

**City of Madison, Georgia
Financial Statements
Fiscal Year Ended
June 30, 2012**

City of Madison, Georgia
Financial Statements
For the Fiscal Year Ended June 30, 2012

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Certified Public Accountants

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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, 2012, 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, 2012, 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 28, 2012 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 of 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. The bond disclosure schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Madison, Georgia
December 28, 2012

Irwin, Jagli & Co

Management's Discussion and Analysis

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, 2012. 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 2012 by \$30,799,161 (total net assets). Of this amount, \$6,133,147 (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 \$239,854 during the most recent fiscal year, resulting from governmental and business-type activities.
- At the close of fiscal year 2012, the City's governmental funds reported combined ending fund balances of \$2,259,286. Of this amount, \$984,643 or 44% is available for spending at the government's discretion (General unassigned fund balance). The balance of this amount (\$1,274,643) 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 \$984,643.

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 49.

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

- (1) **Nonspendable Fund Balance** - These are amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. Some examples include prepaid expenses, Cemetery principle and Ricketts principle.
- (2) **Restricted Fund Balance** - These are amounts that can be spent only for specific purposes stipulated by limitation imposed by creditors, grantors, contributors, laws, regulations, and enabling legislation. These limitations are imposed by entities, laws and regulations external to the organization. Some examples include Confiscated Assets fund, donations, 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.

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

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

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

Government-wide Financial Analysis

As noted earlier, net 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 2012 by \$30,799,161.

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 \$22,621,403 or 73.4%. 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	
	2011	2012	2011	2012	2011	2012
Assets:						
Current assets	\$ 2,203,919	\$ 2,230,267	\$ 5,831,378	\$ 5,514,081	\$ 8,035,297	\$ 7,744,348
Restricted assets	\$ 241,357	\$ 241,357	\$ 1,348,252	\$ 921,290	\$ 1,589,609	\$ 1,162,647
Other assets	\$ 17,314	\$ 14,700	\$ 179,855	\$ 170,431	\$ 197,169	\$ 185,131
Capital assets	\$ 8,159,272	\$ 8,277,117	\$ 25,551,160	\$ 25,894,289	\$ 33,710,432	\$ 34,171,406
Total assets	\$ 10,621,862	\$ 10,763,441	\$ 32,910,645	\$ 32,500,091	\$ 43,532,507	\$ 43,263,532
Liabilities:						
Current liabilities	\$ 215,381	\$ 144,268	\$ 547,150	\$ 587,030	\$ 762,531	\$ 731,298
Accrued Interest	\$ 19,546	\$ 17,027	\$ -	\$ -	\$ 19,546	\$ 17,027
Current liabilities payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
from restricted assets	\$ -	\$ -	\$ 385,000	\$ 395,000	\$ 385,000	\$ 395,000
Long-term liabilities	\$ 1,630,829	\$ 1,510,413	\$ 10,175,294	\$ 9,810,633	\$ 11,806,123	\$ 11,321,046
Total liabilities	\$ 1,865,756	\$ 1,671,708	\$ 11,107,444	\$ 10,792,663	\$ 12,973,200	\$ 12,464,371
Net assets:						
Invested in capital assets, net of related debt	\$ 6,617,376	\$ 6,864,897	\$ 15,051,720	\$ 15,756,506	\$ 21,669,096	\$ 22,621,403
Restricted for General Government	\$ 31,205	\$ 14,619	\$ -	\$ -	\$ 31,205	\$ 14,619
Restricted for Public Safety	\$ 91,859	\$ 45,052	\$ -	\$ -	\$ 91,859	\$ 45,052
Restricted for Public Works	\$ 187,945	\$ 302,945	\$ -	\$ -	\$ 187,945	\$ 302,945
Restricted for Health & Welfare	\$ 56,263	\$ 77,194	\$ -	\$ -	\$ 56,263	\$ 77,194
Restricted for Culture and Recreation	\$ 60,442	\$ 79,508	\$ -	\$ -	\$ 60,442	\$ 79,508
Restricted for debt service	\$ -	\$ -	\$ 1,047,774	\$ 991,687	\$ 1,047,774	\$ 991,687
Restricted for Renewal/Extention	\$ -	\$ -	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Restricted for non expendable trust	\$ 217,986	\$ 233,606	\$ -	\$ -	\$ 217,986	\$ 233,606
Unrestricted	\$ 1,493,030	\$ 1,473,912	\$ 5,403,707	\$ 4,659,235	\$ 6,896,737	\$ 6,133,147
Total net assets	\$ 8,756,106	\$ 9,091,733	\$ 21,803,201	\$ 21,707,428	\$ 30,559,307	\$ 30,799,161

An additional portion of the City's net assets, \$2,044,611 or 6.6%, represents resources that are subject to external restrictions on how they may be used. Of this amount, \$14,619 is restricted for general government, \$45,052 is

restricted for Public Safety, \$302,945 is restricted for Public Works, \$77,194 is restricted for Health and Welfare, \$79,508 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 \$1,291,687. 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 \$233,606. 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.

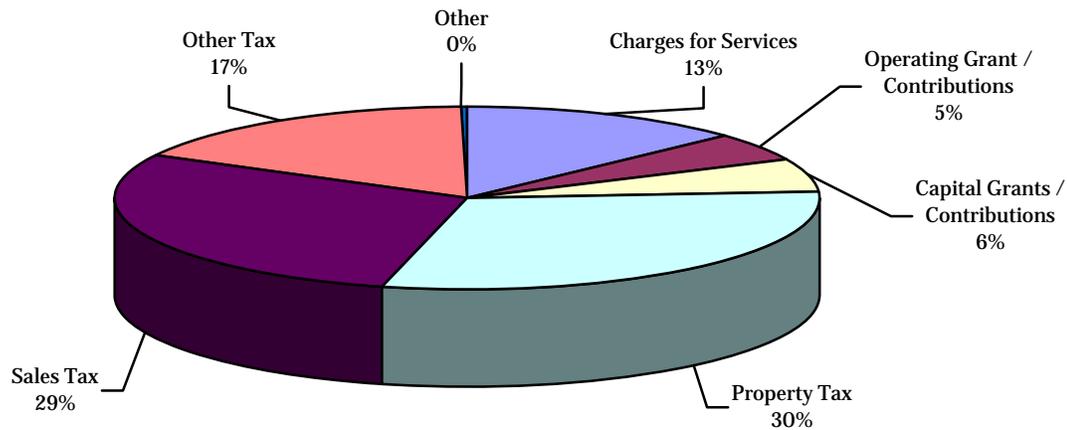
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental and business-type activities.

Governmental Activities. Governmental activities increased the City's net assets by \$335,627. A transfer from the Natural Gas Fund of \$300,000, a transfer from the Water & Sewer Fund of \$175,000, 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	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Revenues:						
Program Revenues:						
Charges for service	\$ 565,472	\$ 559,576	\$ 6,462,923	\$ 5,835,028	\$ 7,028,395	\$ 6,394,604
Operating grants/contributic	\$ 305,031	\$ 210,847	\$ 6,235	\$ 194,676	\$ 311,266	\$ 405,523
Capital grants/contributions	\$ 293,773	\$ 266,626	\$ 35,711	\$ 23,211	\$ 329,484	\$ 289,837
General revenues:					\$ -	\$ -
Property taxes	\$ 1,359,973	\$ 1,289,017	\$ -	\$ -	\$ 1,359,973	\$ 1,289,017
Sales tax	\$ 1,197,836	\$ 1,245,426	\$ -	\$ -	\$ 1,197,836	\$ 1,245,426
Other Taxes	\$ 744,419	\$ 780,920	\$ -	\$ -	\$ 744,419	\$ 780,920
Intergovernmental rev	\$ 1,054	\$ 373	\$ -	\$ -	\$ 1,054	\$ 373
Investment earnings	\$ 7,341	\$ 5,301	\$ 57,117	\$ 28,781	\$ 64,458	\$ 34,082
Other	\$ 1,964	\$ 1,169	\$ -	\$ -	\$ 1,964	\$ 1,169
Gain/(Loss) on sale of capit	\$ 5,170	\$ -	\$ -	\$ -	\$ 5,170	\$ -
Total revenue	\$ 4,482,033	\$ 4,359,255	\$ 6,561,986	\$ 6,081,696	\$ 11,044,019	\$ 10,440,951
Expenses:						
General government	\$ 580,530	\$ 630,726	\$ -	\$ -	\$ 580,530	\$ 630,726
Judicial	\$ 83,398	\$ 86,636	\$ -	\$ -	\$ 83,398	\$ 86,636
Public safety	\$ 1,435,815	\$ 1,549,116	\$ -	\$ -	\$ 1,435,815	\$ 1,549,116
Public works	\$ 911,969	\$ 752,926	\$ -	\$ -	\$ 911,969	\$ 752,926
Health and Welfare	\$ 164,779	\$ 105,419	\$ -	\$ -	\$ 164,779	\$ 105,419
Culture and recreation	\$ 361,864	\$ 322,101	\$ -	\$ -	\$ 361,864	\$ 322,101
Housing and development	\$ 779,696	\$ 914,518	\$ -	\$ -	\$ 779,696	\$ 914,518
Payment to Component Uni	\$ 125,000	\$ 125,000	\$ -	\$ -	\$ 125,000	\$ 125,000
Interest and fiscal charges	\$ 56,968	\$ 52,186	\$ -	\$ -	\$ 56,968	\$ 52,186
Water and sewer	\$ -	\$ -	\$ 3,362,842	\$ 3,433,265	\$ 3,362,842	\$ 3,433,265
Natural gas	\$ -	\$ -	\$ 1,996,045	\$ 1,732,705	\$ 1,996,045	\$ 1,732,705
Solid waste	\$ -	\$ -	\$ 452,169	\$ 496,499	\$ 452,169	\$ 496,499
Total Expenses	\$ 4,500,019	\$ 4,538,628	\$ 5,811,056	\$ 5,662,469	\$ 10,311,075	\$ 10,201,097
Inc in net assets before transfer	\$ (17,986)	\$ (179,373)	\$ 750,930	\$ 419,227	\$ 732,944	\$ 239,854
Transfers	\$ 588,000	\$ 515,000	\$ (588,000)	\$ (515,000)	\$ -	\$ -
Change in net assets	\$ 570,014	\$ 335,627	\$ 162,930	\$ (95,773)	\$ 732,944	\$ 239,854
Net assets Beginning	\$ 8,186,092	\$ 8,756,106	\$ 21,640,271	\$ 21,803,201	\$ 29,826,363	\$ 30,559,307
Net Assets Ending	\$ 8,756,106	\$ 9,091,733	\$ 21,803,201	\$ 21,707,428	\$ 30,559,307	\$ 30,799,161

