

**City of Madison, Georgia**  
**Financial Statements**  
**Fiscal Year Ended**  
**June 30, 2011**

City of Madison, Georgia  
 Financial Statements  
 For the Fiscal Year Ended June 30, 2011

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## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2011 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, Retirement Plan – Schedule of Funding Progress and the Other Postemployment Benefits – Schedule of Funding Progress on page on pages i through viii, 34-35, 36 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Madison, Georgia  
December 16, 2011*

*Inchulee, Jayli & Co*

## **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, 2011. 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 2011 by \$30,559,307 (total net assets). Of this amount, \$6,896,737 (unrestricted net asset) was available for use to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$732,944 during the most recent fiscal year, resulting from governmental and business-type activities.
- At the close of fiscal year 2011, the City's governmental funds reported combined ending fund balances of \$2,127,092. Of this amount, \$1,070,267 or 50% is available for spending at the government's discretion (General unassigned fund balance). The balance of this amount (\$1,056,825) 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 \$1,070,267.

### **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 assets presents information on all of the City's assets and liabilities, with the difference between the two being reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. 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, which is considered a major fund. The data from the **eight** 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 38 through 50.

Beginning with fiscal year 2011, 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, System of Care fund, Impact Fee fund, 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 and SPLOST capital project fund. 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.

**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 to its employees.

### Government-wide Financial Analysis

As noted earlier, net assets 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 2011 by \$30,559,307.

The largest component of the City's net assets is 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 \$21,669,096 or 70.9%. 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 Assets

	Governmental Activities		Business Activities		Total	
	2010	2011	2010	2011	2010	2011
<b>Assets:</b>						
Current assets	\$ 1,628,879	\$ 2,203,919	\$ 4,893,882	\$ 5,831,378	\$ 6,522,761	\$ 8,035,297
Restricted assets	\$ 25,100	\$ 241,357	\$ 1,875,980	\$ 1,348,252	\$ 1,901,080	\$ 1,589,609
Other assets	\$ 19,928	\$ 17,314	\$ 189,280	\$ 179,855	\$ 209,208	\$ 197,169
Capital assets	\$ 8,522,553	\$ 8,159,272	\$ 26,150,228	\$ 25,551,160	\$ 34,672,781	\$ 33,710,432
Total assets	\$ 10,196,460	\$ 10,621,862	\$ 33,109,370	\$ 32,910,645	\$ 43,305,830	\$ 43,532,507
<b>Liabilities:</b>						
Current liabilities	\$ 166,921	\$ 215,381	\$ 505,096	\$ 547,150	\$ 672,017	\$ 762,531
Accrued Interest	\$ 21,983	\$ 19,546	\$ -	\$ -	\$ 21,983	\$ 19,546
Current liabilities payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
from restricted assets	\$ -	\$ -	\$ 404,690	\$ 385,000	\$ 404,690	\$ 385,000
Long-term liabilities	\$ 1,821,464	\$ 1,630,829	\$ 10,559,313	\$ 10,175,294	\$ 12,380,777	\$ 11,806,123
Total liabilities	\$ 2,010,368	\$ 1,865,756	\$ 11,469,099	\$ 11,107,444	\$ 13,479,467	\$ 12,973,200
<b>Net assets:</b>						
Invested in capital assets, net of related debt	\$ 6,788,210	\$ 6,617,376	\$ 15,233,205	\$ 15,051,720	\$ 22,021,415	\$ 21,669,096
Restricted for General Government	\$ -	\$ 31,205	\$ -	\$ -	\$ -	\$ 31,205
Restricted for Public Safety	\$ 20,202	\$ 91,859	\$ -	\$ -	\$ 20,202	\$ 91,859
Restricted for Public Works	\$ 46,749	\$ 187,945	\$ -	\$ -	\$ 46,749	\$ 187,945
Restricted for Health & Welfare	\$ 35,831	\$ 56,263	\$ -	\$ -	\$ 35,831	\$ 56,263
Restricted for Culture and Recreation	\$ -	\$ 60,442	\$ -	\$ -	\$ -	\$ 60,442
Restricted for debt service	\$ -	\$ -	\$ 1,021,308	\$ 1,047,774	\$ 1,021,308	\$ 1,047,774
Restricted for Renewal/Extention	\$ -	\$ -	\$ 854,195	\$ 300,000	\$ 854,195	\$ 300,000
Restricted for non expendable trust	\$ 25,100	\$ 217,986	\$ -	\$ -	\$ 25,100	\$ 217,986
Unrestricted	\$ 1,270,000	\$ 1,493,030	\$ 4,531,563	\$ 5,403,707	\$ 5,801,563	\$ 6,896,737
Total net assets	\$ 8,186,092	\$ 8,756,106	\$ 21,640,271	\$ 21,803,201	\$ 29,826,363	\$ 30,559,307

An additional portion of the City's net assets, \$2,809,290 or 9.2%, represents resources that are subject to external restrictions on how they may be used. Of this amount, \$31,205 is restricted for general government, \$91,859 is restricted for Public Safety, \$187,945 is restricted for Public Works, \$56,263 is restricted for Health and Welfare, \$60,442 is restricted for Culture and Recreation. Another category of this portion of the City's net assets is restricted for debt service and renewal and extension in the amount of \$1,347,774. This represents water and sewer reserve accounts set aside as emergency funds for a year's obligation for the City's outstanding water and sewer revenue bonds. The last category is restricted for non-expendable trust in the amount \$217,986. 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.

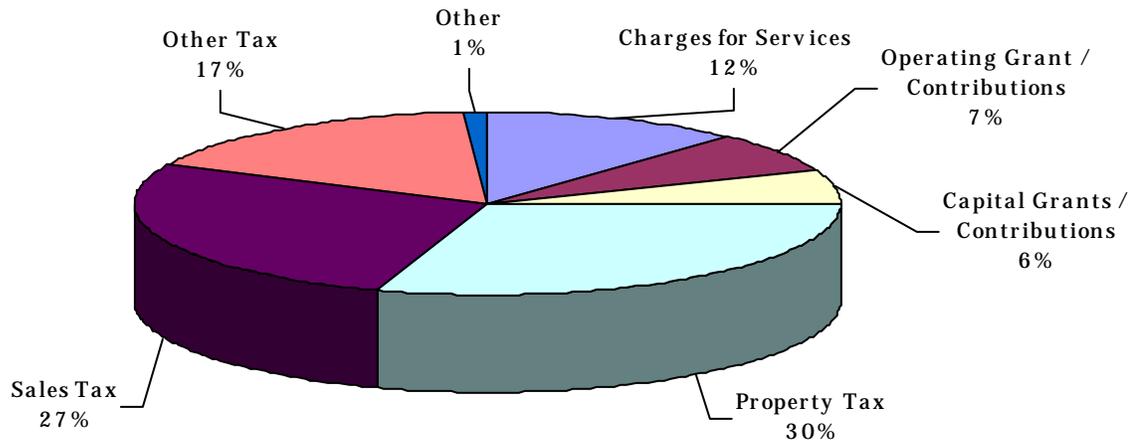
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental and business-type activities.

**Governmental Activities.** Governmental activities increased the City's net assets by \$570,014. A transfer from the Natural Gas Fund of \$300,000, a transfer from the Water & Sewer Fund of \$248,000, and a transfer from the Solid Waste Fund for \$40,000 attributed to no further decreases in governmental activity net assets.

**City of Madison Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
<b>Revenues:</b>						
Program Revenues:						
Charges for service	\$ 627,732	\$ 565,472	\$ 6,220,955	\$ 6,462,923	\$ 6,848,687	\$ 7,028,395
Operating grants/contributi	\$ 153,642	\$ 305,031	\$ -	\$ 6,235	\$ 153,642	\$ 311,266
Capital grants/contributions	\$ 332,254	\$ 293,773	\$ 16,500	\$ 35,711	\$ 348,754	\$ 329,484
General revenues:						
Property taxes	\$ 1,098,109	\$ 1,359,973	\$ -	\$ -	\$ 1,098,109	\$ 1,359,973
Sales tax	\$ 1,195,427	\$ 1,197,836	\$ -	\$ -	\$ 1,195,427	\$ 1,197,836
Other Taxes	\$ 730,585	\$ 744,419	\$ -	\$ -	\$ 730,585	\$ 744,419
Intergovernmental rev	\$ 1,677	\$ 1,054	\$ -	\$ -	\$ 1,677	\$ 1,054
Investment earnings	\$ 13,515	\$ 7,341	\$ 86,872	\$ 57,117	\$ 100,387	\$ 64,458
Other	\$ 15,731	\$ 1,964	\$ -	\$ -	\$ 15,731	\$ 1,964
Gain/(Loss) on sale of capit	\$ -	\$ 5,170	\$ -	\$ -	\$ -	\$ 5,170
Total revenue	\$ 4,168,672	\$ 4,482,033	\$ 6,324,327	\$ 6,561,986	\$ 10,492,999	\$ 11,044,019
<b>Expenses:</b>						
General government	\$ 638,286	\$ 580,530	\$ -	\$ -	\$ 638,286	\$ 580,530
Judicial	\$ 185,511	\$ 83,398	\$ -	\$ -	\$ 185,511	\$ 83,398
Public safety	\$ 1,429,281	\$ 1,435,815	\$ -	\$ -	\$ 1,429,281	\$ 1,435,815
Public works	\$ 807,435	\$ 911,969	\$ -	\$ -	\$ 807,435	\$ 911,969
Health and Welfare	\$ 57,240	\$ 164,779	\$ -	\$ -	\$ 57,240	\$ 164,779
Culture and recreation	\$ 465,486	\$ 361,864	\$ -	\$ -	\$ 465,486	\$ 361,864
Housing and development	\$ 767,572	\$ 779,696	\$ -	\$ -	\$ 767,572	\$ 779,696
Payment to Component Un	\$ 179,551	\$ 125,000	\$ -	\$ -	\$ 179,551	\$ 125,000
Interest and fiscal charges	\$ 63,603	\$ 56,968	\$ -	\$ -	\$ 63,603	\$ 56,968
Water and sewer	\$ -	\$ -	\$ 3,376,333	\$ 3,362,842	\$ 3,376,333	\$ 3,362,842
Natural gas	\$ -	\$ -	\$ 2,063,991	\$ 1,996,045	\$ 2,063,991	\$ 1,996,045
Solid waste	\$ -	\$ -	\$ 458,003	\$ 452,169	\$ 458,003	\$ 452,169
Total Expenses	\$ 4,593,965	\$ 4,500,019	\$ 5,898,327	\$ 5,811,056	\$ 10,492,292	\$ 10,311,075
Inc in net assets before transfe	\$ (425,293)	\$ (17,986)	\$ 426,000	\$ 750,930	\$ 707	\$ 732,944
Transfers	\$ 692,000	\$ 588,000	\$ (692,000)	\$ (588,000)	\$ -	\$ -
Change in net assets	\$ 266,707	\$ 570,014	\$ (266,000)	\$ 162,930	\$ 707	\$ 732,944
Net assets Beginning, as previ	\$ 7,989,377	\$ 8,186,092	\$ 21,906,271	\$ 21,640,271	\$ 29,895,648	\$ 29,826,363
Prior Period Adjustment	\$ (69,992)	\$ -	\$ -	\$ -	\$ (69,992)	\$ -
Net assets Beginning, as restat	\$ 7,919,385	\$ 8,186,092	\$ 21,906,271	\$ 21,640,271	\$ 29,825,656	\$ 29,826,363
Net Assets Ending	\$ 8,186,092	\$ 8,756,106	\$ 21,640,271	\$ 21,803,201	\$ 29,826,363	\$ 30,559,307

## Revenues by Source - Governmental Activities Fiscal Year 2011



**Revenues.** Property taxes of \$1,359,973 and sales tax of \$1,197,836 accounted for 57% of total general revenues.

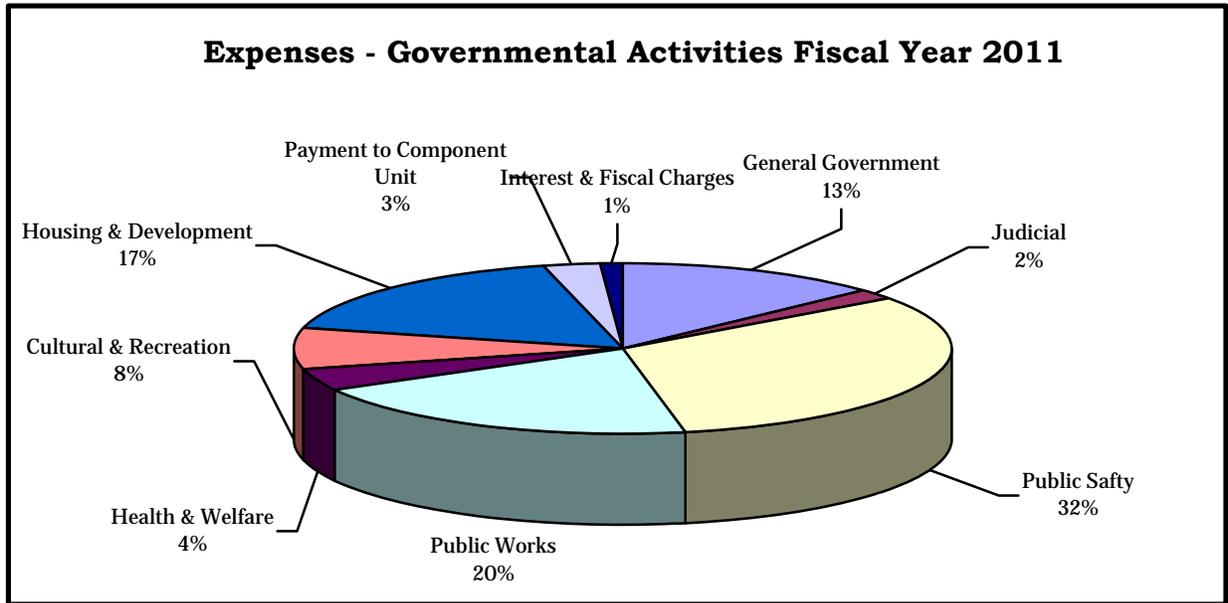
Capital grants and contributions consisted of the following:

- SPLOST funds of \$243,450 were received from Morgan County from their 2007 Referendum.
- The City of Madison was awarded an Energy Efficiency Community Block Grant in partners with Morgan County for \$44,431 for new, energy efficient heating and cooling systems for City Hall, Fire Department, Rogers House, Rose Cottage, Richter Cottage, and the Madison Water Plant. This grant was stimulus funds through Georgia Environmental Finance Authority (GEFA) as part of the American Recovery and Reinvestment Act.
- The City of Madison was also awarded another Energy Efficiency Community Block Grant for \$216,706 to purchase and install high efficiency lamps and energy efficient motors in the raw water pumps at the water treatment plants. In FY2011, the City of Madison completed the purchase and installation of the lamps at the Madison Water Plant for \$1,463.48. This project should be complete in FY2012.
- A grant for \$34,458 was awarded from Preserve America, a program of the U.S. Department of the Interior, National Park Service, Historic Preservation Grants Division. This grant is for bicentennial markers. Revenues received in FY2011 were \$18,450. The project will be completed in FY 2012.

