should be recognized on the accrual basis of accounting.

Condition: An audit adjustment was required in the Water & Sewer Fund to reclass the drawdown of loan proceeds from GEFA as a liability rather than grant proceeds which is revenue account type.

Cause: The City has both governmental and proprietary funds which are reported under different basis of accounting. The Water and Sewer Fund is a proprietary fund type and follows the accrual basis of accounting. Governmental fund types of the City are required to follow the modified basis of accounting. Under the modified basis of accounting, proceeds of general long-term debt are reported as other financing sources. The City incorrectly applied the modified basis of accounting to a proprietary fund.

Effect: Water Fund revenue was overstated and liabilities were understated by a material amount. An audit adjustment was required to correct this misstatement.

Recommendation: We recommend that the City carefully review interim financial statements and consistently apply the correct basis of accounting.

Management response: Management concurs with the finding and will implement the suggested recommendation.

2016-002

Criteria: Proprietary funds follow the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash flows take place.

Condition: Our audit procedures discovered that a receivable and payable had not been recorded in the Gas Fund. An audit adjustment was required to record the receivable and revenue for the sale of gas. An audit adjustment was required to record the payable and capital asset addition.

Cause: City of Madison is one of three governmental entities involved in a joint project which provided gas utility services to an industrial customer. Each entity is responsible for paying their share of gas purchases. One governmental entity handles the billing to the industrial customer and then sends the governmental entities their share of the revenue. At year end, the governmental entity charged with the billing and collecting had not remitted the City's share of the revenue. The governmental entity had not invoiced the City for the City's share in the infrastructure costs of the joint project.

Effect: Gas Fund receivable and revenue balances were understated by a material amount for the amount attributable to the gas sales. Gas Fund payable and capital asset balances were understated by a material amount for the amount attributable to the infrastructure costs of the project.

Recommendation: We recommend that the City record receivables and payables in accordance with the accrual basis of accounting.

Management response: Management concurs with the finding and will implement the suggested recommendation.

City of Madison, Georgia
Schedule of Findings and Questioned Costs
June 30, 2016

Section III – Findings and Questioned Costs – Federal Awards Findings and Responses

None reported.

City of Madison, Georgia
Summary Schedule of Prior Audit Findings
June 30, 2016

Financial Statements

No findings for fiscal year ended June 30, 2015.

Federal Awards

Single audit not required for fiscal year ended June 30, 2015.



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February 7, 2017

City of Madison respectfully submits the following corrective action plan for the fiscal year ended June 30, 2016. The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS-FINANCIAL STATEMENT AUDIT

2016-001

Recommendation: The City should carefully interim financial statements and consistently apply the correct basis of accounting.

Action Taken: The City agrees with the finding and the Finance Officer and the City Manager are reviewing monthly financial statements to ensure the correct basis of accounting is being followed.

2016-002

Recommendation: The City should record receivables and payables in accordance with the accrual basis of accounting.

Action Taken: The Finance Officer has corrected the problem and is recording receivables and payables in the proprietary funds in accordance with the accrual basis of accounting.

If there are questions regarding this plan, please contact Karen Stapp at (706) 342-1251.

Sincerely yours,

A handwritten signature in blue ink that reads "Karen P. Stapp".

Karen Stapp, Finance Officer

City of Madison, Georgia
Schedule of Special Purpose
Local Option Sales Tax
For the Fiscal Year Ended June 30, 2016

	Original Estimated Cost	Revised Estimated Cost	Expenditures		Estimated Percentages of Completion
			Prior Years	Current Year	
2007 Referendum					
Road and Bridge Improvement	\$ 600,000	\$ 600,000	\$ 600,000	\$ -	\$ 600,000 100%
Public Works Building	\$ 400,000	\$ 263,286	\$ 263,286	\$ -	\$ 263,286 100%
Public Safety Building	\$ 350,000	\$ 360,345	\$ 360,345	\$ -	\$ 360,345 100%
City Hall Renovation	\$ 250,000	\$ 149,932	\$ -	\$ -	\$ - 0%
Park Improvements and Equipment	\$ 204,400	\$ 122,584	\$ 122,584	\$ -	\$ 122,584 100%
Total 2007 Referendum	\$ 1,804,400	\$ 1,496,147	\$ 1,346,215	\$ -	\$ 1,346,215
2012 Referendum					
Road Improvements	\$ 800,000	\$ 800,000	\$ 99,338	\$ 164,833	\$ 264,171 33%
Hill Park Restrooms	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ - 0%
Public Safety Building	\$ 550,000	\$ 550,000	\$ 536,400	\$ -	\$ 536,400 98%
City Hall Renovations	\$ 400,000	\$ 400,000	\$ -	\$ -	\$ - 0%
Acquisition of Town Park	\$ 1,000,000	\$ 1,000,000	\$ 296,617	\$ 200,000	\$ 496,617 50%
Park Improvements and Equipment	\$ 267,640	\$ 267,640	\$ 2,898	\$ -	\$ 2,898 1%
Total 2012 Referendum	\$ 3,117,640	\$ 3,117,640	\$ 935,253	\$ 364,833	\$ 1,300,086

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