Revenues - Governmental Activities Fiscal Year 2012



Revenues. Property taxes of \$1,289,017 and sales tax of \$1,245,426 accounted for 57.9% of total general revenues.

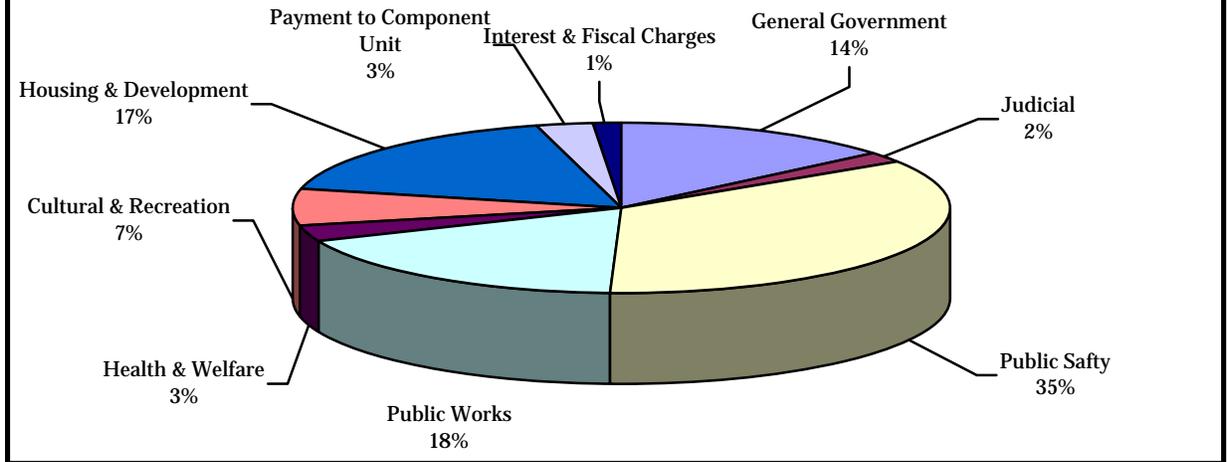
Capital grants and contributions consisted of the following:

- SPLOST funds of \$256,901 were received from Morgan County from their 2007 Referendum.
- The City of Madison was awarded 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 FY2012, the City of Madison completed the purchase and installation of the raw water pumps at the Madison Water Plant for \$221,913.
- 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 FY2012 were \$9,273. This project was complete in FY2012.

Operating grants and contributions consisted of the following:

- Ricketts Environmental Excellence Trust (T.R.E.E.) program received donations of \$3,999.
- The System of Care Fund received revenues for a grant in the amount of \$104,153, and also received \$23,780 in donations.
- The City of Madison received a tree grant in the amount of \$4,825 in FY2012

Expenses - Governmental Activities Fiscal Year 2012



Expenses. The total expense for the governmental activities is \$4,538,628. 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 \$1,549,116 or 34.1% of total governmental activity expense.

Total program revenues and general revenues exceeded expenses by \$335,627.

Business-type activities. Business-type activities decreased the City's net assets by \$95,773.

Revenues. Water and sewer operating revenue was \$3,461,321. Natural gas operating revenue was \$1,878,070. Sanitation operating revenue was \$495,637. Water and sewer revenue is derived from the sale of water and sewer services to the citizens of the City. Natural gas revenue is derived from the sale of natural gas to the citizens of the City. Sanitation revenue is derived from sanitation services provided to the citizens of the City.

Expenses. Water and sewer operating expense was \$2,932,934. Natural gas operating expense was \$1,732,705. Sanitation operating expense was \$496,499.

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 \$2,259,286. Approximately 43.6% of this amount (\$984,643) constitutes unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the June 30, 2012, unassigned fund balance of the general fund was \$984,643. 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 22.5% 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 \$91,882; the change in Natural Gas net assets was (\$148,459); and the change in Solid Waste net assets was (\$39,196).

General Fund Budgetary Highlights

Differences between the original budgeted expenditures and the final amended budgeted expenditures are approximately \$417,260 or 10% of the original budget. The increase in budgeted expenditures is attributable primarily to the increase in Building and Grounds for a land purchase, the Highway and Streets for the purchase of a utility tractor, and the increase in aviation fuel purchases in the Airport. Budgeted revenue increased from the original budget in the amount of \$178,460. The increase in anticipated revenue resulted from the increase in aviation fuel sales.

During the year, actual revenues were more than budgetary estimates by \$140,208, and actual expenditures were less than budgetary estimates by \$209,680.

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, 2012, amounts to \$34,171,406 (net of accumulated depreciation). This investment in capital assets includes land, historical treasures, construction in progress, land improvements, infrastructure, buildings, equipment, and vehicles.

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

Governmental-type activities:

- The City of Madison purchased a new server in Data Processing. The cost in FY2012 was \$13,358.
- SPLOST funds were expended for curbs and gutters on College Drive. The total cost was \$30,927.
- SPLOST funds were also expended for the Public Safety Building for a total cost of \$149,638.
- A land purchase was made for 7 acres on the corner of College Drive and North Main Street for a cost of \$150,000.
- An ice machine was purchased for the Municipal Building in the amount of \$9,879.
- The police department purchased two 2013 Ford Taurus for a total of \$50,870.
- Two In Car Video Systems were purchased for the Police Department in the amount of \$4,702 each totaling \$9,404.
- Two Air packs were purchased for the amount of \$3,160 each totaling \$6,320 for the Fire Department.
- The Street Department purchased a John Deere 5101 E tractor with a mower for \$85,017.
- The Street Department also purchased a Hustler X One mower for \$7,408.
- The City of Madison replaced the Recreation Department gym's roof for a total cost of \$39,759.
- The Landscaping Department purchased a Hustler X One mower for \$7,335.
- The Main Street Department purchased an Apple Mac computer for a total cost of \$2,843.
- The Airport purchased a MO Gas Fuel Tank for \$5,300.

Business-type activities:

- The Wastewater department had system improvements including the Indian Creek Phosphorous project of \$443,062. The Indian Creek Phosphorous project should be complete in FY2013.
- 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 FY2012 is \$418,161.
- The City of Madison also purchased new Intake Screens and Gates for \$8,960.
- A Chlorine Analyzer was purchased for the Water Department for \$7,673.
- A 2011 Case 580 Backhoe was also purchased for the Water Department for \$70,700.
- The City of Madison completed several gas system expansions in FY2012 including (1) Anslie Poultry Farm - \$17,168; (2) Carson Poultry Farm - \$10,324; (3) Delaigle Poultry Farm - \$4,818; (4) Northern Expansion - \$219,936; (5) Quality Inn Meter - \$8,790; (6) Sidewell Poultry Farm - \$20,317; (7) Silva Quail Farm - \$8,332; (8) Whitlock Poultry Farm #1 - \$12,404; (9) Whitlock Poultry Farm #2 - \$14,789.

- The City of Madison completed a gas relocation on College Drive for a total cost of \$5,633.
- The Gas Department purchased a Loader for \$5,200.
- The Gas Department also purchased a 2012 Ford F-150 for \$16,600.
- The City of Madison Sanitation Department purchased a cart tipper for \$3,218 for the new curbside pickup.