Operating grants and contributions consisted of the following:

- Under Housing and Development, the City received donations of \$13,200 for the Bicentennial Park. The City and the Downtown Development Authority worked together on the development of the park which was completed in calendar year 2010.
- Ricketts Environmental Excellence Trust (T.R.E.E.) program received donations of \$632.
- The Fire Department received donations of \$813; the Police Department received donations of \$220; and the Animal Control Department received donations of \$1,401.
- The System of Care Fund received revenues for a grant in the amount of \$163,995, and also received \$20,733 in donations.

- The City of Madison received a grant from the United States Department of Justice in the amount of \$1,568 for the purchase of police body armor.
- In April 2011, the City of Madison experienced a tornado throughout the City. The City was awarded a grant of \$134,073 from FEMA to help with the clean-up of debris and reimbursement for damaged equipment and property belonging to the City of Madison.



**Expenses.** The total expense for the governmental activities is \$4,500,019. 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 \$1,435,815 or 31.9% of total governmental activity expense.

Total program revenues and general revenues exceeded expenses by \$570,014.

**Business-type activities.** Business-type activities increased the City's net assets by \$162,930.

**Revenues.** Water and sewer operating revenue was \$3,553,622. Natural gas operating revenue was \$2,428,433. Sanitation operating revenue was \$501,888. 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 expense was \$3,362,842. Natural gas expense was \$1,996,045. Sanitation expense was \$452,169.

### 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 \$2,127,092. Approximately 62% of this amount (\$1,070,267) constitutes unreserved 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, 2011, unassigned fund balance of the general fund was \$1,070,267. 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 27% 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 assets was (\$806); the change in Natural Gas net assets was \$149,319; and the change in Solid Waste net assets was \$14,417.

### **General Fund Budgetary Highlights**

Differences between the original budgeted expenditures and the final amended budgeted expenditures are approximately \$202,700 or 5% of the original budget. The increase in budgeted expenditures is attributable primarily to the increase in Highway and Streets for the expense of storm damaged from the April 2011 tornado. Budgeted revenue increased from the original budget in the amount of \$257,800. The increase in anticipated revenue resulted from the FEMA grant received for the storm damaged.

During the year, actual revenues were more than budgetary estimates by \$220,089, and actual expenditures were less than budgetary estimates by \$303,411.

### **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, 2011, amounts to \$33,710,432 (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:**

- Bicentennial Markers are in progress for FY2011. The cost for FY2011 is \$49,715. This is funded through a capital grant.
- SPLOST funds were expended for curbs and gutters on First Street at Jones Alley. The total cost was \$4,233.
- The police department purchased a 2011 Ford Crown Victoria for a total of \$21,965.
- Two In Car Video Systems were purchased for the Police Department in the amount of \$4,682 each totaling \$9,364.
- An Air pack was purchased for the amount of \$3,188 for the Fire Department.
- The Street Department purchased a 3710 10' Cutter for \$10,899.
- The City purchased an ice machine for a total amount of \$2,640.
- Through an Energy Efficiency Community Block Grant, the City purchased new and energy efficient cooling and heating systems for the following: City Hall, \$13,324; Fire Department, \$3,508; Richter Cottage, \$3,505; Roger House, \$7,297; and Rose Cottage, \$3,587.
- The Police Confiscated Asset Fund also purchased an In Car Video System for \$4,682.

#### **Business-type activities:**

- The Wastewater department had system improvements including fencing at the Northside and Southside plants at a total cost of \$4,190, and the Indian Creek Phosphorous project of \$67,187. The Indian Creek Phosphorous project should be complete in FY2012.
- Through an Energy Efficiency Community Block Grant from GEFA, the Water department has begun to improve the Madison Water plant and Oconee Water Plant. The cost for FY2011 is \$146,568.
- Through an Energy Efficiency Community Block Grant from Georgia Environmental Finance Authority, the City of Madison purchased Infer Red Heaters for the Madison Water Plant for a total cost of \$13,211.

- The City of Madison also completed a water expansion on Fairgrounds Road for a cost of \$8,308.
- The Flat Rock Tank Altitude Valve was improved for a cost of \$2,971.
- A water relocation was done on Bostwick Highway for a cost of \$5,232.
- A Battery Pack was purchased for the Water Department for \$3,048.
- The City of Madison completed several gas system expansions in FY2011 including (1) Athens Highway Phase I - \$6,544; (2) Athens Highway Phase II - \$6,189; (3) Bostwick Highway - \$73,743; (4) Joe Hayes Chicken House - \$6,250; (5) Stovall Chicken House - \$3,500.
- More engineering work was done for the Southeast Gas expansion for a cost of \$790.
- The City of Madison made progress on the relocation of the gas line for the Social Circle Bypass. The FY2011 cost was \$645.
- The Gas department purchased a 4' Hammerhead Boring Tool for \$6,665.

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

	Government Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Land	\$ 1,084,500	\$ 1,084,500	\$ 261,782	\$ 261,782	\$ 1,346,282	\$ 1,346,282
Historical Treasures	\$ 24,318	\$ 24,318	\$ -	\$ -	\$ 24,318	\$ 24,318
Construction in progress	\$ 176,894	\$ 164,857	\$ 3,663	\$ 230,272	\$ 180,557	\$ 395,129
Land improvements	\$ 541,792	\$ 515,047	\$ -	\$ -	\$ 541,792	\$ 515,047
Infrastructure	\$ 3,803,971	\$ 3,560,369	\$ 13,479,242	\$ 13,230,747	\$ 17,283,213	\$ 16,791,116
Building	\$ 2,182,140	\$ 2,150,635	\$ 7,545,132	\$ 7,377,852	\$ 9,727,272	\$ 9,528,487
Equipment	\$ 436,532	\$ 454,518	\$ 4,689,276	\$ 4,309,042	\$ 5,125,808	\$ 4,763,560
Vehicles	\$ 272,406	\$ 205,028	\$ 171,133	\$ 141,465	\$ 443,539	\$ 346,493
<b>Total</b>	<b>\$ 8,522,553</b>	<b>\$ 8,159,272</b>	<b>\$ 26,150,228</b>	<b>\$ 25,551,160</b>	<b>\$ 34,672,781</b>	<b>\$ 33,710,432</b>

**Long-term debt.** At the end of the current fiscal year, the City had total outstanding revenue bond and loan indebtedness in the amount of \$10,449,440. 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. The remainder at FY 2011 is \$1,541,896.

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

	Government Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Revenue Bonds (2005)	\$ -	\$ -	\$ 10,846,098	\$ 10,499,440	\$ 10,846,098	\$ 10,499,440
Capital Lease Obligations	\$ 1,734,343	\$ 1,541,896	\$ 70,925	\$ -	\$ 1,805,268	\$ 1,541,896
<b>Total</b>	<b>\$ 1,734,343</b>	<b>\$ 1,541,896</b>	<b>\$ 10,917,023</b>	<b>\$ 10,499,440</b>	<b>\$ 12,651,366</b>	<b>\$ 12,041,336</b>

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 \$23,176, a .9% decrease from FY 2010.

Water and Wastewater operating revenues increased by \$292,209, a 9% increase from FY 2010.

Sales tax revenues increased by \$2,409, a .2% increase from FY 2010.

**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 Assets  
June 30, 2011

	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<b>ASSETS</b>				
Cash	\$ 1,551,678	\$ 1,355,305	\$ 2,906,983	\$ 128,430
Investments, plus accrued interest	156,043	3,555,276	3,711,319	-
Accounts receivable, net	46,739	860,644	907,383	100
Taxes receivable, net	105,301	-	105,301	-
Internal balances	(9,086)	9,086	-	-
Due from other governments	296,199	15,525	311,724	-
Due from component unit	3,317	129	3,446	-
Inventories and prepaid expenses	53,728	35,413	89,141	5,000
Restricted assets:				
Cash	23,371	1,348,252	1,371,623	-
Investments	217,986	-	217,986	-
Issuance costs, net	17,314	179,855	197,169	-
Capital assets				
Capital assets not being depreciated	1,273,675	492,054	1,765,729	1,336,298
Capital assets being depreciated, net	6,885,597	25,059,106	31,944,703	2,362,556
Total capital assets	<u>8,159,272</u>	<u>25,551,160</u>	<u>33,710,432</u>	<u>3,698,854</u>
<b>Total assets</b>	<u>10,621,862</u>	<u>32,910,645</u>	<u>43,532,507</u>	<u>3,832,384</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	215,381	231,999	447,380	4,172
Accrued interest	19,546	-	19,546	-
Due to primary government	-	-	-	3,446
Customer deposits	-	315,151	315,151	-
Long-term liabilities:				
Portion due or payable within one year:				
Bonds and notes payable, net	-	385,000	385,000	95,673
Capital lease obligation	198,781	-	198,781	-
Portion due or payable after one year:				
Bonds and notes payable, net	-	10,114,440	10,114,440	1,170,988
Capital lease obligation	1,343,115	-	1,343,115	-
Compensated absences	79,751	53,639	133,390	-
OPEB obligation	9,182	7,215	16,397	-
<b>Total liabilities</b>	<u>1,865,756</u>	<u>11,107,444</u>	<u>12,973,200</u>	<u>1,274,279</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	6,617,376	15,051,720	21,669,096	2,432,193
Restricted for :				
General government	31,205	-	31,205	-
Public safety	91,859	-	91,859	-
Public works:				
Expendable	187,945	-	187,945	-
Nonexpendable	192,986	-	192,986	-
Health & welfare	56,263	-	56,263	-
Culture & recreation:				
Expendable	60,442	-	60,442	-
Nonexpendable	25,000	-	25,000	-
Debt service	-	1,047,774	1,047,774	-
Renewal & extensions (Note 7)	-	300,000	300,000	-
Unrestricted	1,493,030	5,403,707	6,896,737	125,912
<b>Total net assets</b>	<u>\$ 8,756,106</u>	<u>\$ 21,803,201</u>	<u>\$ 30,559,307</u>	<u>\$ 2,558,105</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, 2011

Activities:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Downtown Development Authority
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental:</b>							
General government	\$ 580,530	\$ 66,843	-	-	\$(513,687)	\$	\$(513,687)
Judicial	83,398	287,372	-	-	203,974		203,974
Public safety	1,435,815	18,479	106,471	-	(1,310,865)		(1,310,865)
Public works	911,969	20,953	-	244,103	(646,913)		(646,913)
Health and welfare	164,779	-	184,728	-	19,949		19,949
Culture and recreation	361,864	47,945	632	-	(313,287)		(313,287)
Housing and development	904,696	123,880	13,200	49,670	(717,946)		(717,946)
Interest and fiscal charges	56,968	-	-	-	(56,968)		(56,968)
<b>Total governmental activities</b>	<b>4,500,019</b>	<b>565,472</b>	<b>305,031</b>	<b>293,773</b>	<b>(3,335,743)</b>		<b>(3,335,743)</b>
<b>Business-type:</b>							
Gas	1,996,045	2,428,433	2,458	-	\$ 434,846		434,846
Water and sewer	3,362,842	3,531,122	3,777	35,711	207,768		207,768
Sanitation	452,169	503,368	-	-	51,199		51,199
<b>Total business-type activities</b>	<b>5,811,056</b>	<b>6,462,923</b>	<b>6,235</b>	<b>35,711</b>	<b>693,813</b>		<b>693,813</b>
<b>Component unit:</b>							
Downtown Development Authority	199,136	-	-	161,387			(37,749)
<b>Total component unit</b>	<b>199,136</b>	<b>-</b>	<b>-</b>	<b>161,387</b>			<b>(37,749)</b>
<b>General revenues:</b>							
Taxes							
Property taxes, levied for general purposes					1,359,973		1,359,973
Sales tax					1,197,836		1,197,836
Intangible tax					10,705		10,705
Business taxes					281,122		281,122
Franchise fees					452,592		452,592
Intergovernmental revenues					1,054		1,054
Investment earnings					7,341		7,341
Miscellaneous					1,964		1,964
Gain on the sale of capital assets					5,170		5,170
Transfers					588,000		588,000
Total general revenues and transfers					3,905,757		3,905,757
<b>Change in net assets</b>					570,014		570,014
<b>Net assets - beginning</b>					8,186,092		8,186,092
<b>Net assets - ending</b>					<b>8,756,106</b>		<b>8,756,106</b>

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

City of Madison, Georgia  
Balance Sheet  
Governmental Funds  
June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 1,240,267	\$ 311,411	\$ 1,551,678
Investments, plus accrued interest	172,830	6,584	179,414
Accounts receivable	12,894	7,475	20,369
Taxes receivable, net	105,301	-	105,301
Interfund receivables	18,706	48,537	67,243
Due from component unit	3,317	-	3,317
Due from other governments	231,744	90,823	322,567
Prepaid items	52,333	745	53,078
Restricted investments	-	217,986	217,986
<b>Total assets</b>	1,837,392	683,561	2,520,953
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	179,533	18,173	197,706
Accrued expenses	16,325	700	17,025
Interfund payables	62,530	13,799	76,329
Deferred revenue	95,951	6,850	102,801
<b>Total liabilities</b>	354,339	39,522	393,861
Fund balances (Note 9):			
Nonspendable	52,333	218,731	271,064
Restricted	19,215	405,499	424,714
Committed	-	16,809	16,809
Assigned	341,238	3,000	344,238
Unassigned	1,070,267	-	1,070,267
<b>Total fund balances</b>	1,483,053	644,039	2,127,092
<b>Total liabilities and fund balances</b>	\$ 1,837,392	\$ 683,561	\$ 2,520,953

**City of Madison, Georgia**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**June 30, 2011**

Total <i>fund</i> balances for governmental funds (Exhibit 3)	\$	2,127,092
Total <i>net assets</i> reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Capital assets not being depreciated	1,273,675	
Capital assets being depreciated, net of \$3,199,250 of accumulated depreciation	<u>6,885,597</u>	
Total capital assets		8,159,272
Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets. This amount is the net effect of this difference in the treatment of long-term debt and related items.		
		17,316
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 deferred revenue in the funds.		
		102,801
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 assets. Balances at June 30, 2011 are:		
Capital leases payable	(1,541,896)	
Interest payable	(19,546)	
Compensated absences	(79,751)	
OPEB Obligation	<u>(9,182)</u>	
Total long-term liabilities		<u>(1,650,375)</u>
Total net assets of governmental activities (Exhibit 1)	\$	<u>8,756,106</u>

City of Madison, Georgia  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 3,122,708	\$ 190,884	\$ 3,313,592
Licenses and permits	53,170	-	53,170
Intergovernmental revenue	154,761	407,445	562,206
Charges for services	157,907	36,794	194,701
Fines and forfeitures	287,372	375	287,747
Investment income	2,856	5,138	7,994
Contributions and donations	15,634	21,365	36,999
Miscellaneous	30,848	-	30,848
<b>Total revenues</b>	<u>3,825,256</u>	<u>662,001</u>	<u>4,487,257</u>
<b>EXPENDITURES</b>			
Current:			
General government	545,649	-	545,649
Judicial	83,400	-	83,400
Public safety	1,370,033	5,092	1,375,125
Public works	707,115	163,631	870,746
Culture and recreation	352,681	1,189	353,870
Housing and development	660,897	167,874	828,771
Capital outlay:			
General government	-	81	81
Public works	-	4,223	4,223
Debt service:			
Principal payments	192,447	-	192,447
Interest and fiscal charges	56,791	-	56,791
<b>Total expenditures</b>	<u>3,969,013</u>	<u>342,090</u>	<u>4,311,103</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(143,757)</u>	<u>319,911</u>	<u>176,154</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	611,011	222,680	833,691
Proceeds of governmental asset dispositions	8,805	-	8,805
Transfers (out)	(222,680)	(23,011)	(245,691)
<b>Total other financing sources (uses)</b>	<u>397,136</u>	<u>199,669</u>	<u>596,805</u>
<b>Net change in fund balances</b>	253,379	519,580	772,959
<b>Fund balances - beginning</b>	1,229,674	124,459	1,354,133
<b>Fund balances - ending</b>	<u>\$ 1,483,053</u>	<u>\$ 644,039</u>	<u>\$ 2,127,092</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, 2011**

Net change in <i>fund</i> balances - total governmental funds (Exhibit 4)	\$ 772,959
The change in <i>net assets</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 depreciation (\$497,542) exceeded capital outlays (\$137,896) in the current period.	(359,646)
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.	(3,635)
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	(17,815)
OPEB liability	(3,813)
Interest Payable	2,437
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.	(10,306)
Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of this difference in the treatment of long-term debt and related items.	(2,614)
Capital lease principal payments are reported as expenditures in the governmental funds, but reduce the liability in the statement of net assets.	<u>192,447</u>
Change in net assets of governmental activities (Exhibit 2)	<u>\$ 570,014</u>

City of Madison, Georgia  
Statement of Net Assets  
Proprietary Funds  
June 30, 2011

	Enterprise Funds			Total
	Gas Fund	Water & Sewer Fund	Nonmajor Sanitation Fund	
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash	\$ 228,977	\$ 966,803	\$ 159,525	\$ 1,355,305
Investments, plus accrued interest	946,345	2,423,207	185,724	3,555,276
Accounts receivable, net	179,700	587,232	93,712	860,644
Due from other governments	-	15,525	-	15,525
Due from other funds	116,004	48,454	10,618	175,076
Due from component units	-	129	-	129
Inventories and prepaid expenses	5,068	26,148	4,197	35,413
Total current assets	<u>1,476,094</u>	<u>4,067,498</u>	<u>453,776</u>	<u>5,997,368</u>
<b>Noncurrent assets:</b>				
Restricted assets - cash	-	1,348,252	-	1,348,252
Bond issuance costs, net	-	179,855	-	179,855
Capital assets				
Capital assets not being depreciated	20,786	471,268	-	492,054
Capital assets being depreciated, net	1,473,918	23,428,046	157,142	25,059,106
Total capital assets	<u>1,494,704</u>	<u>23,899,314</u>	<u>157,142</u>	<u>25,551,160</u>
Total noncurrent assets	<u>1,494,704</u>	<u>25,427,421</u>	<u>157,142</u>	<u>27,079,267</u>
<b>Total assets</b>	<u>2,970,798</u>	<u>29,494,919</u>	<u>610,918</u>	<u>33,076,635</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	77,930	114,209	12,806	204,945
Accrued expenses	5,238	18,771	3,045	27,054
Due to other funds	3,052	81,497	81,441	165,990
Bonds payable, net	-	385,000	-	385,000
Customer deposits	174,052	141,099	-	315,151
Total current liabilities	<u>260,272</u>	<u>740,576</u>	<u>97,292</u>	<u>1,098,140</u>
<b>Noncurrent liabilities:</b>				
Bonds payable, net	-	10,114,440	-	10,114,440
Compensated absences	22,763	26,861	4,015	53,639
OPEB obligation	1,968	4,427	820	7,215
Total noncurrent liabilities	<u>24,731</u>	<u>10,145,728</u>	<u>4,835</u>	<u>10,175,294</u>
<b>Total liabilities</b>	<u>285,003</u>	<u>10,886,304</u>	<u>102,127</u>	<u>11,273,434</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,494,704	13,399,874	157,142	15,051,720
Restricted for debt service	-	1,047,774	-	1,047,774
Restricted for renewal and extensions	-	300,000	-	300,000
Unrestricted	1,191,091	3,860,967	351,649	5,403,707
<b>Total net assets</b>	<u>\$ 2,685,795</u>	<u>\$ 18,608,615</u>	<u>\$ 508,791</u>	<u>\$ 21,803,201</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 Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2011

	Enterprise Funds			Total
	Gas Fund	Water & Sewer Fund	Nonmajor Sanitation Fund	
<b>Operating Revenues:</b>				
Charges for services	\$ 2,425,260	\$ 3,501,523	\$ 501,888	\$ 6,428,671
Tap fees	3,000	16,710	-	19,710
Other revenues	173	12,889	1,480	14,542
<b>Total operating revenues</b>	<u>2,428,433</u>	<u>3,531,122</u>	<u>503,368</u>	<u>6,462,923</u>
<b>Operating Expenses:</b>				
Cost of gas sold	1,358,730	-	-	1,358,730
Personal services	434,191	937,923	185,131	1,557,245
Purchased/contracted services	79,139	545,094	95,463	719,696
Supplies	60,620	497,497	31,290	589,407
Other costs	4,097	-	112,727	116,824
Depreciation	59,268	868,742	26,098	954,108
<b>Total operating expenses</b>	<u>1,996,045</u>	<u>2,849,256</u>	<u>450,709</u>	<u>5,296,010</u>
<b>Operating income</b>	432,388	681,866	52,659	1,166,913
<b>Nonoperating revenues (expenses):</b>				
Investment earnings	14,473	39,426	3,218	57,117
Grant revenue	2,458	16,988	-	19,446
Interest expense	-	(513,586)	(1,460)	(515,046)
<b>Total nonoperating revenues (expenses)</b>	<u>16,931</u>	<u>(457,172)</u>	<u>1,758</u>	<u>(438,483)</u>
<b>Income before contributions and transfers</b>	449,319	224,694	54,417	728,430
<b>Contributions and transfers:</b>				
Capital contributions - connection fees	-	22,500	-	22,500
Transfers (out)	(300,000)	(248,000)	(40,000)	(588,000)
<b>Net contributions and transfers</b>	<u>(300,000)</u>	<u>(225,500)</u>	<u>(40,000)</u>	<u>(565,500)</u>
<b>Change in net assets</b>	149,319	(806)	14,417	162,930
<b>Total net assets - beginning</b>	2,536,476	18,609,421	494,374	21,640,271
<b>Total net assets - ending</b>	<u>\$ 2,685,795</u>	<u>\$ 18,608,615</u>	<u>\$ 508,791</u>	<u>\$ 21,803,201</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, 2011

	Enterprise Funds			Total
	Gas Fund	Water & Sewer Fund	Nonmajor Sanitation Fund	
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 2,435,760	\$ 3,439,539	\$ 501,890	\$ 6,377,189
Payments to suppliers	(1,484,905)	(1,008,285)	(248,467)	(2,741,657)
Payments to employees	(435,726)	(929,697)	(185,073)	(1,550,496)
<b>Net cash provided by operating activities</b>	<u>515,129</u>	<u>1,501,557</u>	<u>68,350</u>	<u>2,085,036</u>
<b>Cash flows from noncapital financing activities:</b>				
Interfund balances	(184,740)	76,395	46,100	(62,245)
Transfers (out)	(300,000)	(248,000)	(40,000)	(588,000)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(484,740)</u>	<u>(171,605)</u>	<u>6,100</u>	<u>(650,245)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(104,325)	(250,713)	-	(355,038)
Grant proceeds	2,458	1,463	-	3,921
Capital contributions - connections	-	22,500	-	22,500
Principal payments on debt	-	(370,000)	(70,925)	(440,925)
Interest payments on debt	-	(480,818)	(1,460)	(482,278)
<b>Net cash (used) by capital and related financing activities</b>	<u>(101,867)</u>	<u>(1,077,568)</u>	<u>(72,385)</u>	<u>(1,251,820)</u>
<b>Cash flows from investing activities:</b>				
Purchase of investments	-	(200,000)	-	(200,000)
Interest	567	5,288	489	6,344
<b>Net cash provided (used) by investing activities</b>	<u>567</u>	<u>(194,712)</u>	<u>489</u>	<u>(193,656)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(70,911)	57,672	2,554	(10,685)
<b>Balances - beginning of the year</b>	299,888	2,257,383	156,971	2,714,242
<b>Balances - end of the year</b>	<u>\$ 228,977</u>	<u>\$ 2,315,055</u>	<u>\$ 159,525</u>	<u>\$ 2,703,557</u>
<b>Displayed as:</b>				
Unrestricted cash	228,977	966,803	159,525	1,355,305
Restricted cash	-	1,348,252	-	1,348,252
<b>Total</b>	<u>\$ 228,977</u>	<u>\$ 2,315,055</u>	<u>\$ 159,525</u>	<u>\$ 2,703,557</u>

City of Madison, Georgia  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2011

	Enterprise Funds			Total
	Gas Fund	Water & Sewer Fund	Nonmajor Sanitation Fund	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 432,388	\$ 681,866	\$ 52,659	\$ 1,166,913
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	59,268	868,742	26,098	954,108
Changes in assets and liabilities:				
Receivables, net	4,900	(92,451)	(1,478)	(89,029)
Prepaid expenses	892	(2,577)	(1,199)	(2,884)
Accounts payable	16,789	36,883	(7,788)	45,884
Accrued expenses	(1,535)	(1,562)	58	(3,039)
Customer deposits	2,427	10,656	-	13,083
<b>Net cash provided by operating activities</b>	<u>\$ 515,129</u>	<u>\$ 1,501,557</u>	<u>\$ 68,350</u>	<u>\$ 2,085,036</u>

## **Notes to Financial Statements**

**City of Madison, Georgia**  
**Notes to the Financial Statements**  
**June 30, 2011**

**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*, the financial statements of the reporting entity include those of the City of Madison (the primary government) and its component units. 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

*Blended component units:* Based on the aforementioned criteria, the City of Madison had no blended component units.

*Discretely presented component units:* Based on the aforementioned criteria, the component unit column in the government-wide financial statements includes the financial data of the City's component unit. This unit is reported in a separate column to emphasize that they are legally separate from the City.

*Downtown Development Authority:* 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-14 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 assets and the statement of activities display information about the primary government (the City) and its component units. 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, 2011**

**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.

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.

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.

**City of Madison, Georgia**  
**Notes to the Financial Statements**  
**June 30, 2011**

**Note 1: Summary of Significant Accounting Policies, continued**

*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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

**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. These time deposits are carried at book value (cost) which approximates market value.

**F. Receivables and Payables**

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

**City of Madison, Georgia**  
**Notes to the Financial Statements**  
**June 30, 2011**

**Note 1: Summary of Significant Accounting Policies, continued**

**G. Property Tax Calendar**

Property taxes are administered based on the following calendar:

<b>Property Tax Year</b>	<u><b>2010</b></u>
Lien date	January 1, 2010
Levy date	August 6, 2010
Collection period	October 11, 2010 - December 20, 2010
Due date	December 20, 2010

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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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, 2011**

**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 service outstanding debt and to segregate amounts to be utilized for construction or acquisition of fixed 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, 2011**

**Note 2: Stewardship, Compliance and Accountability**

**A. Deficit Fund Balance**

The City has no deficit fund balances at June 30, 2011.

**B. Excess of expenditures over appropriations in individual departments**

The City has no departments which have an excess of expenditures over appropriations at June 30, 2011.

**Note 3: 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, 2011, 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, 2011.