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

	Government Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Land	\$ 1,084,500	\$ 1,281,844	\$ 261,782	\$ 261,782	\$ 1,346,282	\$ 1,543,626
Historical Treasures	\$ 24,318	\$ 24,318	\$ -	\$ -	\$ 24,318	\$ 24,318
Construction in progress	\$ 164,857	\$ 327,853	\$ 230,272	\$ 1,080,074	\$ 395,129	\$ 1,407,927
Land improvements	\$ 515,047	\$ 488,302	\$ -	\$ 3,875	\$ 515,047	\$ 492,177
Infrastructure	\$ 3,560,369	\$ 3,343,125	\$ 13,230,747	\$ 13,213,689	\$ 16,791,116	\$ 16,556,814
Building	\$ 2,150,635	\$ 2,134,113	\$ 7,377,852	\$ 7,196,756	\$ 9,528,487	\$ 9,330,869
Equipment	\$ 454,518	\$ 506,672	\$ 4,309,042	\$ 4,005,031	\$ 4,763,560	\$ 4,511,703
Vehicles	\$ 205,028	\$ 170,890	\$ 141,465	\$ 133,082	\$ 346,493	\$ 303,972
Total	\$ 8,159,272	\$ 8,277,117	\$ 25,551,160	\$ 25,894,289	\$ 33,710,432	\$ 34,171,406

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 \$10,137,783. The water and sewerage revenue bonds represent bonds secured solely by a pledge of and a lien on the net revenues of the Water & Sewer System. In FY 2008, the City financed the new Public Works Facility through a capital lease with Georgia Municipal Association in the amount of \$2,100,000. This is a ten-year lease. In FY 2012, the City of Madison financed a new John Deere Tractor through a capital lease with Georgia Municipal Association in the amount of \$85,017. This is a four-year lease. The remainder of the capital lease obligations at FY 2012 is \$1,412,220.

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

	Government Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Revenue Bonds (2005)	\$ -	\$ -	\$ 10,499,440	\$ 10,137,783	\$ 10,499,440	\$ 10,137,783
Capital Lease Obligations	\$ 1,541,896	\$ 1,412,220	\$ -	\$ -	\$ 1,541,896	\$ 1,412,220
Total	\$ 1,541,896	\$ 1,412,220	\$ 10,499,440	\$ 10,137,783	\$ 12,041,336	\$ 11,550,003

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 \$550,363, a .23% decrease from FY 2011.

Water and Wastewater operating revenues decreased by \$69,801, a 2% decrease from FY 2011.

Sales tax revenues increased by \$42,334, a 5% increase from FY 2011.

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, 2012

	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Cash	\$ 1,242,935	\$ 1,816,568	\$ 3,059,503	\$ 137,107
Investments, plus accrued interest	146,182	3,206,418	3,352,600	-
Accounts receivable, net	23,821	886,327	910,148	100
Taxes receivable, net	76,994	-	76,994	-
Internal balances	521,187	(521,187)	-	-
Due from other governments	151,115	91,014	242,129	-
Due from component unit	95	-	95	-
Prepaid expenses	67,938	34,941	102,879	6,000
Restricted assets:				
Cash	23,371	921,290	944,661	-
Investments	217,986	-	217,986	-
Issuance costs, net	14,700	170,431	185,131	-
Capital assets				
Capital assets not being depreciated	1,634,015	1,341,856	2,975,871	1,523,473
Capital assets being depreciated, net	6,643,102	24,552,433	31,195,535	2,278,500
Total capital assets	8,277,117	25,894,289	34,171,406	3,801,973
Total assets	10,763,441	32,500,091	43,263,532	3,945,180
LIABILITIES				
Accounts payable and accrued expenses	144,268	258,624	402,892	11,097
Accrued interest	17,027	-	17,027	-
Due to primary government	-	-	-	95
Customer deposits	-	328,406	328,406	-
Long-term liabilities:				
Portion due or payable within one year:				
Bonds and notes payable, net	-	395,000	395,000	172,269
Capital lease obligation	226,147	-	226,147	-
Portion due or payable after one year:				
Bonds and notes payable, net	-	9,742,783	9,742,783	1,170,988
Capital lease obligation	1,186,073	-	1,186,073	-
Compensated absences	84,614	57,179	141,793	-
OPEB obligation	13,579	10,671	24,250	-
Total liabilities	1,671,708	10,792,663	12,464,371	1,354,449
NET ASSETS				
Invested in capital assets, net of related debt	6,864,897	15,756,506	22,621,403	2,458,716
Restricted for :				
General government	14,619	-	14,619	-
Public safety	45,052	-	45,052	-
Public works:				
Expendable	302,945	-	302,945	-
Nonexpendable	208,606	-	208,606	-
Health & welfare	77,194	-	77,194	-
Culture & recreation:				
Expendable	79,508	-	79,508	-
Nonexpendable	25,000	-	25,000	-
Debt service	-	991,687	991,687	-
Renewal & extensions (Note 6)	-	300,000	300,000	-
Unrestricted	1,473,912	4,659,235	6,133,147	132,015
Total net assets	\$ 9,091,733	\$ 21,707,428	\$ 30,799,161	\$ 2,590,731

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, 2012**

Activities:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Downtown Development Authority
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental:								
General government	\$ 630,726	\$ 60,699	\$ -	\$ 35,772	\$ (534,255)		\$ (534,255)	\$ -
Judicial	86,636	224,261	-	-	137,625		137,625	-
Public safety	1,549,116	6,820	74,030	49,926	(1,418,340)		(1,418,340)	-
Public works	752,926	17,384	-	142,831	(592,711)		(592,711)	-
Health and welfare	105,419	-	127,933	-	22,514		22,514	-
Culture and recreation	322,101	34,416	8,824	28,824	(250,037)		(250,037)	-
Housing and development	1,039,518	215,996	60	9,273	(814,189)		(814,189)	-
Interest and fiscal charges	52,186	-	-	-	(52,186)		(52,186)	-
Total governmental activities	4,538,628	559,576	210,847	266,626	(3,501,579)		(3,501,579)	-
Business-type:								
Gas	1,732,705	1,878,070	-	-		\$ 145,365	145,365	-
Water and sewer	3,433,265	3,461,321	194,676	23,211		245,943	245,943	-
Sanitation	496,499	495,637	-	-		(862)	(862)	-
Total business-type activities	5,662,469	5,835,028	194,676	23,211		390,446	390,446	-
Component unit:								
Downtown Development Authority	194,308	-	-	226,720				32,412
Total component unit	194,308	-	-	226,720				32,412

General revenues:

Taxes								
Property taxes, levied for general purposes				1,289,017	-		1,289,017	-
Sales tax				1,245,426	-		1,245,426	-
Intangible tax				6,831	-		6,831	-
Business taxes				278,748	-		278,748	-
Franchise fees				495,341	-		495,341	-
Intergovernmental revenues				373	-		373	-
Investment earnings				5,301	28,781		34,082	214
Miscellaneous				1,169	-		1,169	-
Transfers				515,000	(515,000)		-	-
Total general revenues and transfers				<u>3,837,206</u>	<u>(486,219)</u>		<u>3,350,987</u>	<u>214</u>
			Change in net assets	<u>335,627</u>	<u>(95,773)</u>		<u>239,854</u>	<u>32,626</u>
Net assets - beginning				<u>8,756,106</u>	<u>21,803,201</u>		<u>30,559,307</u>	<u>2,558,105</u>
Net assets - ending				<u>\$ 9,091,733</u>	<u>\$ 21,707,428</u>		<u>\$ 30,799,161</u>	<u>\$ 2,590,731</u>

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

City of Madison, Georgia
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 772,775	\$ 445,160	\$ 1,217,935
Investments, plus accrued interest	175,154	3,779	178,933
Accounts receivable	908	5,750	6,658
Taxes receivable, net	76,994	-	76,994
Internal balances	531,964	50,378	582,342
Due from component unit	95	-	95
Due from other governments	108,050	60,226	168,276
Prepaid items	67,347	591	67,938
Restricted investments	-	233,606	233,606
Total assets	1,733,287	799,490	2,532,777
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	112,042	17,323	129,365
Accrued expenses	14,903	-	14,903
Internal balances	50,378	10,777	61,155
Deferred revenue	62,518	5,550	68,068
Total liabilities	239,841	33,650	273,491
Fund balances (Note 8):			
Nonspendable	67,347	234,197	301,544
Restricted	6,008	513,311	519,319
Committed	-	18,332	18,332
Assigned	435,448	-	435,448
Unassigned	984,643	-	984,643
Total fund balances	1,493,446	765,840	2,259,286
Total liabilities and fund balances	\$ 1,733,287	\$ 799,490	\$ 2,532,777

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

City of Madison, Georgia
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2012

Total *fund* balances for governmental funds (Exhibit 3) \$ 2,259,286

Total *net assets* 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	1,634,015	
Capital assets being depreciated, net of \$4,081,710 of accumulated depreciation	<u>6,643,102</u>	
Total capital assets		8,277,117

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. 14,700

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. 68,070

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, 2012 are:

Capital leases payable	(1,412,220)	
Interest payable	(17,027)	
Compensated absences	(84,614)	
OPEB Obligation	<u>(13,579)</u>	
Total long-term liabilities		<u>(1,527,440)</u>