**Note 4: 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	\$ 193,409	\$ 650,176	\$ 97,762	\$ 941,347
Less: allowance for uncollectible	(13,709)	(62,944)	(4,050)	(80,703)
Net total receivables	<u>\$ 179,700</u>	<u>\$ 587,232</u>	<u>\$ 93,712</u>	<u>\$ 860,644</u>

**City of Madison, Georgia**  
**Notes to the Financial Statements**  
**June 30, 2011**

**Note 5: Capital Assets**

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

<b>Primary Government</b>	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
<b>Governemental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,084,500	\$ -	\$ -	\$ 1,084,500
Historical treasures	24,318	-	-	24,318
Construction in progress	176,894	49,715	61,752	164,857
Total capital assets not being depreciated	<u>1,285,712</u>	<u>49,715</u>	<u>61,752</u>	<u>1,273,675</u>
Capital assets being depreciated:				
Infrastructure	5,154,426	4,223	-	5,158,649
Land improvements	673,143	-	-	673,143
Buildings and improvements	2,499,149	31,220	-	2,530,369
Equipment	932,252	92,526	14,000	1,010,778
Vehicles	1,177,121	21,965	50,667	1,148,419
Total capital assets being depreciated	<u>10,436,091</u>	<u>149,934</u>	<u>64,667</u>	<u>10,521,358</u>
Less accumulated depreciation for:				
Infrastructure	1,350,455	247,825	-	1,598,280
Land improvements	131,351	26,745	-	158,096
Buildings and improvements	317,009	62,725	-	379,734
Equipment	495,720	73,337	12,797	556,260
Vehicles	904,715	86,911	48,235	943,391
Total accumulated depreciation	<u>3,199,250</u>	<u>497,543</u>	<u>61,032</u>	<u>3,635,761</u>
Total capital assets being depreciated, net	<u>7,236,841</u>	<u>(347,609)</u>	<u>3,635</u>	<u>6,885,597</u>
Governmental activity capital assets, net	<u>\$ 8,522,553</u>	<u>\$ (297,894)</u>	<u>\$ 65,387</u>	<u>\$ 8,159,272</u>

Depreciation expense was charged to functions as follows:

General government	\$ 115,780
Public safety	89,891
Public works	211,925
Culture and recreation	6,543
Housing and development	73,404
Total governmental activities depreciation expense	<u>\$ 497,543</u>

**City of Madison, Georgia**  
**Notes to the Financial Statements**  
**June 30, 2011**

**Note 5: Capital Assets, continued**

<b>Water &amp; Sewer Fund:</b>	<b>Beginning</b>			<b>Ending</b>
	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 252,282	\$ -	\$ -	\$ 252,282
Construction in progress	-	218,986	-	218,986
Total capital assets not being depreciated	<u>252,282</u>	<u>218,986</u>	<u>-</u>	<u>471,268</u>
<i>Capital assets being depreciated:</i>				
Land improvements	43,508	4,190	-	47,698
Infrastructure	16,262,183	11,279	-	16,273,462
Buildings and improvements	9,021,790	13,210	-	9,035,000
Equipment	5,483,770	3,048	-	5,486,818
Vehicles	159,310	-	-	159,310
Total capital assets being depreciated	<u>30,970,561</u>	<u>31,727</u>	<u>-</u>	<u>31,002,288</u>
Less accumulated depreciation for:				
Land improvements	43,508	105	-	43,613
Infrastructure	4,170,726	310,911	-	4,481,637
Buildings and improvements	1,476,658	180,490	-	1,657,148
Equipment	884,503	370,783	-	1,255,286
Vehicles	130,106	6,452	-	136,558
Total accumulated depreciation	<u>6,705,501</u>	<u>868,741</u>	<u>-</u>	<u>7,574,242</u>
Capital assets being depreciated, net	<u>24,265,060</u>	<u>(837,014)</u>	<u>-</u>	<u>23,428,046</u>
Water and sewer capital assets, net	<u>\$ 24,517,342</u>	<u>\$ (618,028)</u>	<u>\$ -</u>	<u>\$ 23,899,314</u>

<b>Gas Fund:</b>	<b>Beginning</b>			<b>Ending</b>
	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 9,500	\$ -	\$ -	\$ 9,500
Construction in progress	3,663	7,623	-	11,286
Total capital assets not being depreciated	<u>13,163</u>	<u>7,623</u>	<u>-</u>	<u>20,786</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	2,114,077	90,037	-	2,204,114
Equipment	283,552	6,666	-	290,218
Vehicles	66,979	-	-	66,979
Total capital assets being depreciated	<u>2,464,608</u>	<u>96,703</u>	<u>-</u>	<u>2,561,311</u>
Less accumulated depreciation for:				
Infrastructure	726,292	42,985	-	769,277
Equipment	228,267	11,835	-	240,102
Vehicles	73,566	4,448	-	78,014
Total accumulated depreciation	<u>1,028,125</u>	<u>59,268</u>	<u>-</u>	<u>1,087,393</u>
Capital assets being depreciated, net	<u>1,436,483</u>	<u>37,435</u>	<u>-</u>	<u>1,473,918</u>
Gas capital assets, net	<u>\$ 1,449,646</u>	<u>\$ 45,058</u>	<u>\$ -</u>	<u>\$ 1,494,704</u>

**City of Madison, Georgia**  
**Notes to the Financial Statements**  
**June 30, 2011**

**Note 5: Capital Assets, continued**

<b>Nonmajor - Sanitation Fund:</b>				<b>Ending</b>	
<i>Capital assets being depreciated:</i>	<b>Beginning</b>		<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
	<b>Balance</b>				<b>Balance</b>
Equipment	\$ 103,515	\$ -	\$ -	\$ -	\$ 103,515
Vehicles	389,166	-	-	-	389,166
Total capital assets being depreciated	<u>492,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>492,681</u>
Less accumulated depreciation for:					
Equipment	68,791	7,330	-	-	76,121
Vehicles	240,650	18,768	-	-	259,418
Total accumulated depreciation	<u>309,441</u>	<u>26,098</u>	<u>-</u>	<u>-</u>	<u>335,539</u>
Capital assets being depreciated, net	<u>183,240</u>	<u>(26,098)</u>	<u>-</u>	<u>-</u>	<u>157,142</u>
Sanitation capital assets, net	<u>\$ 183,240</u>	<u>\$ (26,098)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,142</u>
Business-type activities capital assets, net	<u>\$ 26,150,228</u>	<u>\$ (599,068)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,551,160</u>

**Discretely Presented Component Units - Downtown Development Authority**

A summary of changes in the Downtown Development Authority's capital assets follows:

<b>Downtown Development Authority:</b>				<b>Ending</b>	
<i>Capital assets not being depreciated:</i>	<b>Beginning</b>		<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
	<b>Balance</b>				<b>Balance</b>
Land	\$ 1,238,729	\$ 97,569	\$ -	\$ -	\$ 1,336,298
Total capital assets not being depreciated	<u>1,238,729</u>	<u>97,569</u>	<u>-</u>	<u>-</u>	<u>1,336,298</u>
<i>Capital assets being depreciated:</i>					
Land improvements	1,265,249	11,705	-	-	1,276,954
Buildings	1,038,443	-	-	-	1,038,443
Infrastructure	5,270	-	-	-	5,270
Equipment	124,123	37,795	-	-	161,918
Total capital assets being depreciated	<u>2,433,085</u>	<u>49,500</u>	<u>-</u>	<u>-</u>	<u>2,482,585</u>
Less accumulated depreciation for:					
Land improvements	9,424	67,841	-	-	77,265
Buildings	1,905	22,860	-	-	24,765
Infrastructure	9	105	-	-	114
Equipment	5,667	12,218	-	-	17,885
Total accumulated depreciation	<u>17,005</u>	<u>103,024</u>	<u>-</u>	<u>-</u>	<u>120,029</u>
Capital assets being depreciated, net	<u>2,416,080</u>	<u>(53,524)</u>	<u>-</u>	<u>-</u>	<u>2,362,556</u>
Capital assets, net	<u>\$ 3,654,809</u>	<u>\$ 44,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,698,854</u>

**City of Madison, Georgia**  
**Notes to the Financial Statements**  
**June 30, 2011**

**Note 6: Interfund Balances and Activity**

Interfund balances at June 30, 2011 consist of the following:

Receivable Fund:	Payable Fund:						Total
	General Fund	Nonmajor Gov. Fund	Gas Fund	Water & Sewer Fund	Nonmajor Enterprise		
General Fund	\$ -	\$ 12,492	\$ 2,856	\$ 3,041	\$ 317		\$ 18,706
Nonmajor governmental	48,537	-	-	-	-		48,537
Gas Fund	2,745	221	-	69,620	43,418		116,004
Water and Sewer Fund	9,662	1,086	-	-	37,706		48,454
Nonmajor enterprise	1,586	-	196	8,836	-		10,618
	<u>\$ 62,530</u>	<u>\$ 13,799</u>	<u>\$ 3,052</u>	<u>\$ 81,497</u>	<u>\$ 81,441</u>		<u>\$ 242,319</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 Out:	Transfers In:		
	General Fund	Nonmajor Gov. Fund	Total
General Fund	\$ -	\$ 222,680	\$ 222,680
Nonmajor governmental	23,011	-	23,011
Gas Fund	300,000	-	300,000
Water and Sewer Fund	248,000	-	248,000
Nonmajor enterprise	40,000	-	40,000
	<u>\$ 611,011</u>	<u>\$ 222,680</u>	<u>\$ 833,691</u>

The transfers to the General fund in the amount of \$611,011 were to assist in the daily operation of this fund. The Hotel Motel Tax fund transferred \$23,011 to the General Fund for the unrestricted portion of the tax collected. The General Fund transferred \$193,011 to the Cemetery Permanent Fund to demonstrate compliance with the City ordinance. The General Fund transferred \$29,669 to the Bicentennial Book Fund to eliminate the deficit in this fund.

**Note 7: Long-term Obligations**

**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.

**City of Madison, Georgia**  
**Notes to the Financial Statements**  
**June 30, 2011**

**Note 7: Long-term Obligations, continued**

Under the terms of the Bond Ordinance, the Series 2005 Bonds are secured by a pledge of and lien on the "Net Revenues." "Net Revenues" are defined as the Gross Revenues of the System less the Operating Expenses of the System. "Operating Expenses" are defined as the reasonable and necessary costs of operating, maintaining, and repairing the System, including salaries, wages, the payment of any contractual obligations incurred pertaining to the operation of the System, the cost of materials and supplies, rentals of leased property and facilities, insurance and such other charges as may properly be made for the purpose of operating, maintaining, and repairing the System in accordance with sound business practice, the payment of necessary fees and charges, if any, of the Paying Agent Bond Registrar and Authentication Agent (if a bank or trust company), and the payment, if any, for the investment services of any fund or account held for the benefit of the System, but shall not include depreciation, amortization charges or bond interest expense.

Upon satisfaction of certain conditions, the Bond Resolution permits the City to issue Parity Bonds without express limit as to principal amount, which will be equally and ratably secured on a parity basis with the Series 2005 Bonds under the Bond Resolution. The Bond Resolution also allows the City to issue obligations secured by the Net Revenues which are junior and subordinate to the Series 2005 Bonds as to lien and right of payment. Under the terms of the Bond Resolution, should revenue bonds be issued ranking as to lien on the revenues of the System junior and subordinate to the lien securing the payment of the Series 2005 Bonds, then such money will be available to the extent necessary to pay the principal of and interest on such junior lien bonds and to create and maintain a reasonable reserve therefore, and such moneys may be allocated and pledged for that purpose.

The Series 2005 Bonds are limited obligations of the City and are payable, together with any Additional Bonds, solely from the Net Revenues. The Series 2005 Bonds do not constitute a debt or a pledge of the faith and credit of the State of Georgia or any political subdivision or Municipal Corporation of the State of Georgia, including the City. The Series 2005 Bonds do not obligate the State of Georgia or any political subdivision or Municipal Corporation of the State of Georgia, including the City, to levy or to pledge any form of taxation whatever for the payment of the Series 2005 Bonds or to make any appropriation for the payment of the Series 2005 Bonds.

The Series 2005 Bonds are not secured by a lien on the real or personal property constituting the System. Pursuant to the Bond Ordinance, the City created the following funds: (i) Mayor and City Council of Madison Water and Sewerage Revenue Fund (the "Revenue Fund"), (ii) Mayor and City Council of Madison Water and Sewerage Sinking Fund (the "Sinking Fund"), (iv) Mayor and City Council of Madison Water and Sewerage Debt Service Reserve Fund (the "Debt Service Reserve Fund"), (v) Mayor and City Council of Madison Water and Sewerage Renewal and Extension Fund (the "Renewal and Extension Fund") and (vi) Mayor and City Council of Madison Water and Sewerage Construction Fund (the "Construction Fund"). The City has agreed to deposit all revenues derived from the operation of the System into the Revenue Fund.

The moneys on deposit in the Renewal and Extension Fund may be used for the following purpose and no others: (i) anything in the Resolution to the contrary notwithstanding, first to pay Debt Service on the Bonds when money is not otherwise available in the Sinking Fund, (ii) to alleviate or remove any major effect upon the System caused by some extraordinary occurrence; (iii) to pay the cost of making necessary renewals, replacements, improvements, additions, and extensions of capital assets required for the proper maintenance and efficient operation of the System; and (iv) to make transfers to the City's General Fund for the express purpose of reimbursing the General Fund for an allocation of administrative overhead provided by the General Fund to the System; provided, however, that no transfer shall be made to the General Fund unless the amount remaining in the Renewal and Extension Fund following such transfer is a least \$300,000.

The City covenants that on or before the first day of each fiscal year during which any Bonds are outstanding, it will undertake a revenue sufficiency analysis for the System, and a copy of such analysis will be furnished, upon request, to any Bondholder and to the original purchaser of a series of Bonds.

**City of Madison, Georgia**  
**Notes to the Financial Statements**  
**June 30, 2011**

**Note 7: Long-term Obligations, continued**

The City covenants that it has placed into effect a schedule of rates, fees, and charges for the services, facilities and commodities furnished by the System and has agreed in the Bond Ordinance that as often as it shall appear necessary the City will revise and adjust such schedule of rates, fees, and charges for the services and facilities to the extent necessary to produce funds sufficient to: (i) pay the Operating Expenses of the System; (ii) pay into the Debt Service Account an amount not less than the amount required to pay the principal of and interest on the Bonds as the same become due and payable in the then current Sinking Fund Year; (iii) create and maintain a reserve in the Debt Service Reserve Account in the amount as required herein or such larger amount as may be required in any proceedings authorizing any such issue or issues of Parity Bonds, including the amount necessary to make any payments required to be made to the issuer of any Debt Service Reserve Credit Instrument; (iv) provide Net Revenues which are at least equal to 1.10 times the amount required to be paid into the Debt Service Account in the then current Sinking Fund Year; and (v) to repay any amount drawn directly from the Debt Service Reserve Account or under any Debt Service Reserve Credit Instrument within 12 months of any such draw. The City's rates produced an amount equal to 1.92 times the Debt Service Requirement for the current Sinking Fund Year.

**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. The lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception.