Total net assets of governmental activities (Exhibit 1) \$ 9,091,733

City of Madison, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 3,146,495	\$ 202,967	\$ 3,349,462
Licenses and permits	48,215	-	48,215
Intergovernmental revenue	41,125	361,054	402,179
Charges for services	236,199	19,770	255,969
Fines and forfeitures	224,261	-	224,261
Investment income	3,129	2,623	5,752
Contributions and donations	92	27,779	27,871
Miscellaneous	32,935	-	32,935
Total revenues	<u>3,732,451</u>	<u>614,193</u>	<u>4,346,644</u>
EXPENDITURES			
Current:			
General government	687,772	-	687,772
Judicial	86,857	-	86,857
Public safety	1,406,560	458	1,407,018
Public works	750,363	-	750,363
Health and welfare	-	107,232	107,232
Culture and recreation	359,263	1,166	360,429
Housing and development	810,753	161,100	971,853
Capital outlay:			
Public safety	-	149,638	149,638
Public works	-	30,931	30,931
Debt service:			
Principal payments	214,034	-	214,034
Interest and fiscal charges	52,091	-	52,091
Total expenditures	<u>4,367,693</u>	<u>450,525</u>	<u>4,818,218</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(635,242)</u>	<u>163,668</u>	<u>(471,574)</u>
OTHER FINANCING SOURCES (USES)			
Lease proceeds	84,358	-	84,358
Proceeds of governmental asset dispositions	4,410	-	4,410
Transfers in	556,867	-	556,867
Transfers (out)	-	(41,867)	(41,867)
Total other financing sources (uses)	<u>645,635</u>	<u>(41,867)</u>	<u>603,768</u>
Net change in fund balances	10,393	121,801	132,194
Fund balances - beginning	1,483,053	644,039	2,127,092
Fund balances - ending	<u>\$ 1,493,446</u>	<u>\$ 765,840</u>	<u>\$ 2,259,286</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, 2012

Net change in *fund* balances - total governmental funds (Exhibit 4) \$ 132,194

The change in *net assets* reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$568,059) exceeded depreciation (\$491,667) in the current period. 76,392

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount recorded as a contribution for right of way. 47,344

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. (5,890)

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	(4,863)
OPEB liability	(4,397)
Interest Payable	2,519

Governmental funds defer all tax revenues not collected within 60 days of year end. However, the statement of activities uses the accrual method and, thus, the entire amount is recognized as revenue, regardless of the collection date. (34,734)

Lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Net Assets. (84,358)

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. 214,034

Change in net assets of governmental activities (Exhibit 2) \$ 335,627

City of Madison, Georgia
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Enterprise Funds			Total
	Gas Fund	Water & Sewer Fund	Nonmajor Sanitation Fund	
ASSETS				
Current assets:				
Cash	\$ 564,326	\$ 1,118,484	\$ 133,758	\$ 1,816,568
Investments, plus accrued interest	577,112	2,442,131	187,175	3,206,418
Accounts receivable, net	167,617	629,491	89,219	886,327
Due from other governments	-	91,014	-	91,014
Due from other funds	16,585	13,819	-	30,404
Prepaid expenses	4,303	26,080	4,558	34,941
Total current assets	1,329,943	4,321,019	414,710	6,065,672
Noncurrent assets:				
Restricted assets - cash	-	921,290	-	921,290
Bond issuance costs, net	-	170,431	-	170,431
Capital assets				
Capital assets not being depreciated	14,597	1,327,259	-	1,341,856
Capital assets being depreciated, net	1,764,228	22,650,023	138,182	24,552,433
Total capital assets	1,778,825	23,977,282	138,182	25,894,289
Total noncurrent assets	1,778,825	25,069,003	138,182	26,986,010
Total assets	3,108,768	29,390,022	552,892	33,051,682
LIABILITIES				
Current liabilities:				
Accounts payable	54,966	146,941	9,409	211,316
Accrued expenses	8,452	35,268	3,588	47,308
Due to other funds	303,608	184,638	63,345	551,591
Bonds payable, net	-	395,000	-	395,000
Customer deposits	177,357	151,049	-	328,406
Total current liabilities	544,383	912,896	76,342	1,533,621
Noncurrent liabilities:				
Bonds payable, net	-	9,742,783	-	9,742,783
Compensated absences	24,139	27,298	5,742	57,179
OPEB obligation	2,910	6,548	1,213	10,671
Total noncurrent liabilities	27,049	9,776,629	6,955	9,810,633
Total liabilities	571,432	10,689,525	83,297	11,344,254
NET ASSETS				
Invested in capital assets, net of related debt	1,778,825	13,839,499	138,182	15,756,506
Restricted for debt service	-	991,687	-	991,687
Restricted for renewal and extensions	-	300,000	-	300,000
Unrestricted	758,511	3,569,311	331,413	4,659,235
Total net assets	\$ 2,537,336	\$ 18,700,497	\$ 469,595	\$ 21,707,428

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, 2012

	Enterprise Funds			Total
	Gas Fund	Water & Sewer Fund	Nonmajor Sanitation Fund	
Operating Revenues:				
Charges for services	\$ 1,866,967	\$ 3,443,069	\$ 495,637	\$ 5,805,673
Tap fees	10,650	16,420	-	27,070
Other revenues	453	1,832	-	2,285
Total operating revenues	<u>1,878,070</u>	<u>3,461,321</u>	<u>495,637</u>	<u>5,835,028</u>
Operating Expenses:				
Cost of gas sold	1,088,658	-	-	1,088,658
Personal services	420,507	967,510	179,077	1,567,094
Purchased/contracted services	100,883	532,190	99,027	732,100
Supplies	59,366	562,647	87,578	709,591
Other costs	3,100	-	108,638	111,738
Depreciation	60,191	870,587	22,179	952,957
Total operating expenses	<u>1,732,705</u>	<u>2,932,934</u>	<u>496,499</u>	<u>5,162,138</u>
Operating income	145,365	528,387	(862)	672,890
Nonoperating revenues (expenses):				
Investment earnings	6,176	20,939	1,666	28,781
Grant revenue	-	207,887	-	207,887
Interest expense	-	(500,331)	-	(500,331)
Total nonoperating revenues (expenses)	<u>6,176</u>	<u>(271,505)</u>	<u>1,666</u>	<u>(263,663)</u>
Income before contributions and transfers	151,541	256,882	804	409,227
Contributions and transfers:				
Capital contributions - connection fees	-	10,000	-	10,000
Transfers (out)	(300,000)	(175,000)	(40,000)	(515,000)
Net contributions and transfers	<u>(300,000)</u>	<u>(165,000)</u>	<u>(40,000)</u>	<u>(505,000)</u>
Change in net assets	(148,459)	91,882	(39,196)	(95,773)
Total net assets - beginning	2,685,795	18,608,615	508,791	21,803,201
Total net assets - ending	<u>\$ 2,537,336</u>	<u>\$ 18,700,497</u>	<u>\$ 469,595</u>	<u>\$ 21,707,428</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, 2012

	<u>Enterprise Funds</u>			<u>Total</u>
	<u>Gas Fund</u>	<u>Water & Sewer Fund</u>	<u>Nonmajor Sanitation Fund</u>	
Cash flows from operating activities:				
Receipts from customers	\$ 1,893,458	\$ 3,445,509	\$ 500,130	\$ 5,839,097
Payments to suppliers	(1,274,206)	(1,062,037)	(299,001)	(2,635,244)
Payments to employees	(414,975)	(964,952)	(176,414)	(1,556,341)
Net cash provided by operating activities	<u>204,277</u>	<u>1,418,520</u>	<u>24,715</u>	<u>1,647,512</u>
Cash flows from noncapital financing activities:				
Interfund balances	99,975	137,905	(7,478)	230,402
Transfers (out)	-	(175,000)	(40,000)	(215,000)
Net cash provided (used) by noncapital financing activities	<u>99,975</u>	<u>(37,095)</u>	<u>(47,478)</u>	<u>15,402</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(344,312)	(948,556)	(3,219)	(1,296,087)
Grant proceeds	-	132,398	-	132,398
Capital contributions - connections	-	10,000	-	10,000
Principal payments on debt	-	(385,000)	-	(385,000)
Interest payments on debt	-	(467,563)	-	(467,563)
Net cash used by capital and related financing activities	<u>(344,312)</u>	<u>(1,658,721)</u>	<u>(3,219)</u>	<u>(2,006,252)</u>
Cash flows from investing activities:				
Proceeds from sale of investments	375,159	-	-	375,159
Interest	250	2,015	215	2,480
Net cash provided by investing activities	<u>375,409</u>	<u>2,015</u>	<u>215</u>	<u>377,639</u>
Net increase (decrease) in cash and cash equivalents	335,349	(275,281)	(25,767)	34,301
Balances - beginning	228,977	2,315,055	159,525	2,703,557
Balances - end	<u>\$ 564,326</u>	<u>\$ 2,039,774</u>	<u>\$ 133,758</u>	<u>\$ 2,737,858</u>
Displayed as:				
Unrestricted cash	564,326	1,118,484	133,758	1,816,568
Restricted cash	-	921,290	-	921,290
Total	<u>\$ 564,326</u>	<u>\$ 2,039,774</u>	<u>\$ 133,758</u>	<u>\$ 2,737,858</u>

City of Madison, Georgia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	<u>Enterprise Funds</u>			<u>Total</u>
	<u>Gas Fund</u>	<u>Water & Sewer Fund</u>	<u>Nonmajor Sanitation Fund</u>	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 145,365	\$ 528,387	\$ (862)	\$ 672,890
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	60,191	870,587	22,179	952,957
Changes in assets and liabilities:				
Receivables, net	12,083	(42,259)	4,493	(25,683)
Prepaid expenses	765	68	(361)	472
Accounts payable	(22,964)	32,732	(3,397)	6,371
Accrued expenses	5,532	19,055	2,663	27,250
Customer deposits	3,305	9,950	-	13,255
Net cash provided by operating activities	<u>\$ 204,277</u>	<u>\$ 1,418,520</u>	<u>\$ 24,715</u>	<u>\$ 1,647,512</u>