	<b>Historical Cost</b>	<b>Accumulated Depreciation</b>
Municipal complex	\$ 2,100,000	\$ 251,514

Future minimum lease payments at June 30, 2011:

<b>Fiscal Year Ending June 30,</b>	<b>Governmental Activities</b>
2012	249,238
2013	249,238
2014	249,238
2015	249,238
2016	249,238
2017-2018	498,476
Minimum lease payments	1,744,666
Less: Interest	(202,770)
Net present value of minimum lease payments	\$ 1,541,896

**Long-term Obligation Activity**

Changes in long-term obligations for the year ended June 30, 2011 are as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
<b>Governmental activities:</b>					
Capital lease obligations	\$ 1,734,343	\$ -	\$ 192,447	\$ 1,541,896	\$ 198,781
Compensated absences	62,023	57,116	39,388	79,751	-
	\$ 1,796,366	\$ 57,116	\$ 231,835	\$ 1,621,647	\$ 198,781

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

**City of Madison, Georgia**  
**Notes to the Financial Statements**  
**June 30, 2011**

**Note 7: Long-term Obligations, continued**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Business-type activities:</b>					
<b>Gas Fund:</b>					
Compensated absences	19,895	13,553	10,685	22,763	-
	<u>\$ 19,895</u>	<u>\$ 13,553</u>	<u>\$ 10,685</u>	<u>\$ 22,763</u>	<u>\$ -</u>
<b>Water and Sewer Fund:</b>					
Revenue bonds - (2005)	11,120,000	-	370,000	10,750,000	385,000
Deferred amounts:					
Less: For deferred loss on refunding	(104,278)	-	14,896	(89,382)	-
Less: For issuance discounts	(169,624)	-	8,446	(161,178)	-
Total bonds payable	<u>10,846,098</u>	<u>-</u>	<u>393,342</u>	<u>10,499,440</u>	<u>385,000</u>
Compensated absences	20,500	23,404	17,043	26,861	-
	<u>\$ 10,866,598</u>	<u>\$ 23,404</u>	<u>\$ 410,385</u>	<u>\$ 10,526,301</u>	<u>\$ 385,000</u>
<b>Nonmajor-Sanitation Fund:</b>					
Capital lease obligations	70,925	-	70,925	-	-
Compensated absences	2,410	5,046	3,441	4,015	-
	<u>\$ 73,335</u>	<u>\$ 5,046</u>	<u>\$ 74,366</u>	<u>\$ 4,015</u>	<u>\$ -</u>
<b>Total Business-type activities</b>	<u>\$ 10,959,828</u>	<u>\$ 42,003</u>	<u>\$ 495,436</u>	<u>\$ 10,553,079</u>	<u>\$ 385,000</u>

**Debt service requirements:**

Year Ending June 30,	<u>Water &amp; Sewer Fund</u>	
	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 385,000	\$ 467,563
2013	395,000	453,125
2014	415,000	437,325
2015	430,000	420,725
2016	445,000	403,525
2017 - 2021	2,530,000	1,722,973
2022 - 2026	3,115,000	1,134,042
2027 - 2030	3,035,000	358,669
	<u>\$ 10,750,000</u>	<u>\$ 5,397,947</u>

**Discretely Presented Component Unit**

**Long-term Obligations – Notes Payable**

On August 27, 2008, the Downtown Development Authority entered into a loan agreement with the Bank of Madison with a maximum principal amount of \$1,500,000. The purpose of the loan is to finance a portion of the costs of the Town Park project. The Authority shall make payments of interest only quarterly on the note for the period of its date until its five year 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, 2011 was \$1,170,988. All principal and unpaid interest on the note is due upon the maturity date of the note which is August 27, 2013.

**City of Madison, Georgia**  
**Notes to the Financial Statements**  
**June 30, 2011**

**Note 7: Long-term Obligations, continued**

The Downtown Development Authority assumed a note payable in the amount of \$354,081. The note was assumed to purchase property acquired for future potential development. The loan bears a rate of 8.50% with principal and interest payable in a series of monthly installments due on the first of each month ending on January 1, 2012. The principal outstanding at June 30, 2011 was \$29,404.

On March 4, 2011, the Downtown Development Authority entered into a loan agreement with United Bank with a principal amount of \$66,269. The purpose of the loan is to purchase property. The Authority shall make payments of interest only quarterly on the note for the period of its date until its maturity date at the rate of 3.85% per annum; beginning the date of execution until its maturity date. The principal outstanding at June 30, 2011 was \$66,269. All principal and unpaid interest on the note is due upon the maturity date of the note which is March 4, 2012.

**Long-term Obligation Activity**

Changes in long-term obligations for the year ended June 30, 2011 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Notes Payable	\$ 1,555,598	\$ 66,269	\$ 355,206	\$ 1,266,661	\$ 95,673
	<u>\$ 1,555,598</u>	<u>\$ 66,269</u>	<u>\$ 355,206</u>	<u>\$ 1,266,661</u>	<u>\$ 95,673</u>

**Debt Service Requirements**

Debt service requirements on long-term debt at June 30, 2011 are as follows:

Year Ending June 30,	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2012	95,673	736
2013	1,170,988	-
	<u>\$ 1,266,661</u>	<u>\$ 736</u>

**Note 8: Net Assets Restricted by Enabling Legislation**

In 2002 and 2007, 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 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 \$310,425 and Public Safety \$15,533.

**City of Madison, Georgia**  
**Notes to the Financial Statements**  
**June 30, 2011**

**Note 9: Fund Balance – Governmental Funds**

As of June 30, 2011, fund balances are composed of the following:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nons pendable</b>			
Prepays	\$ 52,333	\$ 745	\$ 53,078
Permanent fund principal	-	217,986	217,986
<b>Total nons pendable</b>	<u>52,333</u>	<u>218,731</u>	<u>271,064</u>
<b>Restricted</b>			
General government	-	31,205	31,205
Public safety	6,015	82,844	88,859
Public works	-	187,945	187,945
Health & welfare	-	56,263	56,263
Culture & recreation	13,200	47,242	60,442
<b>Total restricted</b>	<u>19,215</u>	<u>405,499</u>	<u>424,714</u>
<b>Committed</b>			
Public works	-	16,809	16,809
<b>Total committed</b>	<u>-</u>	<u>16,809</u>	<u>16,809</u>
<b>Assigned</b>			
Public works	249,238	-	249,238
Subsequent years' budget	92,000	3,000	95,000
<b>Total assigned</b>	<u>341,238</u>	<u>3,000</u>	<u>344,238</u>
<b>Unassigned</b>			
<b>Total unassigned</b>	<u>1,070,267</u>	<u>-</u>	<u>1,070,267</u>
<b>Total fund balance</b>	<u>\$ 1,483,053</u>	<u>\$ 644,039</u>	<u>\$ 2,127,092</u>

**Note 10: Retirement Benefits**

**Defined Benefit Pension Plan**

The City established a defined benefit plan for full-time employees employed at least one year. 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 is reported on a fiscal year ending January 1.

**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, 2011**

**Note 10: Retirement Benefits, continued**

For the year ended January 1, 2011 (the most recent actuarial valuation date), the City's total covered payroll amounted to \$2,259,522. 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 are eligible to participate after one year. Elected officials are immediately eligible to participate. 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 Matter 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.

Investments in securities are valued at current market prices. 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	25
Terminated plan members entitled to, but not receiving benefits	12
Active plan members	<u>68</u>
Total	<u><u>105</u></u>

**Contributions**

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under those standards is \$279,620, which is 12.37% of covered payroll. 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.

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. Plan members are not permitted to contribute to the City of Madison Retirement Plan.

The recommended contribution was \$417,678.

**Annual Pension Cost**

The City's annual pension cost of \$417,678. The employer contribution was \$417,678 for the plan year ended January 1, 2011.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation as of January 1, 2011.

**City of Madison, Georgia**  
**Notes to the Financial Statements**  
**June 30, 2011**

**Note 10: Retirement Benefits, continued**

**Actuarial Valuation Information**

Valuation date	January 1, 2011	January 1, 2010
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Asset valuation method	Smoothed Market Value*	Smoothed Market Value*
Actuarial assumptions:		
Net Investment rate of return	7.75%	7.75%
Projected Salary Increases	3.50%	3.50%
Cost of Living Adjustments	3.50%	3.50%

\* 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 the end of the year.

The amortization of the unfunded actuarial accrued liability is level dollar over 30 years for the initial unfunded accrued liability, 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods. The total amortization must be within a corridor of the 10-year and the 30-year amortization of the unfunded/(surplus) actuarial accrued liability. In a year when the 10-year or 30-year corridor applies, the following year, the prior year bases are combined into one 10-year or 30-year base.

**Three-Year Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
1/1/2011	\$ 417,678	100%	\$ -
1/1/2010	438,665	100%	-
1/1/2009	448,773	100%	-

The City has provided assets to fund the obligations caused by its defined benefit pension plan as follows:

Measurement Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	(c) Covered Payroll	UAAL as a percentage of covered payroll (b-a)/c
1/1/2011	7,864,426	7,925,602	61,176	99.23%	2,259,522	2.7%

The required supplementary information immediately following the notes to the financial statements contains multiyear trend information about whether plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**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.

**City of Madison, Georgia**  
**Notes to the Financial Statements**  
**June 30, 2011**

**Note 11: 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, 2011. 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.

Currently there are three 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, \$16,626 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)	\$ 7,206
Amortization of UAAL (share of past service cost)	<u>16,273</u>
Annual Required Contribution (ARC)	23,479
OPEB costs paid during year	<u>(16,626)</u>
Increase in Net OPEB Obligation	6,853
Net OPEB Obligation, beginning	<u>9,544</u>
Net OPEB Obligation, ending	<u><u>\$ 16,397</u></u>

Percentage of ARC contributed	71%
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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. This year is the second year of implementation of GASB no. 45 and only two year's funding information is presented in the required supplementary information immediately following the footnotes. The City will continue compiling this information until a three year trend comparison can be presented.

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)
1/1/2010	\$ -	\$ 264,383	\$ 264,383	0%	\$ 2,259,522	12%

**City of Madison, Georgia**  
**Notes to the Financial Statements**  
**June 30, 2011**

**Note 11: Other Postemployment Benefits, continued**

**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	1/1/2010
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed, 25 years
Remaining amortization period	25 years as of January 1, 2010
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4%
Medical cost trend rate	9.5% graded to 5.0% over 9 years

**Trend Information**

Year Ended	OPEB Cost	Contribution (ARC)	OPEB Cost Contributed	% of ARC Contributed	OPEB Obligation
6/30/2011	\$ 23,479	\$ 23,479	\$ 13,935	59%	\$ 9,544
6/30/2010	23,479	23,479	16,626	71%	16,397

**Note 12: 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.

**City of Madison, Georgia**  
**Notes to the Financial Statements**  
**June 30, 2011**

**Note 12: Risk Management, continued**

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 \$1,000 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.

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 or 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, 2011.

**City of Madison, Georgia**  
**Notes to the Financial Statements**  
**June 30, 2011**

**Note 13: Commitments and Contingencies**

**Construction and Commitments**

At June 30, 2011, the City had the following active projects:

	<b>Estimated Project Cost</b>	<b>Expended to Date</b>
<b>Governmental Funds</b>		
Wellington Building	\$ 200,000	\$ 1,243
Airport Improvement	165,000	163,615
<b>Gas Fund</b>		
Southeast Gas Extension	1,200,000	11,286
<b>Water Fund</b>		
Bostwick Hwy Relocation	5,500	5,232
Indian Creek Phosphorous	400,000	67,187
Water Plant Improvement - EECBG	400,000	146,567

**Intergovernmental contract**

The City of Madison, Georgia and the Downtown Development Authority of Madison (Authority) entered into an intergovernmental contract on October 27, 2003. The Mayor and Council have determined that it is in the public interest and vital to the public welfare of the citizens to revitalize and redevelop the central business district of the City. The Authority identified several sites with potential acquisition and development for revitalization. As described in Note 7, the Authority secured loans to purchase such land. The City Council has approved financial assistance to the Authority for services relative to the purchase and redevelopment of property for revitalization. The City will budget annually the amount as set forth in the contract. Amounts will range from \$30,500 to \$66,500 per year.

The City of Madison, Georgia and the Downtown Development Authority of Madison (Authority) entered into an intergovernmental contract on August 27, 2008. The Authority proposes to contract with the City for the use of the Authority's revitalization and redevelopment services within the Downtown Development Area. The Authority and the City propose to enter into the contract pursuant to which the Authority will agree, among other things, to issue the Note, and the City will agree, among other things, to pay the Authority for the Authority's revitalization and rehabilitation services and for the city's receipt of fee simple title to the project in the year 2011, in amounts sufficient to pay the debt service on the note.

**Concentration**

Approximately 13% 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, 2011.

**City of Madison, Georgia**  
**Notes to the Financial Statements**  
**June 30, 2011**

**Note 14: 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, 2011.

**Note 15: 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 are members 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.

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 16: 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

**City of Madison, Georgia**  
**Notes to the Financial Statements**  
**June 30, 2011**

**Note 16: Related Entity**

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, 2011, Payments in Lieu of Taxes paid to the City was \$1,054.

**Note 17: 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 ) organization in Morgan County, Georgia. 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, 2011 follows:

	<u>Chamber - 40%</u>	<u>City - 60%</u>	<u>Total</u>
Balance owed at 6/30/2010	\$ -	\$ -	\$ -
Lodging Tax receipts FYE 6/30/2011	76,354	114,530	190,884
Disbursements to the Madison-Morgan Chamber of Commerce for promotion of tourism	(76,354)	(12,424)	(88,778)
Disbursements for downtown development activities	-	(102,106)	(102,106)
Balance owed at 6/30/2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 18: Subsequent Events**

On August 2, 2011, the City entered into a lease agreement for the purchase of a John Deere Mower in the amount of \$84,358. The lease is for a period of 48 months at an interest rate of 3.12% and will be liquidated by 16 quarterly payments in the amount of \$5,629 from the General Fund. The due date of the first payment is November 2, 2011. The lease qualifies as a capital lease for accounting purposes.