Notes to Financial Statements

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2012

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, 2012

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, 2012

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, 2012

Note 1: Summary of Significant Accounting Policies, continued

G. Property Tax Calendar

Property taxes are administered based on the following calendar:

Property Tax Year	<u>2011</u>
Lien date	January 1, 2011
Levy date	July 21, 2011
Collection period	October 10, 2011 - December 20, 2011
Due date	December 20, 2011

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, 2012

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, 2012

Note 2: Deposits and Investments

Custodial Credit Risk

Custodial credit risk is the risk that in that in the event of a bank failure, the City's deposits may not be recovered. State law requires deposits with financial institutions be collateralized in an amount equal to 110% of uninsured deposits. As of June 30, 2012, 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, 2012.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2012

Note 3: Receivables

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

	Gas Fund	Water & Sewer Fund	Nonmajor Sanitation Fund	Total
Gross accounts receivable	\$ 182,194	\$ 780,302	\$ 101,012	\$ 1,063,508
Less: allowance for uncollectible	(14,577)	(150,811)	(11,793)	(177,181)
Net total receivables	<u>\$ 167,617</u>	<u>\$ 629,491</u>	<u>\$ 89,219</u>	<u>\$ 886,327</u>

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

Primary Government	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,084,500	\$ 197,344	\$ -	\$ 1,281,844
Historical treasures	24,318	-	-	24,318
Construction in progress	164,857	162,996	-	327,853
Total capital assets not being depreciated	<u>1,273,675</u>	<u>360,340</u>	<u>-</u>	<u>1,634,015</u>
Capital assets being depreciated:				
Infrastructure	5,158,649	30,927	-	5,189,576
Land improvements	673,143	-	-	673,143
Buildings and improvements	2,530,369	49,638	-	2,580,007
Equipment	1,010,778	123,627	-	1,134,405
Vehicles	1,148,419	50,870	51,608	1,147,681
Total capital assets being depreciated	<u>10,521,358</u>	<u>255,062</u>	<u>51,608</u>	<u>10,724,812</u>
Less accumulated depreciation for:				
Infrastructure	1,598,280	248,171	-	1,846,451
Land improvements	158,096	26,745	-	184,841
Buildings and improvements	379,734	66,160	-	445,894
Equipment	556,260	71,473	-	627,733
Vehicles	943,391	79,118	45,718	976,791
Total accumulated depreciation	<u>3,635,761</u>	<u>491,667</u>	<u>45,718</u>	<u>4,081,710</u>
Total capital assets being depreciated, net	<u>6,885,597</u>	<u>(236,605)</u>	<u>5,890</u>	<u>6,643,102</u>
Governmental activity capital assets, net	<u>\$ 8,159,272</u>	<u>\$ 123,735</u>	<u>\$ 5,890</u>	<u>\$ 8,277,117</u>

Depreciation expense was charged to functions as follows:

General government	\$ 114,850
Public safety	81,372
Public works	213,452
Culture and recreation	8,653
Housing and development	73,340
Total governmental activities depreciation expense	<u>\$ 491,667</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2012

Note 4: Capital Assets, continued

Water & Sewer Fund:	Beginning			Ending
<i>Capital assets not being depreciated:</i>	Balance	Increases	Decreases	Balance
Land	\$ 252,282	\$ -	\$ -	\$ 252,282
Construction in progress	218,986	861,223	5,232	1,074,977
Total capital assets not being depreciated	<u>471,268</u>	<u>861,223</u>	<u>5,232</u>	<u>1,327,259</u>
<i>Capital assets being depreciated:</i>				
Land improvements	47,698	-	-	47,698
Infrastructure	16,273,462	14,192	-	16,287,654
Buildings and improvements	9,035,000	-	-	9,035,000
Equipment	5,486,818	78,373	-	5,565,191
Vehicles	159,310	-	-	159,310
Total capital assets being depreciated	<u>31,002,288</u>	<u>92,565</u>	<u>-</u>	<u>31,094,853</u>
Less accumulated depreciation for:				
Land improvements	43,613	210	-	43,823
Infrastructure	4,481,637	311,226	-	4,792,863
Buildings and improvements	1,657,148	181,096	-	1,838,244
Equipment	1,255,286	371,603	-	1,626,889
Vehicles	136,558	6,453	-	143,011
Total accumulated depreciation	<u>7,574,242</u>	<u>870,588</u>	<u>-</u>	<u>8,444,830</u>
Capital assets being depreciated, net	<u>23,428,046</u>	<u>(778,023)</u>	<u>-</u>	<u>22,650,023</u>
Water and sewer capital assets, net	<u>\$ 23,899,314</u>	<u>\$ 83,200</u>	<u>\$ 5,232</u>	<u>\$ 23,977,282</u>

Gas Fund:	Beginning			Ending
<i>Capital assets not being depreciated:</i>	Balance	Increases	Decreases	Balance
Land	\$ 9,500	\$ -	\$ -	\$ 9,500
Construction in progress	11,286	219,936	226,125	5,097
Total capital assets not being depreciated	<u>20,786</u>	<u>219,936</u>	<u>226,125</u>	<u>14,597</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	2,204,114	328,701	-	2,532,815
Equipment	290,218	5,200	-	295,418
Vehicles	66,979	16,600	-	83,579
Total capital assets being depreciated	<u>2,561,311</u>	<u>350,501</u>	<u>-</u>	<u>2,911,812</u>
Less accumulated depreciation for:				
Infrastructure	769,277	44,640	-	813,917
Equipment	240,102	12,003	-	252,105
Vehicles	78,014	3,548	-	81,562
Total accumulated depreciation	<u>1,087,393</u>	<u>60,191</u>	<u>-</u>	<u>1,147,584</u>
Capital assets being depreciated, net	<u>1,473,918</u>	<u>290,310</u>	<u>-</u>	<u>1,764,228</u>
Gas capital assets, net	<u>\$ 1,494,704</u>	<u>\$ 510,246</u>	<u>\$ 226,125</u>	<u>\$ 1,778,825</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2012

Note 4: Capital Assets, continued

Nonmajor - Sanitation Fund:	Beginning			Ending
<i>Capital assets being depreciated:</i>	Balance	Increases	Decreases	Balance
Equipment	\$ 103,515	\$ 3,218	\$ -	\$ 106,733
Vehicles	389,166	-	-	389,166
Total capital assets being depreciated	<u>492,681</u>	<u>3,218</u>	<u>-</u>	<u>495,899</u>
Less accumulated depreciation for:				
Equipment	76,121	7,196	-	83,317
Vehicles	259,418	14,982	-	274,400
Total accumulated depreciation	<u>335,539</u>	<u>22,178</u>	<u>-</u>	<u>357,717</u>
Capital assets being depreciated, net	<u>157,142</u>	<u>(18,960)</u>	<u>-</u>	<u>138,182</u>
Sanitation capital assets, net	<u>\$ 157,142</u>	<u>\$ (18,960)</u>	<u>\$ -</u>	<u>\$ 138,182</u>
 Business-type activities capital assets, net	 <u>\$ 25,551,160</u>	 <u>\$ 574,486</u>	 <u>\$ 231,357</u>	 <u>\$ 25,894,289</u>

Discretely Presented Component Units - Downtown Development Authority

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

Downtown Development Authority:	Beginning			Ending
<i>Capital assets not being depreciated:</i>	Balance	Increases	Decreases	Balance
Land	\$ 1,336,298	\$ 187,175	\$ -	\$ 1,523,473
Total capital assets not being depreciated	<u>1,336,298</u>	<u>187,175</u>	<u>-</u>	<u>1,523,473</u>
<i>Capital assets being depreciated:</i>				
Land improvements	1,276,954	21,961	-	1,298,915
Buildings	1,038,443	-	-	1,038,443
Infrastructure	5,270	-	-	5,270
Equipment	161,918	-	-	161,918
Total capital assets being depreciated	<u>2,482,585</u>	<u>21,961</u>	<u>-</u>	<u>2,504,546</u>
Less accumulated depreciation for:				
Land improvements	77,265	68,524	-	145,789
Buildings	24,765	22,861	-	47,626
Infrastructure	114	105	-	219
Equipment	17,885	14,527	-	32,412
Total accumulated depreciation	<u>120,029</u>	<u>106,017</u>	<u>-</u>	<u>226,046</u>
Capital assets being depreciated, net	<u>2,362,556</u>	<u>(84,056)</u>	<u>-</u>	<u>2,278,500</u>
Capital assets, net	<u>\$ 3,698,854</u>	<u>\$ 103,119</u>	<u>\$ -</u>	<u>\$ 3,801,973</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2012

Note 5: Interfund Balances and Activity

Interfund balances at June 30, 2012 consist of the following:

Payable Fund:						
Receivable Fund:	General Fund	Nonmajor Gov. Fund	Gas Fund	Water & Sewer Fund	Nonmajor Enterprise	Total
General Fund	\$ -	\$ 9,470	\$ 303,608	\$ 177,509	\$ 41,377	\$ 531,964
Nonmajor governmental	50,378	-	-	-	-	50,378
Gas Fund	-	221	-	7,129	9,235	16,585
Water and Sewer Fund	-	1,086	-	-	12,733	13,819
	\$ 50,378	\$ 10,777	\$ 303,608	\$ 184,638	\$ 63,345	\$ 612,746

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

Transfers to/from Other Funds

Transfers In:		
Transfers Out:	General Fund	Total
Nonmajor governmental	\$ 41,867	\$ 41,867
Gas Fund	300,000	300,000
Water and Sewer Fund	175,000	175,000
Nonmajor enterprise	40,000	40,000
	\$ 556,867	\$ 556,867

The transfers to the General fund in the amount of \$556,867 were to assist in the daily operation of this fund. The Hotel Motel Tax fund transferred \$41,867 to the General Fund for the unrestricted portion of the tax collected.

Note 6: 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.

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.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2012

Note 6: Long-term Obligations, continued

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.

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.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2012

Note 6: Long-term Obligations, continued

Capital Lease Obligation

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

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

Both of the leases qualify as 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.

	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>
Municipal complex	\$ 2,100,000	\$ 349,990
John Deere Tractor	85,017	5,668

Future minimum lease payments at June 30, 2012:

Fiscal Year Ending June 30,	Governmental Activities
2013	\$ 271,753
2014	271,753
2015	271,753
2016	254,867
2017	249,238
2018	<u>249,238</u>
Minimum lease payments	1,568,602
Less: Interest	<u>(156,382)</u>
Net present value of minimum lease payments	<u><u>\$ 1,412,220</u></u>

Long-term Obligation Activity

Changes in long-term obligations for the year ended June 30, 2012 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental activities:					
Capital lease obligations	\$ 1,541,896	\$ 84,358	\$ 214,034	\$ 1,412,220	\$ 226,147
Compensated absences	<u>79,751</u>	<u>49,175</u>	<u>44,312</u>	<u>84,614</u>	<u>-</u>
	<u><u>\$ 1,621,647</u></u>	<u><u>\$ 133,533</u></u>	<u><u>\$ 258,346</u></u>	<u><u>\$ 1,496,834</u></u>	<u><u>\$ 226,147</u></u>

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

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2012

Note 6: Long-term Obligations, continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Business-type activities:					
Gas Fund:					
Compensated absences	22,763	12,424	11,048	24,139	-
	<u>\$ 22,763</u>	<u>\$ 12,424</u>	<u>\$ 11,048</u>	<u>\$ 24,139</u>	<u>\$ -</u>
Water and Sewer Fund:					
Revenue bonds - (2005)	10,750,000	-	385,000	10,365,000	395,000
Deferred amounts:					
Less: Deferred					
loss on refunding	(89,382)	-	14,897	(74,485)	-
Less: Discounts	(161,178)	-	8,446	(152,732)	-
Total bonds payable	<u>10,499,440</u>	<u>-</u>	<u>408,343</u>	<u>10,137,783</u>	<u>395,000</u>
Compensated absences	26,861	27,368	26,931	27,298	-
	<u>\$ 10,526,301</u>	<u>\$ 27,368</u>	<u>\$ 435,274</u>	<u>\$ 10,165,081</u>	<u>\$ 395,000</u>
Nonmajor-Sanitation Fund:					
Compensated absences	4,015	5,145	3,418	5,742	-
	<u>\$ 4,015</u>	<u>\$ 5,145</u>	<u>\$ 3,418</u>	<u>\$ 5,742</u>	<u>\$ -</u>
Total Business-type activities	<u>\$ 10,553,079</u>	<u>\$ 44,937</u>	<u>\$ 449,740</u>	<u>\$ 10,194,962</u>	<u>\$ 395,000</u>

Debt service requirements:

Year Ending June 30,	<u>Water & Sewer Fund</u>	
	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 395,000	\$ 453,125
2014	415,000	437,325
2015	430,000	420,725
2016	445,000	403,525
2017	465,000	385,169
2018 - 2022	2,635,000	1,616,539
2023 - 2027	3,255,000	995,676
2028 - 2030	2,325,000	218,300
	<u>\$ 10,365,000</u>	<u>\$ 4,930,384</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, 2012 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, 2012

Note 6: Long-term Obligations, continued

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, 2012 was \$66,269. All principal and unpaid interest on the note is due upon the maturity date of the note which is August 29, 2012.

On August 29, 2011, the Downtown Development Authority entered into a loan agreement with United Bank with a principal amount of \$46,000. 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, 2012 was \$46,000. All principal and unpaid interest on the note is due upon the maturity date of the note which is August 29, 2012.

On June 28, 2012, the Downtown Development Authority entered into a loan agreement with United Bank with a principal amount of \$60,000. 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, 2012 was \$60,000. All principal and unpaid interest on the note is due upon the maturity date of the note which is August 29, 2012.

Long-term Obligation Activity

Changes in long-term obligations for the year ended June 30, 2012 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Notes Payable	\$ 1,266,661	\$ 106,000	\$ 29,404	\$ 1,343,257	\$ 172,269
	<u>\$ 1,266,661</u>	<u>\$ 106,000</u>	<u>\$ 29,404</u>	<u>\$ 1,343,257</u>	<u>\$ 172,269</u>

Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2012 are as follows:

	Notes Payable	
	Principal	Interest
Year Ending June 30,		
2013	172,269	49,310
2014	1,170,988	42,567
	<u>\$ 1,343,257</u>	<u>\$ 91,877</u>

Note 7: Net Assets Restricted by Enabling Legislation

In 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 and capital project funds to account for activities in accordance with Georgia law. These funds have restrictions on the use of the remaining fund balance in the funds as follows:

Capital projects	\$ 333,671
Public safety	39,044
Public works	20,982
Culture & recreation	13,028
	<u>\$ 406,725</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2012

Note 8: Fund Balance – Governmental Funds

As of June 30, 2012, fund balances are composed of the following:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable			
Prepays	\$ 67,347	\$ 591	\$ 67,938
Permanent fund principal	-	233,606	233,606
Total nonspendable	<u>67,347</u>	<u>234,197</u>	<u>301,544</u>
Restricted			
General government	-	14,619	14,619
Public safety	6,008	39,044	45,052
Public works	-	302,946	302,946
Health & welfare	-	77,194	77,194
Culture & recreation	-	79,508	79,508
Total restricted	<u>6,008</u>	<u>513,311</u>	<u>519,319</u>
Committed			
Public works	-	18,332	18,332
Total committed	<u>-</u>	<u>18,332</u>	<u>18,332</u>
Assigned			
Public works	249,238	-	249,238
Subsequent years' budget	186,210	-	186,210
Total assigned	<u>435,448</u>	<u>-</u>	<u>435,448</u>
Unassigned			
Total unassigned	<u>984,643</u>	<u>-</u>	<u>984,643</u>
Total fund balance	<u>\$ 1,493,446</u>	<u>\$ 765,840</u>	<u>\$ 2,259,286</u>

Note 9: 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, 2012

Note 9: Retirement Benefits, continued

For the year ended January 1, 2012 (the most recent actuarial valuation date), the City's total covered payroll amounted to \$2,340,350. 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	27
Terminated plan members entitled to, but not receiving benefits	11
Active plan members	69
Total	107

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 \$275,838, which is 11.79% 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 \$432,619

Annual Pension Cost

The City's annual pension cost of \$432,619. The employer contribution was \$432,619 for the plan year ended January 1, 2012.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation as of January 1, 2012.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2012

Note 9: Retirement Benefits, continued

Actuarial Valuation Information

Valuation date	January 1, 2012	January 1, 2011
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Dollar (Closed)	Level Dollar (Closed)
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

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>% of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
1/1/2012	\$ 432,619	100%	\$ -
1/1/2011	417,678	100%	-
1/1/2010	438,665	100%	-

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

<u>Measurement</u> <u>Date</u>	<u>(a)</u> <u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>(b)</u> <u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u>	<u>Unfunded</u> <u>AAL (UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>(c)</u> <u>Covered</u> <u>Payroll</u>	<u>UAAL as a</u> <u>percentage of</u> <u>covered</u> <u>payroll</u> <u>(b-a)/c</u>
1/1/2012	8,320,389	8,533,935	213,546	97.50%	2,340,350	9.1%

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, 2012

Note 10: Other Postemployment Benefits

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

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

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, \$15,624 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>(15,624)</u>
Increase in Net OPEB Obligation	7,855
Net OPEB Obligation, beginning	<u>16,395</u>
Net OPEB Obligation, ending	<u><u>\$ 24,250</u></u>

Percentage of ARC contributed	67%
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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, 2012

Note 10: 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
6/30/2012	\$ 23,479	\$ 23,479	\$ 15,624	67%	\$ 7,855
6/30/2011	23,479	23,479	16,626	71%	6,853
6/30/2010	23,479	23,479	13,935	59%	9,544

Note 11: Risk Management

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

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

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

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

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2012

Note 11: 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, 2012.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2012

Note 12: Commitments and Contingencies

Construction and Commitments

At June 30, 2012, the City had the following active projects:

	Estimated Project Cost	Expended to Date
Governmental Funds		
Wellington Building	\$ 200,000	\$ 150,881
Airport Improvement	165,000	163,615
Server Upgrades	17,000	13,358
Gas Fund		
Southeast Gas Extension	1,200,000	5,097
Water Fund		
Indian Creek Phosphorous	560,000	510,249
Water Plant Improvement - EECBG	600,000	564,728

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, 2012.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2012

Note 13: Jointly Governed Entities

Madison-Morgan Airport Authority. The Madison-Morgan Airport Authority was established in March 1996. The Authority is governed by a seven-member board of which three members are appointed by Morgan County Commissioners, three members are appointed by the City of Madison Council, and one member is jointly appointed by the County and City. The Airport Authority has the power to adopt by-laws and rules and regulations for the proper conduct of an airport for the City of Madison and Morgan County. The City does not maintain an equity interest in the Airport Authority; therefore, the City does not recognize the Airport Authority as a component unit, but as a related jointly governed entity. The Airport Authority had no financial activity for the period ended June 30, 2012.