## **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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Taxes	\$ 2,927,100	\$ 3,061,100	\$ 3,122,708	\$ 61,608
Licenses and permits	43,000	43,000	53,170	10,170
Intergovernmental	76,247	163,447	154,761	(8,686)
Charges for services	114,030	136,030	157,907	21,877
Fines and forfeitures	155,500	170,100	287,372	117,272
Investment income	2,500	2,500	2,856	356
Contributions and donations	-	-	15,634	15,634
Miscellaneous revenue	28,990	28,990	30,848	1,858
<b>Total revenues</b>	<u>3,347,367</u>	<u>3,605,167</u>	<u>3,825,256</u>	<u>220,089</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government:				
Governing body	93,840	83,840	71,094	12,746
Legislative committees and special bodies	51,400	71,400	60,013	11,387
City manager	123,600	125,400	123,080	2,320
City clerk	110,725	115,325	111,934	3,391
Law	20,000	20,000	17,463	2,537
Data processing/MIS	54,500	54,500	52,425	2,075
Risk management	150	150	-	150
General government buildings	120,564	118,264	109,640	8,624
Judicial:				
Municipal court	95,400	95,400	83,400	12,000
Public safety:				
Police	1,033,700	1,020,700	1,012,314	8,386
Custody of prisoners	43,500	37,000	29,225	7,775
Fire	172,850	166,450	153,590	12,860
E-911	121,000	116,000	115,406	594
Animal control	67,650	67,650	59,498	8,152
Public works:				
Highways and streets	656,229	790,829	634,601	156,228
Maintenance and shop	68,550	70,550	69,706	844
Cemetery	4,500	4,500	2,808	1,692
Culture & recreation:				
Recreation	54,863	54,863	38,243	16,620
Landscaping	285,750	331,450	314,438	17,012
Housing & development:				
Planning and zoning	200,000	192,200	183,141	9,059
Tourism	40,763	41,363	40,761	602
Downtown development	125,000	125,000	125,000	-
Main Street	195,950	199,550	197,479	2,071
Airport	80,000	115,100	114,516	584
<b>Debt service:</b>				
Principal payments	192,229	197,629	192,447	5,182
Interest and fiscal charges	57,011	57,311	56,791	520
<b>Total expenditures</b>	<u>4,069,724</u>	<u>4,272,424</u>	<u>3,969,013</u>	<u>303,411</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(722,357)	(667,257)	(143,757)	523,500

**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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Other financing sources (uses):</b>				
Transfers in	650,357	652,757	611,011	(41,746)
Lease proceeds	80,000	85,000	-	(85,000)
Proceeds of governmental asset dispositions	-	-	8,805	8,805
Transfers (out)	-	-	(222,680)	(222,680)
<b>Total other financing sources (uses)</b>	<u>730,357</u>	<u>737,757</u>	<u>397,136</u>	<u>(340,621)</u>
<b>Net change in fund balance</b>	8,000	70,500	253,379	182,879
<b>Fund balance - beginning</b>	1,229,674	1,229,674	1,229,674	-
<b>Fund balance - ending</b>	<u>\$ 1,237,674</u>	<u>\$ 1,300,174</u>	<u>\$ 1,483,053</u>	<u>\$ 182,879</u>

City of Madison, Georgia  
 Required Supplementary Information  
 Retirement Plan-Schedule of Funding Progress  
 June 30, 2011

**RETIREMENT PLAN**  
Schedule of Funding Progress

Measurement Date	(a)	(b)			Funded Ratio (a / b)	(c) Covered Payroll	UAAL as a percentage of covered payroll (b - a) / c
	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL) (b - a)				
1/1/2011	\$7,864,426	\$ 7,925,602	\$ 61,176	99.2%	\$ 2,259,522	2.7%	
1/1/2010	7,350,058	7,555,703	205,645	97.3%	2,373,054	8.7%	
1/1/2009	5,622,286	8,155,496	2,533,210	68.9%	2,142,773	118.2%	
1/1/2008	6,512,443	7,194,952	682,509	90.5%	1,941,593	35.2%	
1/1/2007	5,964,305	6,170,414	206,109	96.7%	1,852,483	11.1%	
1/1/2006	5,437,518	5,619,854	182,336	96.8%	1,889,952	9.6%	
1/1/2005	4,913,450	5,138,781	225,331	95.6%	1,793,269	12.6%	
1/1/2004	4,454,634	4,757,187	302,553	93.6%	1,675,931	18.1%	

City of Madison, Georgia  
 Required Supplementary Information  
 Other Postemployment Benefits - Schedule of Funding Progress  
 June 30, 2011

**OTHER POSTEMPLOYMENT BENEFITS**

Schedule of Funding Progress

Actuarial Valuation Date	(a)		(b)		(c)		UAAAL as a percentage of covered payroll (b - a) / c
	Actuarial Value of Assets	Actuarial Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll		
1/1/2010	\$ -	\$ 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
	Contribution	Contribution	Contribution	Contribution	
6/30/2011	\$ 23,479	\$ 23,479	\$ 13,935	\$ 13,935	59.35%
6/30/2010	23,479	23,479	16,626	16,626	70.81%

Note: The City implemented the measurement and disclosure requirements of GASB Statement No. 45 during the year ended June 30, 2010. This statement allows for a prospective application of the measurement and disclosure requirements. Accordingly, the City does not have the actuarial information for the past 3 years as required by GASB 45. As the City obtains the actuarial data in future periods, the 3 years of funding progress will be presented. For financial reporting purposes, an actuarial valuation should be performed at least triennially. Therefore, the City has only performed one actuarial valuation to date, which is presented above.

# 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.

**System of Care Grant Fund** - The System of Care Grant Fund accounts for the activity of the System of Care Grant.

**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.

**Roads and Bridges SPLOST** - The Roads and Bridges SPLOST Fund is used to account for the SPLOST monies received from Morgan County to be used to finance SPLOST-approved projects.

**Impact Fee Fund** - The Impact Fee Fund accounts for the collection of impact fees imposed by the City that are restricted to be spent on public facilities as outlined in the ordinance.

## 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, 2011

	<u>Total Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Capital Projects Funds</u>	<u>Total Nonmajor Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>				
Cash	\$ 49,218	\$ 250,752	\$ 11,441	\$ 311,411
Investments	-	-	6,584	6,584
Accounts receivables	-	-	7,475	7,475
Interfund receivables	35,507	-	13,030	48,537
Due from other governments	26,370	64,453	-	90,823
Prepaid items	745	-	-	745
Restricted Investments	-	-	217,986	217,986
<b>Total assets</b>	<u>111,840</u>	<u>315,205</u>	<u>256,516</u>	<u>683,561</u>
<b>Liabilities and Fund Balance</b>				
Liabilities:				
Accounts payable	17,576	597	-	18,173
Accrued expenses	700	-	-	700
Interfund payables	1,307	4,183	8,309	13,799
Deferred revenue	-	-	6,850	6,850
<b>Total liabilities</b>	<u>19,583</u>	<u>4,780</u>	<u>15,159</u>	<u>39,522</u>
Fund Balances:				
Nonspendable	745	-	217,986	218,731
Restricted	88,512	310,425	6,562	405,499
Committed	-	-	16,809	16,809
Assigned	3,000	-	-	3,000
<b>Total fund balances</b>	<u>92,257</u>	<u>310,425</u>	<u>241,357</u>	<u>644,039</u>
<b>Total liabilities and fund balances</b>	<u>\$ 111,840</u>	<u>\$ 315,205</u>	<u>\$ 256,516</u>	<u>\$ 683,561</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, 2011

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Permanent Funds	Total Nonmajor Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 190,884	\$ -	\$ -	\$ 190,884
Intergovernmental	163,995	243,450	-	407,445
Charges for services	-	23,764	13,030	36,794
Forfeitures	375	-	-	375
Interest	128	767	4,243	5,138
Contributions and donations	20,733	-	632	21,365
<b>Total Revenues</b>	<u>376,115</u>	<u>267,981</u>	<u>17,905</u>	<u>662,001</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	5,092	-	-	5,092
Public works	163,631	-	-	163,631
Culture and recreation	-	-	1,189	1,189
Housing and development	167,874	-	-	167,874
<b>Capital Outlay:</b>				
General government	-	81	-	81
Public works	-	4,223	-	4,223
<b>Total Expenditures</b>	<u>336,597</u>	<u>4,304</u>	<u>1,189</u>	<u>342,090</u>
<b>Excess of revenues over expenditures</b>	39,518	263,677	16,716	319,911
<b>Other financing sources (uses):</b>				
Transfers in	29,669	-	193,011	222,680
Transfers (out)	(23,011)	-	-	(23,011)
<b>Net change in fund balances</b>	46,176	263,677	209,727	519,580
<b>Fund balance - beginning</b>	46,081	46,748	31,630	124,459
<b>Fund balance - ending</b>	<u>\$ 92,257</u>	<u>\$ 310,425</u>	<u>\$ 241,357</u>	<u>\$ 644,039</u>

City of Madison, Georgia  
 Special Revenue Funds  
 Combining Balance Sheet  
 June 30, 2011

	Bicentennial Book Fund	Confiscated Asset Fund	System of Care Fund	Local Development Fund	Hotel/Motel Tax Fund	Total
<b>Assets</b>						
Cash	\$ -	\$ 15,533	\$ 33,685	\$ -	\$ -	\$ 49,218
Due from other governments	-	-	26,370	-	-	26,370
Internal balances	-	-	35	19,716	15,756	35,507
Prepaid items	-	-	745	-	-	745
<b>Total assets</b>	-	15,533	60,835	19,716	15,756	111,840
<b>Liabilities and Fund Balance</b>						
<b>Liabilities:</b>						
Accounts payable	-	-	3,127	-	14,449	17,576
Accrued expenses	-	-	700	-	-	700
Internal balances	-	-	-	-	1,307	1,307
<b>Total liabilities</b>	-	-	3,827	-	15,756	19,583
<b>Fund balances:</b>						
Nonspendable	-	-	745	-	-	745
Restricted	-	12,533	56,263	19,716	-	88,512
Assigned	-	3,000	-	-	-	3,000
<b>Total fund balance</b>	-	15,533	57,008	19,716	-	92,257
<b>Total liabilities and fund equity</b>	\$ -	\$ 15,533	\$ 60,835	\$ 19,716	\$ 15,756	\$ 111,840

City of Madison, Georgia  
 Special Revenue Funds  
 Combining Schedule of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Fiscal Year Ended June 30, 2011

	Bicentennial Book Fund	Confiscated Asset Fund	System of Care Fund	Local Development Fund	Hotel/Motel Tax Fund	Total
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 190,884	\$ 190,884
Intergovernmental Revenues	-	-	163,995	-	-	163,995
Forfeitures	-	375	-	-	-	375
Interest	-	48	80	-	-	128
Contributions and donations	-	-	20,733	-	-	20,733
<b>Total revenue</b>	-	423	184,808	-	190,884	376,115
<b>Expenditures:</b>						
<b>Current:</b>						
Public safety	-	5,092	-	-	-	5,092
Health and welfare	-	-	163,631	-	-	163,631
Housing and development	-	-	-	-	167,874	167,874
<b>Total expenditures</b>	-	5,092	163,631	-	167,874	336,597
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	(4,669)	21,177	-	23,010	39,518
<b>Other financing sources (uses):</b>						
Transfers in	29,669	-	-	-	-	29,669
Transfers (out)	-	-	-	-	(23,011)	(23,011)
<b>Net change in fund balances</b>	29,669	(4,669)	21,177	-	(1)	46,176
<b>Fund balance - beginning</b>	(29,669)	20,202	35,831	19,716	1	46,081
<b>Fund balance - ending</b>	\$ -	\$ 15,533	\$ 57,008	\$ 19,716	\$ -	\$ 92,257

City of Madison, Georgia  
 Bicentennial Book Special Revenue Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balances - Budget (GAAP Basis) and Actual  
 For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Other	\$ -	\$ -	\$ -	\$ -
<b>Total revenue</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Tourism	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources:</b>				
Transfers in	-	-	29,669	29,669
<b>Net change in fund balances</b>	<u>-</u>	<u>-</u>	<u>29,669</u>	<u>29,669</u>
<b>Fund balance - beginning</b>	<u>(29,669)</u>	<u>(29,669)</u>	<u>(29,669)</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ (29,669)</u>	<u>\$ (29,669)</u>	<u>\$ -</u>	<u>\$ 29,669</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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Forfeitures	\$ 4,300	\$ 4,300	\$ 375	\$ (3,925)
Interest	200	200	48	(152)
<b>Total revenue</b>	<u>4,500</u>	<u>4,500</u>	<u>423</u>	<u>(4,077)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	7,500	7,500	5,092	2,408
<b>Total expenditures</b>	<u>7,500</u>	<u>7,500</u>	<u>5,092</u>	<u>2,408</u>
<b>Net change in fund balances</b>	(3,000)	(3,000)	(4,669)	(1,669)
<b>Fund balance - beginning</b>	20,202	20,202	20,202	-
<b>Fund balance - ending</b>	<u>\$ 17,202</u>	<u>\$ 17,202</u>	<u>\$ 15,533</u>	<u>\$ (1,669)</u>

**City of Madison, Georgia**  
**System of Care Special Revenue Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>				
Intergovernmental	\$ 175,802	\$ 175,802	\$ 163,995	\$ (11,807)
Interest	-	-	80	80
Contributions and donations	-	-	20,733	20,733
<b>Total revenue</b>	<u>175,802</u>	<u>175,802</u>	<u>184,808</u>	<u>9,006</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Health and welfare	<u>175,802</u>	<u>175,802</u>	<u>163,631</u>	<u>12,171</u>
<b>Total expenditures</b>	<u>175,802</u>	<u>175,802</u>	<u>163,631</u>	<u>12,171</u>
<b>Net change in fund balances</b>	-	-	21,177	21,177
<b>Fund balance - beginning</b>	35,831	35,831	35,831	-
<b>Fund balance - ending</b>	<u>\$ 35,831</u>	<u>\$ 35,831</u>	<u>\$ 57,008</u>	<u>\$ 21,177</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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
<b>Total revenue</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public works	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	-	-	-	-
<b>Fund balance - beginning</b>	19,716	19,716	19,716	-
<b>Fund balance - ending</b>	<u>\$ 19,716</u>	<u>\$ 19,716</u>	<u>\$ 19,716</u>	<u>\$ -</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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Taxes	\$ 190,000	\$ 196,500	\$ 190,884	\$ (5,616)
<b>Total revenue</b>	<u>190,000</u>	<u>196,500</u>	<u>190,884</u>	<u>(5,616)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Housing and development	167,363	171,463	167,874	3,589
<b>Total expenditures</b>	<u>167,363</u>	<u>171,463</u>	<u>167,874</u>	<u>3,589</u>
<b>Excess of revenues over expenditures</b>	22,637	25,037	23,010	(2,027)
<b>Other financing (uses):</b>				
Transfers (out)	<u>(22,637)</u>	<u>(25,037)</u>	<u>(23,011)</u>	<u>2,026</u>
<b>Net change in fund balances</b>	-	-	(1)	(1)
<b>Fund balance - beginning</b>	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>
<b>Fund balance - ending</b>	<u><u>1</u></u>	<u><u>1</u></u>	<u><u>-</u></u>	<u><u>(1)</u></u>

City of Madison, Georgia  
 Capital Projects Funds  
 Combining Balance Sheet  
 For the Fiscal Year Ended June 30, 2011

	<u>SPLOST</u>	<u>Impact Fee</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 194,921	\$ 55,831	\$ 250,752
Due from other governments	<u>64,453</u>	<u>-</u>	<u>64,453</u>
<b>Total assets</b>	<u>259,374</u>	<u>55,831</u>	<u>315,205</u>
<b>Liabilities and Fund Balance</b>			
Liabilities:			
Accounts payable	-	597	597
Interfund payables	<u>-</u>	<u>4,183</u>	<u>4,183</u>
<b>Total liabilities</b>	<u>-</u>	<u>4,780</u>	<u>4,780</u>
Fund Balances:			
Restricted	<u>259,374</u>	<u>51,051</u>	<u>310,425</u>
<b>Total fund balances</b>	<u>259,374</u>	<u>51,051</u>	<u>310,425</u>
<b>Total liabilities and fund balances</b>	<u>\$ 259,374</u>	<u>\$ 55,831</u>	<u>\$ 315,205</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, 2011