Note 14: Joint Ventures

Northeast Georgia Regional Commission (NEGRC) The City of Madison, Georgia, in conjunction with cities and counties in the 12 county Northeast Georgia area 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 15: Related Entity

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

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

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

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

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2012

Note 15: Related Entity, continued

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, 2012, Payments in Lieu of Taxes paid to the City was \$373.

Note 16: Hotel/Motel Lodging Tax

The City of Madison, Georgia has levied a 5% lodging tax. The City entered into a contract with the Madison-Morgan Chamber of Commerce, Inc., a non-profit 501(c)(6) organization in Morgan County, Georgia. The City made total payments to the Chamber in the amount of \$88,500 even though only \$81,187 was required by enabling legislation. The funds received by the Chamber shall be expended for the purposes of promoting tourism in the City of Madison, Georgia. A summary of transactions for the obligation to the Chamber of Commerce for the year ended June 30, 2011 follows:

	Chamber - 40%	City - 60%	Total
Balance owed at 6/30/2011	\$ -	\$ -	\$ -
Lodging tax receipts FYE 6/30/2012	81,187	121,780	202,967
Disbursements to the Madison-Morgan Chamber of Commerce for promotion of tourism	(81,187)	(7,313)	(88,500)
Disbursements for downtown development activities	-	(114,467)	(114,467)
Balance owed at 6/30/2012	\$ -	\$ -	\$ -

Note 17: Subsequent Events

On February 27, 2012, Mayor and Council voted to eliminate impact fees. On August 13, 2012, Mayor and Council voted to refund impact fees previously paid to the City. The results of this action will require that refunds in the amount of approximately \$55,000 will be returned to the payer. The City maintains impact fees in a separate bank account and refunds will be made from this account.

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 2,911,600	\$ 2,921,700	\$ 3,146,495	\$ 224,795
Licenses and permits	40,375	40,375	48,215	7,840
Intergovernmental	43,000	83,700	41,125	(42,575)
Charges for services	132,848	245,748	236,199	(9,549)
Fines and forfeitures	255,100	255,100	224,261	(30,839)
Investment income	2,000	2,000	3,129	1,129
Contributions and donations	-	13,260	92	(13,168)
Miscellaneous revenue	28,860	30,360	32,935	2,575
Total revenues	<u>3,413,783</u>	<u>3,592,243</u>	<u>3,732,451</u>	<u>140,208</u>
EXPENDITURES				
Current:				
General government:				
Governing body	77,870	82,670	79,872	2,798
Legislative committees and special bodies	62,900	62,900	8,497	54,403
City manager	127,600	127,800	124,947	2,853
City clerk	117,500	118,200	117,664	536
Law	20,000	37,500	37,348	152
Data processing/MIS	73,500	78,600	77,181	1,419
General government buildings	78,500	245,500	242,263	3,237
Judicial:				
Municipal court	92,400	92,400	86,857	5,543
Public safety:				
Police	1,126,350	1,132,650	1,076,073	56,577
Custody of prisoners	43,500	35,500	27,965	7,535
Fire	181,215	167,715	147,469	20,246
E-911	121,000	93,000	92,652	348
Animal control	68,100	68,500	62,401	6,099
Public works:				
Highways and streets	616,935	681,735	681,418	317
Maintenance and shop	71,050	71,050	68,945	2,105
Cemetery	4,500	4,500	-	4,500
Culture & recreation:				
Recreation	43,280	58,780	58,267	513
Landscaping	282,800	311,800	300,996	10,804
Housing & development:				
Planning and zoning	206,000	206,000	187,077	18,923
Tourism	40,763	40,763	40,725	38
Downtown development	125,000	138,260	138,260	-
Main Street	205,950	205,950	198,553	7,397
Airport	123,900	248,100	246,138	1,962
Debt service:				
Principal payments	199,000	214,500	214,034	466
Interest and fiscal charges	50,500	53,000	52,091	909
Total expenditures	<u>4,160,113</u>	<u>4,577,373</u>	<u>4,367,693</u>	<u>209,680</u>
Excess (deficiency) of revenues over (under) expenditures	(746,330)	(985,130)	(635,242)	349,888

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Other financing sources:				
Lease proceeds	-	84,500	84,358	(142)
Proceeds of governmental asset dispositions	-	4,300	4,410	110
Transfers in	654,330	654,330	556,867	(97,463)
Total other financing sources	<u>654,330</u>	<u>743,130</u>	<u>645,635</u>	<u>(97,495)</u>
Net change in fund balance	(92,000)	(242,000)	10,393	252,393
Fund balance - beginning	1,483,053	1,483,053	1,483,053	-
Fund balance - ending	<u>\$ 1,391,053</u>	<u>\$ 1,241,053</u>	<u>\$ 1,493,446</u>	<u>\$ 252,393</u>

City of Madison, Georgia
Required Supplementary Information
Retirement Plan-Schedule of Funding Progress
June 30, 2012

RETIREMENT PLAN
Schedule of Funding Progress

Measurement Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	(c) Covered Payroll	UAAL as a percentage of covered payroll (b - a) / c
1/1/2012	\$ 8,320,389	\$ 8,533,935	\$ 213,546	97.5%	\$ 2,340,350	9.1%
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, 2012

OTHER POSTEMPLOYMENT BENEFITS

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL) Projected Unit Credit</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>(c) Covered Payroll</u>	<u>UAAL as a percentage of covered payroll (b - a) / c</u>
1/1/2010	\$ -	\$ 264,383	\$ 264,383	0.0%	\$ 2,259,522	11.7%

Schedule of Funding Progress

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Amount Contributed</u>	<u>Percentage Contributed</u>
6/30/2012	\$ 23,479	\$ 15,624	66.54%
6/30/2011	23,479	16,626	70.81%
6/30/2010	23,479	13,935	59.35%

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.

City of Madison, Georgia
Notes to Required Supplementary Information
June 30, 2012

NOTE A: BASIS OF PRESENTATION

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

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, 2012

	<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>
Assets				
Cash	\$ 77,653	\$ 348,561	\$ 18,946	\$ 445,160
Investments	-	-	3,779	3,779
Accounts receivables	-	-	5,750	5,750
Internal balances	35,825	-	14,553	50,378
Due from other governments	17,163	43,063	-	60,226
Prepaid items	591	-	-	591
Restricted Investments	-	-	233,606	233,606
Total assets	<u>131,232</u>	<u>391,624</u>	<u>276,634</u>	<u>799,490</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	17,323	-	-	17,323
Internal balances	1,307	-	9,470	10,777
Deferred revenue	-	-	5,550	5,550
Total liabilities	<u>18,630</u>	<u>-</u>	<u>15,020</u>	<u>33,650</u>
Fund Balances:				
Nonspendable	591	-	233,606	234,197
Restricted	112,011	391,624	9,676	513,311
Committed	-	-	18,332	18,332
Total fund balances	<u>112,602</u>	<u>391,624</u>	<u>261,614</u>	<u>765,840</u>
Total liabilities and fund balances	<u>\$ 131,232</u>	<u>\$ 391,624</u>	<u>\$ 276,634</u>	<u>\$ 799,490</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, 2012

	<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>
Revenues:				
Taxes	\$ 202,967	\$ -	\$ -	\$ 202,967
Intergovernmental	104,153	256,901	-	361,054
Charges for services	-	4,320	15,450	19,770
Interest	102	547	1,974	2,623
Contributions and donations	23,780	-	3,999	27,779
Total Revenues	<u>331,002</u>	<u>261,768</u>	<u>21,423</u>	<u>614,193</u>
Expenditures:				
Current:				
Public safety	458	-	-	458
Health and welfare	107,232	-	-	107,232
Culture and recreation	-	-	1,166	1,166
Housing and development	161,100	-	-	161,100
Capital Outlay:				
Public safety	-	149,638	-	149,638
Public works	-	30,931	-	30,931
Total Expenditures	<u>268,790</u>	<u>180,569</u>	<u>1,166</u>	<u>450,525</u>
Excess of revenues over expenditures	62,212	81,199	20,257	163,668
Other financing sources (uses):				
Transfers (out)	(41,867)	-	-	(41,867)
Net change in fund balances	20,345	81,199	20,257	121,801
Fund balance - beginning	92,257	310,425	241,357	644,039
Fund balance - ending	<u>\$ 112,602</u>	<u>\$ 391,624</u>	<u>\$ 261,614</u>	<u>\$ 765,840</u>