	<u>SPLOST</u>	<u>Impact Fee</u>	<u>Total</u>
<b>Revenues:</b>			
Intergovernmental	\$ 243,450	\$ -	\$ 243,450
Charges for services	-	23,764	23,764
Interest	653	114	767
<b>Total revenue</b>	<u>244,103</u>	<u>23,878</u>	<u>267,981</u>
<b>Expenditures:</b>			
<b>Capital outlay:</b>			
General government	-	81	81
Public works	4,223	-	4,223
<b>Total expenditures</b>	<u>4,223</u>	<u>81</u>	<u>4,304</u>
<b>Net change in fund balances</b>	239,880	23,797	263,677
<b>Fund balance - beginning</b>	19,494	27,254	46,748
<b>Fund balance - ending</b>	<u>\$ 259,374</u>	<u>\$ 51,051</u>	<u>\$ 310,425</u>

City of Madison, Georgia  
 Permanent Funds  
 Combining Balance Sheet  
 For the Fiscal Year Ended June 30, 2011

	Ricketts		Total
	Environmental Trust	Cemetery	
<b>Assets</b>			
Cash	\$ 11,441	\$ -	\$ 11,441
Investments	2,805	3,779	6,584
Accounts receivables	625	6,850	7,475
Interfund receivables	-	13,030	13,030
Restricted investments	25,000	192,986	217,986
<b>Total assets</b>	<u>39,871</u>	<u>216,645</u>	<u>256,516</u>
<b>Liabilities and Fund Balance</b>			
Liabilities:			
Interfund payables	8,309	-	8,309
Deferred revenue	-	6,850	6,850
<b>Total liabilities</b>	<u>8,309</u>	<u>6,850</u>	<u>15,159</u>
Fund Balances:			
Nonspendable	25,000	192,986	217,986
Restricted	6,562	-	6,562
Committed	-	16,809	16,809
<b>Total fund balances</b>	<u>31,562</u>	<u>209,795</u>	<u>241,357</u>
<b>Total liabilities and fund balances</b>	<u>\$ 39,871</u>	<u>\$ 216,645</u>	<u>\$ 256,516</u>

City of Madison, Georgia  
 Permanent Funds  
 Combining Schedule of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Fiscal Year Ended June 30, 2011

	Ricketts		
	<u>Environmental Trust</u>	<u>Cemetery</u>	<u>Total</u>
<b>Revenues:</b>			
Charges for services	\$ -	\$ 13,030	\$ 13,030
Interest	489	3,754	4,243
Contributions and donations	632	-	632
<b>Total revenue</b>	<u>1,121</u>	<u>16,784</u>	<u>17,905</u>
<b>Expenditures:</b>			
Culture and recreation	1,189	-	1,189
<b>Total expenditures</b>	<u>1,189</u>	<u>-</u>	<u>1,189</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(68)	16,784	16,716
<b>Other financing sources:</b>			
Transfers in	-	193,011	193,011
<b>Net change in fund balances</b>	(68)	209,795	209,727
<b>Fund balance - beginning</b>	31,630	-	31,630
<b>Fund balance - ending</b>	<u>\$ 31,562</u>	<u>\$ 209,795</u>	<u>\$ 241,357</u>

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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
<b>Taxes</b>				
General property taxes	\$ 1,710,100	\$ 1,799,100	\$ 1,820,244	\$ 21,144
General sales and use taxes	720,000	765,000	772,024	7,024
Selective sales and use taxes	220,000	220,000	234,928	14,928
Business taxes	272,500	272,500	281,122	8,622
Penalties and interest on delinquent taxes	4,500	4,500	14,390	9,890
<b>Total taxes</b>	<u>2,927,100</u>	<u>3,061,100</u>	<u>3,122,708</u>	<u>61,608</u>
<b>Licenses and Permits</b>				
Business licenses	36,500	36,500	46,225	9,725
Non-business licenses and permits	6,500	6,500	6,280	(220)
Regulatory fees	-	-	100	100
Penalties and interest on licenses	-	-	565	565
<b>Total licenses and permits</b>	<u>43,000</u>	<u>43,000</u>	<u>53,170</u>	<u>10,170</u>
<b>Intergovernmental Revenues</b>				
Federal governmental grants	26,000	118,100	110,432	(7,668)
State governmental grants	48,247	43,347	43,275	(72)
Local government unit grants	2,000	2,000	1,054	(946)
<b>Total intergovernmental revenue</b>	<u>76,247</u>	<u>163,447</u>	<u>154,761</u>	<u>(8,686)</u>
<b>Charges for services</b>				
General government	2,030	2,030	13,780	11,750
Other fees	69,600	91,600	95,394	3,794
Other charges for services	42,400	42,400	48,733	6,333
<b>Total charges for services</b>	<u>114,030</u>	<u>136,030</u>	<u>157,907</u>	<u>21,877</u>
<b>Fines &amp; forfeitures</b>				
Fines & forfeitures	154,500	169,100	286,620	117,520
Parking tickets	1,000	1,000	752	(248)
<b>Total fines &amp; forfeitures</b>	<u>155,500</u>	<u>170,100</u>	<u>287,372</u>	<u>117,272</u>
<b>Investment income</b>				
Interest	2,500	2,500	2,856	356
<b>Total investment income</b>	<u>2,500</u>	<u>2,500</u>	<u>2,856</u>	<u>356</u>
<b>Contributions and donations from private sources</b>				
Contributions & donations	-	-	15,634	15,634
<b>Total contributions and donations from private sources</b>	<u>-</u>	<u>-</u>	<u>15,634</u>	<u>15,634</u>
<b>Miscellaneous Revenue</b>				
Rents and royalties	26,490	26,490	27,576	1,086
Other	2,500	2,500	3,272	772
<b>Total miscellaneous revenue</b>	<u>28,990</u>	<u>28,990</u>	<u>30,848</u>	<u>1,858</u>
<b>Other Financing Sources</b>				
Transfers in	650,357	652,757	611,011	(41,746)
Lease proceeds	80,000	85,000	-	(85,000)
Proceeds of governmental asset dispositions	-	-	8,805	8,805
<b>Total other financing sources</b>	<u>730,357</u>	<u>737,757</u>	<u>619,816</u>	<u>(117,941)</u>
<b>Total Revenues and Other Financing Sources</b>	<u>\$ 4,077,724</u>	<u>\$ 4,342,924</u>	<u>\$ 4,445,072</u>	<u>\$ 102,148</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
<b>Governing body</b>				
Personal services	\$ 34,840	\$ 35,140	\$ 35,106	\$ 34
Purchased/contracted services	46,500	36,200	34,283	1,917
Supplies	2,500	2,500	1,705	795
General supplies and materials	-	-	880	(880)
Other costs	10,000	10,000	-	10,000
<b>Total governing body</b>	<u>93,840</u>	<u>83,840</u>	<u>71,094</u>	<u>12,746</u>
<b>Historic Preservation Commission</b>				
Purchased/contracted services	7,000	7,000	4,560	2,440
Supplies	3,500	1,500	712	788
<b>Total Historic Preservation Commission</b>	<u>10,500</u>	<u>8,500</u>	<u>5,272</u>	<u>3,228</u>
<b>Corridor Design Commission</b>				
Purchased/contracted services	2,900	2,900	60	2,840
Supplies	1,100	1,100	300	800
<b>Total Corridor Design Commission</b>	<u>4,000</u>	<u>4,000</u>	<u>360</u>	<u>3,640</u>
<b>Tree Board</b>				
Purchased/contracted services	3,600	3,600	1,738	1,862
Supplies	1,100	1,100	539	561
<b>Total Tree Board</b>	<u>4,700</u>	<u>4,700</u>	<u>2,277</u>	<u>2,423</u>
<b>Cemetery Commission</b>				
Purchased/contracted services	2,100	2,100	801	1,299
Supplies	2,100	2,100	1,588	512
<b>Total Cemetery Commission</b>	<u>4,200</u>	<u>4,200</u>	<u>2,389</u>	<u>1,811</u>
<b>BiCentennial Committee</b>				
Capital Outlay	28,000	50,000	49,715	285
<b>Total BiCentennial Committee</b>	<u>28,000</u>	<u>50,000</u>	<u>49,715</u>	<u>285</u>
<b>City Manager</b>				
Personal services	113,600	116,200	115,629	571
Purchased/contracted services	6,800	6,000	3,803	2,197
Supplies	3,200	3,200	3,648	(448)
<b>Total City Manager</b>	<u>123,600</u>	<u>125,400</u>	<u>123,080</u>	<u>2,320</u>
<b>City Clerk</b>				
Personal services	80,250	84,850	84,185	665
Purchased/contracted services	18,825	18,825	15,075	3,750
Supplies	1,150	1,150	2,646	(1,496)
Other costs	10,500	10,500	10,028	472
<b>Total City Clerk</b>	<u>110,725</u>	<u>115,325</u>	<u>111,934</u>	<u>3,391</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Law</b>				
Purchased/contracted services	20,000	20,000	17,463	2,537
<b>Total Law</b>	<u>20,000</u>	<u>20,000</u>	<u>17,463</u>	<u>2,537</u>
<b>Data Processing/MIS</b>				
Purchased/contracted services	51,000	51,000	43,222	7,778
Supplies	3,500	3,500	9,203	(5,703)
<b>Total Data Processing/MIS</b>	<u>54,500</u>	<u>54,500</u>	<u>52,425</u>	<u>2,075</u>
<b>Risk Management</b>				
Purchased/contracted services	150	150	-	150
<b>Total Risk Management</b>	<u>150</u>	<u>150</u>	<u>-</u>	<u>150</u>
<b>General Government Buildings</b>				
Purchased/contracted services	23,100	23,100	24,352	(1,252)
Supplies	37,000	37,000	50,098	(13,098)
Capital outlay	54,164	56,864	33,860	23,004
Other costs	6,300	1,300	1,330	(30)
<b>Total General Government Buildings</b>	<u>120,564</u>	<u>118,264</u>	<u>109,640</u>	<u>8,624</u>
<b>Total General Government</b>	<u>574,779</u>	<u>588,879</u>	<u>545,649</u>	<u>43,230</u>
<b>JUDICIAL</b>				
<b>Municipal Court</b>				
Personal services	49,850	49,850	37,378	12,472
Purchased/contracted services	44,500	44,500	44,911	(411)
Supplies	1,050	1,050	1,111	(61)
<b>Total municipal court</b>	<u>95,400</u>	<u>95,400</u>	<u>83,400</u>	<u>12,000</u>
<b>Total Judicial</b>	<u>95,400</u>	<u>95,400</u>	<u>83,400</u>	<u>12,000</u>
<b>PUBLIC SAFETY</b>				
<b>Police</b>				
Personal services	858,500	858,500	853,040	5,460
Purchased/contracted services	61,000	50,000	52,680	(2,680)
Supplies	76,200	74,200	70,224	3,976
Capital outlay	28,000	33,000	31,329	1,671
Other costs	10,000	5,000	5,041	(41)
<b>Total police department</b>	<u>1,033,700</u>	<u>1,020,700</u>	<u>1,012,314</u>	<u>8,386</u>
<b>Custody of Prisoners</b>				
Purchased/contracted services	1,500	-	-	-
Supplies	2,000	2,000	490	1,510
Other costs	40,000	35,000	28,735	6,265
<b>Total custody of prisoners</b>	<u>43,500</u>	<u>37,000</u>	<u>29,225</u>	<u>7,775</u>
<b>Fire</b>				
Personal services	79,450	73,150	62,002	11,148
Purchased/contracted services	57,900	54,900	61,352	(6,452)
Supplies	28,400	28,100	26,760	1,340
Capital outlay	5,100	8,300	3,188	5,112
Other costs	2,000	2,000	288	1,712
<b>Total fire department</b>	<u>172,850</u>	<u>166,450</u>	<u>153,590</u>	<u>12,860</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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>E-911</b>				
Other costs	121,000	116,000	115,406	594
<b>Total E-911</b>	<u>121,000</u>	<u>116,000</u>	<u>115,406</u>	<u>594</u>
<b>Animal Control</b>				
Personal services	44,000	45,200	44,377	823
Purchased/contracted services	13,650	12,450	8,524	3,926
Supplies	7,500	7,500	5,571	1,929
Other costs	2,500	2,500	1,026	1,474
<b>Total animal control</b>	<u>67,650</u>	<u>67,650</u>	<u>59,498</u>	<u>8,152</u>
<b>Total Public Safety</b>	<u>1,438,700</u>	<u>1,407,800</u>	<u>1,370,033</u>	<u>37,767</u>
<b>PUBLIC WORKS</b>				
<b>Highways &amp; Streets</b>				
Personal services	324,800	333,100	288,495	44,605
Purchased/contracted services	40,900	151,900	157,133	(5,233)
Supplies	175,529	175,529	178,074	(2,545)
Capital outlay	95,000	96,000	10,899	85,101
Other costs	20,000	34,300	-	34,300
<b>Total highways &amp; streets</b>	<u>656,229</u>	<u>790,829</u>	<u>634,601</u>	<u>156,228</u>
<b>Maintenance and shop</b>				
Personal services	58,900	63,500	62,122	1,378
Purchased/contracted services	2,300	1,200	1,687	(487)
Supplies	7,350	5,850	5,897	(47)
<b>Total maintenance and shop</b>	<u>68,550</u>	<u>70,550</u>	<u>69,706</u>	<u>844</u>
<b>Cemetery</b>				
Purchased/contracted services	3,000	3,000	1,850	1,150
Supplies	1,500	1,500	958	542
<b>Total cemetery</b>	<u>4,500</u>	<u>4,500</u>	<u>2,808</u>	<u>1,692</u>
<b>Total Public Works</b>	<u>729,279</u>	<u>865,879</u>	<u>707,115</u>	<u>158,764</u>
<b>CULTURE AND RECREATION</b>				
<b>Recreation</b>				
Purchased/contracted services	1,900	1,900	1,363	537
Supplies	11,880	11,880	11,880	-
Capital outlay	16,083	16,083	-	16,083
Other costs	25,000	25,000	25,000	-
<b>Total recreation</b>	<u>54,863</u>	<u>54,863</u>	<u>38,243</u>	<u>16,620</u>
<b>Landscaping</b>				
Personal services	211,450	233,150	231,665	1,485
Purchased/contracted services	19,700	43,700	36,403	7,297
Supplies	54,600	54,600	46,367	8,233
Other costs	-	-	3	(3)
<b>Total landscaping</b>	<u>285,750</u>	<u>331,450</u>	<u>314,438</u>	<u>17,012</u>
<b>Total Culture &amp; Recreation</b>	<u>340,613</u>	<u>386,313</u>	<u>352,681</u>	<u>33,632</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>HOUSING AND DEVELOPMENT</b>				
<b>Planning and zoning:</b>				
Personal services	130,300	132,500	130,892	1,608
Purchased/contracted services	62,900	52,900	47,894	5,006
Supplies	6,800	6,800	4,355	2,445
<b>Total planning and zoning</b>	<u>200,000</u>	<u>192,200</u>	<u>183,141</u>	<u>9,059</u>
<b>Tourism</b>				
Purchased/contracted services	6,200	6,800	6,198	602
Other costs	34,563	34,563	34,563	-
<b>Total tourism</b>	<u>40,763</u>	<u>41,363</u>	<u>40,761</u>	<u>602</u>
<b>Downtown Development</b>				
Other costs	125,000	125,000	125,000	-
<b>Total downtown development</b>	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
<b>Main Street</b>				
Personal services	97,750	98,750	93,793	4,957
Purchased/contracted services	83,000	85,600	88,884	(3,284)
Supplies	15,200	15,200	14,802	398
<b>Total main street program</b>	<u>195,950</u>	<u>199,550</u>	<u>197,479</u>	<u>2,071</u>
<b>Airport:</b>				
Purchased/contracted services	18,000	33,100	32,679	421
Supplies	62,000	82,000	81,837	163
<b>Total airport</b>	<u>80,000</u>	<u>115,100</u>	<u>114,516</u>	<u>584</u>
<b>Total Housing &amp; Development</b>	<u>641,713</u>	<u>673,213</u>	<u>660,897</u>	<u>12,316</u>
<b>Debt Service</b>				
<b>Principal payments:</b>				
General government buildings department	192,229	192,229	192,447	(218)
Highway & streets department	-	5,400	-	5,400
<b>Total principal payments</b>	<u>192,229</u>	<u>197,629</u>	<u>192,447</u>	<u>5,182</u>
<b>Interest and fiscal charges:</b>				
General government buildings department	57,011	57,011	56,791	220
Highway & streets department	-	300	-	300
<b>Total interest and fiscal charges</b>	<u>57,011</u>	<u>57,311</u>	<u>56,791</u>	<u>520</u>
<b>Total Debt Service</b>	<u>249,240</u>	<u>254,940</u>	<u>249,238</u>	<u>5,702</u>
<b>Other Financing Uses</b>				
Transfers (out)	-	-	222,680	(222,680)
<b>Total Other Financing Uses</b>	<u>-</u>	<u>-</u>	<u>222,680</u>	<u>(222,680)</u>
<b>Total Expenditures and Other Financing Uses</b>	<u>\$ 4,069,724</u>	<u>\$ 4,272,424</u>	<u>\$ 4,191,693</u>	<u>\$ 80,731</u>

## **Bond Disclosures**

**City of Madison, Georgia**  
**Water and Sewer Fund**  
**Bond Disclosure Schedule**  
**Water and Sewer Demand**  
**June 30, 2011**

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

**Hard Labor Creek Plant**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Avg. Flow MGD	0.450	0.353	0.327	0.388	0.301
Max. Flow MGD	1.035	0.903	0.903	0.963	0.887

**Lake Oconee Plant**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Avg. Flow MGD	0.835	0.802	0.807	0.807	0.866
Max. Flow MGD	1.976	1.805	1.561	1.816	1.715

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

**Northside Plant**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Avg. Flow MGD	0.067	0.058	0.057	0.074	0.063
Max. Flow MGD	0.244	0.357	0.275	0.649	0.427

**Southside Plant**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Avg. Flow MGD	0.421	0.455	0.344	0.382	0.351
Max. Flow MGD	1.192	1.548	1.292	1.605	1.818

**Indian Creek**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Avg. Flow MGD	-	-	0.184	0.200	0.224
Max. Flow MGD	-	-	0.510	1.070	0.540

**City of Madison, Georgia  
Water and Sewer Fund  
Bond Disclosure Schedule  
Water and Sewer Customers  
June 30, 2011**

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

**TOTAL CUSTOMERS**

**Water Customers**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Inside City	2,040	2,076	2,066	2,059	2,060
Outside City	456	489	506	513	522
Total	<u>2,496</u>	<u>2,565</u>	<u>2,572</u>	<u>2,572</u>	<u>2,582</u>

**Sewerage Customers**

Inside City	1,716	1,767	1,778	1,777	1,780
Outside City	70	67	66	69	71
Total	<u>1,786</u>	<u>1,834</u>	<u>1,844</u>	<u>1,846</u>	<u>1,851</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>
2007	7,375,000	264,000	-	7,639,000
2008	8,080,000	-	-	8,080,000
2009	12,247,000	-	1,100,100	13,347,100
2010	11,370,000	-	1,675,700	13,045,700
2011	9,416,000	89,000	2,444,000	11,949,000
Total	<u>48,488,000</u>	<u>353,000</u>	<u>5,219,800</u>	<u>54,060,800</u>

City of Madison, Georgia  
 Water and Sewer Fund  
 Bond Disclosure Schedule  
 Ten Largest Water and Sewer Customers  
 June 30, 2011

**LARGEST CUSTOMERS**

<u>Customers</u>	<u>Water Use</u> (Gallons)	<u>Water</u> <u>Revenue</u>	<u>Wastewater</u> <u>Revenue</u>	<u>Total</u> <u>Revenue</u>	<u>Percentage</u> <u>of System</u> <u>Revenues</u>
1. Georgia Pacific	69,771,000	\$ 440,661	\$ -	\$ 440,661	12.99%
2. Morgan Co Schools	9,944,600	70,329	40,068	110,397	3.25%
3. City of Rutledge	9,416,000	37,382	-	37,382	1.10%
4. Morgan Co Recreation	6,775,900	45,421	2,082	47,503	1.40%
5. Madison Lakes LLC	6,475,500	41,099	-	41,099	1.21%
6. Madison Health & Rehab	6,117,000	39,200	38,592	77,792	2.29%
7. Anthony International	5,523,300	35,404	34,846	70,250	2.07%
8. International Paper	4,114,300	26,588	-	26,588	0.78%
9. Pilot Travel Centers	4,058,000	25,860	25,621	51,481	1.52%
10. Travel Center of America	3,363,500	21,852	21,245	43,097	1.27%

**City of Madison, Georgia**  
**Water and Sewer Fund**  
**Bond Disclosure Schedule**  
**Historic Water and Sewer Rates**  
**June 30, 2011**

<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

**City of Madison, Georgia**  
**Water and Sewer Fund**  
**Bond Disclosure Schedule**  
**Water and Sewer Rates and Tap Fees**  
**June 30, 2011**

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>Water<sup>1</sup></u>		<u>Sewer<sup>2</sup></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, 2011, 2010, 2009, 2008, 2007**

**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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net Income (Loss) (before transfers)	\$ 1,325,625	\$ 824,662	\$ 15,880	\$ (39,986)	\$ 247,194
Plus Depreciation and Amortization	419,856	420,827	684,636	880,858	901,510
Plus Interest	<u>398,038</u>	<u>275,666</u>	<u>504,878</u>	<u>516,276</u>	<u>480,818</u>
Net Revenues Available for Debt Service	<u>\$ 2,143,519</u>	<u>\$ 1,521,155</u>	<u>\$ 1,205,394</u>	<u>\$ 1,357,148</u>	<u>\$ 1,629,522</u>
Actual Debt Service on Bonds	\$ 847,408	\$ 851,732	\$ 850,007	\$ 847,933	\$ 850,817
Coverage Ratio	2.53x	1.79x	1.42x	1.60x	1.92x

The following table sets forth the historic pro-forma debt service coverage ratio for the last five years assuming the issuance of the Series 1996 Bonds, and the payment of the outstanding debt on the System.

**HISTORIC PRO-FORMA COVERAGE OF MAXIMUM ANNUAL DEBT SERVICE**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net Revenues Available for Debt Service	\$ 2,143,519	\$ 1,521,155	\$ 1,205,394	\$ 1,357,148	\$ 1,629,522
Maximum Annual Debt Service on Bonds	\$ 852,563	\$ 852,563	\$ 852,563	\$ 852,563	\$ 852,563
Coverage Ratio	2.51x	1.78x	1.41x	1.59x	1.91x

## **COMPLIANCE SECTION**

# Treadwell, Jamplin & Co.

Certified Public Accountants

A Limited Liability Partnership

157 West Jefferson Street  
Madison, Georgia 30650  
Ph: (706) 342-1040

2470 Daniell's Bridge Rd, Ste 151103  
Athens, Georgia 30606  
Ph: (706) 353-3120

## 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 the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregated remaining fund information of the City of Madison, Georgia as of and for the year ended June 30, 2011 which collectively comprise the City of Madison, Georgia's basic financial statements and have issued our report thereon dated December 16, 2011. We conducted our audit in accordance with 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Madison, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings, which we consider to be significant deficiencies in internal control over financial reporting as findings 2009-1 and 2011-1. 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.

### Compliance and Other Matters

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

The City of Madison, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of Madison, Georgia's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, mayor, council, management, others within the entity, and the State of Georgia and is not intended to be and should not be used by anyone other than these specified parties.

Madison, Georgia  
December 16, 2011

A handwritten signature in cursive script that reads "Jacobus, Ogden & Co". The signature is written in dark ink and is positioned to the right of the typed date.

**City of Madison, Georgia**  
**Schedule of Findings and Responses**  
**For the Fiscal Year Ended June 30, 2011**

**Internal Controls**

<b>2009-1</b>	<b>Statement of Condition:</b>	At present, management is not preparing the financial statements, they are being assisted by auditors. The intent of SAS 115 is not to prevent auditors from preparing the client's financial statements. Instead, the issue to be considered when determining if a significant deficiency or material weakness exists is whether the client is capable of preparing the financial statements and has the skills and competencies necessary to prevent, detect, and correct a material misstatement.
	<b>Criteria:</b>	Management is responsible for the financial statements, including the preparation of such statements. A system of internal control over financial reporting does not stop at the general ledger. It includes controls over financial statement preparation, including footnote disclosure.
	<b>Effect:</b>	A control deficiency exists when the client does not have controls over preparation of the financial statements which would prevent or detect a misstatement in the financial statements.
	<b>Cause:</b>	The size of the City's accounting staff prevents them from having the time to prepare the financial statements. As a matter of convenience and efficiency, the auditors are preparing the financial statements. This is a condition found in most small governments in Georgia.
	<b>Recommendation:</b>	We recommend the City provide additional training to the financial staff to provide the skills to review, prevent, and detect material misstatements in the City's financial statements.
	<b>Response:</b>	The City of Madison agrees with the recommendation and will continue to educate the staff.
<b>2011-1</b>	<b>Statement of Condition:</b>	In relation to one of the grants during the year, the correct amount of grant revenue was not recognized in the correct accounting period.
	<b>Criteria:</b>	Grant revenue should be recognized when all eligibility requirements are satisfied. The accounting standards note that revenue recognition should not be delayed because routine administrative procedures have not been completed.
	<b>Effect:</b>	Grant revenue and grant receivable in the General fund were understated for the fiscal year under audit. Without the proper internal controls in place, the City could have grant proceeds that could go unclaimed.
	<b>Cause:</b>	The City did not have procedures in place to ensure that all the grant revenue that the City was entitled to was recognized and received.
	<b>Recommendation:</b>	We recommend the City record a receivable for grant revenue when they have incurred the eligible costs that are reimbursable under the grant.
	<b>Response:</b>	The City concurs with this finding and is developing a Grant Management Policy to closely monitor grant revenue and expenditures.



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TELEPHONE: (706)342 1251 • FAX: (706)342 3454 • MadisonGA.com

December 12, 2011

Mr. Edward Blaha, Director  
Georgia Department of Audits and Accounts  
Local Government Audit Review Section  
270 Washington St., SW, Room 1-156  
Atlanta, Georgia 30334-8400

RE: Revised Corrective Action Plan

Dear Mr. Blaha:

Please find below the City of Madison's Corrective Action Plan as required by O.C.G.A. Section 36-81-7.

The City of Madison concurs with the findings listed below. Upon completion of the City's audit for fiscal year ending June 30, 2011 these findings were discussed and an action plan was implemented as described below.

2009-1 Management is not preparing the financial statements; they are being assisted by the auditors. The intent of SAS 115 is not to prevent auditors from preparing the client's financial statements. Instead, the issue to be considered when determining if a significant deficiency or material weakness exists is whether the client is capable of preparing the financial statements and has the skills and competencies necessary to prevent, detect, and correct a material misstatement. –

The City concurs with the finding and the financial staff will obtain additional training which will assist in their ability to review, prevent, and detect any material misstatements in the City's financial statements. City Staff continues to increase their skill in the preparation of the statements.

2011-1 In fiscal year 2011, the correct amount of grant revenue was not recognized in the correct accounting period. Therefore, grant revenue and grant receivable in the General fund were understated for the fiscal year under audit. The City concurs with this finding and is developing a Grant Management Policy to closely monitor grant revenue and expenditures.

Please let me know if I can further clarify this action plan. I am prepared to cooperate in any way possible.

Thank you,

A handwritten signature in cursive script that reads "Mellie A. Thomas".

Mellie Ann Thomas, City Clerk  
CITY OF MADISON

City of Madison, Georgia  
Schedule of Special Purpose  
Local Option Sales Tax  
For the Fiscal Year Ended June 30, 2011

	Original Estimated <u>Cost</u>	Revised Estimated <u>Cost</u>	<u>Expenditures</u>		<u>Total</u>	Estimated Percentages of <u>Completion</u>
			<u>Prior Years</u>	<u>Current Year</u>		
<b>2007 Referendum</b>						
Road and Bridge Improvement	\$ 600,000	\$ 600,000	\$ 511,224	\$ 4,223	\$ 515,447	86%
Public Works Building	\$ 400,000	\$ 400,000	\$ 263,286	\$ -	\$ 263,286	66%
Public Safety Building	\$ 350,000	\$ 350,000	\$ -	\$ -	\$ -	0%
City Hall Renovation	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ -	0%
Park Improvements and Equipment	\$ <u>204,400</u>	\$ <u>204,400</u>	\$ <u>4,718</u>	\$ -	\$ <u>4,718</u>	2%
Total	\$ <u>1,804,400</u>	\$ <u>1,804,400</u>	\$ <u>779,228</u>	\$ <u>4,223</u>	\$ <u>783,451</u>	