City of Madison, Georgia
Special Revenue Funds
Combining Balance Sheet
June 30, 2012

	<u>Confiscated Asset Fund</u>	<u>System of Care Fund</u>	<u>Local Development Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Total</u>
Assets					
Cash	\$ 15,101	\$ 62,552	\$ -	\$ -	\$ 77,653
Internal balances	-	12	19,716	16,097	35,825
Due from other governments	-	17,163	-	-	17,163
Prepaid items	-	591	-	-	591
Total assets	<u>15,101</u>	<u>80,318</u>	<u>19,716</u>	<u>16,097</u>	<u>131,232</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	-	2,533	-	14,790	17,323
Internal balances	-	-	-	1,307	1,307
Total liabilities	<u>-</u>	<u>2,533</u>	<u>-</u>	<u>16,097</u>	<u>18,630</u>
Fund balances:					
Nonspendable	-	591	-	-	591
Restricted	15,101	77,194	19,716	-	112,011
Total fund balance	<u>15,101</u>	<u>77,785</u>	<u>19,716</u>	<u>-</u>	<u>112,602</u>
Total liabilities and fund equity	<u>\$ 15,101</u>	<u>\$ 80,318</u>	<u>\$ 19,716</u>	<u>\$ 16,097</u>	<u>\$ 131,232</u>

City of Madison, Georgia
Special Revenue Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance
For the Fiscal Year Ended June 30, 2012

	<u>Confiscated Asset Fund</u>	<u>System of Care Fund</u>	<u>Local Development Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Total</u>
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ 202,967	\$ 202,967
Intergovernmental	-	104,153	-	-	104,153
Interest	26	76	-	-	102
Contributions and donations	-	23,780	-	-	23,780
Total revenue	<u>26</u>	<u>128,009</u>	<u>-</u>	<u>202,967</u>	<u>331,002</u>
Expenditures:					
Current:					
Public safety	458	-	-	-	458
Health and welfare	-	107,232	-	-	107,232
Housing and development	-	-	-	161,100	161,100
Total expenditures	<u>458</u>	<u>107,232</u>	<u>-</u>	<u>161,100</u>	<u>268,790</u>
Excess (deficiency) of revenues over (under) expenditures	(432)	20,777	-	41,867	62,212
Other financing sources (uses):					
Transfers (out)	-	-	-	(41,867)	(41,867)
Net change in fund balances	(432)	20,777	-	-	20,345
Fund balance - beginning	15,533	57,008	19,716	-	92,257
Fund balance - ending	<u>\$ 15,101</u>	<u>\$ 77,785</u>	<u>\$ 19,716</u>	<u>\$ -</u>	<u>\$ 112,602</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Forfeitures	\$ 4,300	\$ 4,300	\$ -	\$ (4,300)
Interest	200	200	26	(174)
Total revenue	<u>4,500</u>	<u>4,500</u>	<u>26</u>	<u>(4,474)</u>
Expenditures:				
Current:				
Public safety	7,500	7,500	458	7,042
Total expenditures	<u>7,500</u>	<u>7,500</u>	<u>458</u>	<u>7,042</u>
Net change in fund balances	(3,000)	(3,000)	(432)	2,568
Fund balance - beginning	15,533	15,533	15,533	-
Fund balance - ending	<u>\$ 12,533</u>	<u>\$ 12,533</u>	<u>\$ 15,101</u>	<u>\$ 2,568</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Intergovernmental	\$ 167,010	\$ 131,850	\$ 104,153	\$ (27,697)
Interest	-	-	76	76
Contributions and donations	-	35,160	23,780	(11,380)
Total revenue	<u>167,010</u>	<u>167,010</u>	<u>128,009</u>	<u>(39,001)</u>
Expenditures:				
Current:				
Health and welfare	<u>167,010</u>	<u>167,010</u>	<u>107,232</u>	<u>59,778</u>
Total expenditures	<u>167,010</u>	<u>167,010</u>	<u>107,232</u>	<u>59,778</u>
Net change in fund balances	-	-	20,777	20,777
Fund balance - beginning	<u>57,008</u>	<u>57,008</u>	<u>57,008</u>	<u>-</u>
Fund balance - ending	<u>\$ 57,008</u>	<u>\$ 57,008</u>	<u>\$ 77,785</u>	<u>\$ 20,777</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
Public works	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balance - beginning	<u>19,716</u>	<u>19,716</u>	<u>19,716</u>	<u>-</u>
Fund balance - ending	<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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes	\$ 190,000	\$ 190,000	\$ 202,967	\$ 12,967
Total revenue	<u>190,000</u>	<u>190,000</u>	<u>202,967</u>	<u>12,967</u>
Expenditures:				
Current:				
Housing and development	<u>167,390</u>	<u>167,390</u>	<u>161,100</u>	<u>6,290</u>
Total expenditures	<u>167,390</u>	<u>167,390</u>	<u>161,100</u>	<u>6,290</u>
Excess of revenues over expenditures	22,610	22,610	41,867	19,257
Other financing (uses):				
Transfers (out)	<u>(22,610)</u>	<u>(22,610)</u>	<u>(41,867)</u>	<u>(19,257)</u>
Net change in fund balances	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Madison, Georgia
Capital Projects Funds
Combining Balance Sheet
For the Fiscal Year Ended June 30, 2012

	<u>SPLOST</u>	<u>Impact Fee</u>	<u>Total</u>
Assets			
Cash	\$ 293,095	\$ 55,466	\$ 348,561
Due from other governments	43,063	-	43,063
Total assets	<u>336,158</u>	<u>55,466</u>	<u>391,624</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted	336,158	55,466	391,624
Total fund balances	<u>336,158</u>	<u>55,466</u>	<u>391,624</u>
Total liabilities and fund balances	<u>\$ 336,158</u>	<u>\$ 55,466</u>	<u>\$ 391,624</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, 2012

	<u>SPLOST</u>	<u>Impact Fee</u>	<u>Total</u>
Revenues:			
Intergovernmental	\$ 256,901	\$ -	\$ 256,901
Charges for services	-	4,320	4,320
Interest	452	95	547
Total revenue	<u>257,353</u>	<u>4,415</u>	<u>261,768</u>
Expenditures:			
Capital outlay:			
Public safety	149,638	-	149,638
Public works	30,931	-	30,931
Total expenditures	<u>180,569</u>	<u>-</u>	<u>180,569</u>
Net change in fund balances	76,784	4,415	81,199
Fund balance - beginning	259,374	51,051	310,425
Fund balance - ending	<u>\$ 336,158</u>	<u>\$ 55,466</u>	<u>\$ 391,624</u>

City of Madison, Georgia
Permanent Funds
Combining Balance Sheet
For the Fiscal Year Ended June 30, 2012

	Ricketts		
	<u>Environmental Trust</u>	<u>Cemetery</u>	<u>Total</u>
Assets			
Cash	\$ 18,946	\$ -	\$ 18,946
Investments	-	3,779	3,779
Accounts receivables	200	5,550	5,750
Internal balances	-	14,553	14,553
Restricted investments	25,000	208,606	233,606
Total assets	<u>44,146</u>	<u>232,488</u>	<u>276,634</u>
Liabilities and Fund Balance			
Liabilities:			
Internal balances	9,470	-	9,470
Deferred revenue	-	5,550	5,550
Total liabilities	<u>9,470</u>	<u>5,550</u>	<u>15,020</u>
Fund Balances:			
Nonspendable	25,000	208,606	233,606
Restricted	9,676	-	9,676
Committed	-	18,332	18,332
Total fund balances	<u>34,676</u>	<u>226,938</u>	<u>261,614</u>
Total liabilities and fund balances	<u>\$ 44,146</u>	<u>\$ 232,488</u>	<u>\$ 276,634</u>

City of Madison, Georgia
Permanent Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance
For the Fiscal Year Ended June 30, 2012

	Ricketts		
	<u>Environmental Trust</u>	<u>Cemetery</u>	<u>Total</u>
Revenues:			
Charges for services	\$ -	\$ 15,450	\$ 15,450
Interest	281	1,693	1,974
Contributions and donations	3,999	-	3,999
Total revenue	<u>4,280</u>	<u>17,143</u>	<u>21,423</u>
Expenditures:			
Culture and recreation	1,166	-	1,166
Total expenditures	<u>1,166</u>	<u>-</u>	<u>1,166</u>
Net change in fund balances	3,114	17,143	20,257
Fund balance - beginning	31,562	209,795	241,357
Fund balance - ending	<u>\$ 34,676</u>	<u>\$ 226,938</u>	<u>\$ 261,614</u>

Other Schedules

City of Madison, Georgia
General Fund
Schedule of Revenues and Other Financing Sources -
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes				
General property taxes	\$ 1,664,100	\$ 1,664,100	\$ 1,814,070	\$ 149,970
General sales and use taxes	744,000	744,000	814,358	70,358
Selective sales and use taxes	222,000	232,100	228,101	(3,999)
Business taxes	274,500	274,500	278,748	4,248
Penalties and interest on delinquent taxes	7,000	7,000	11,218	4,218
Total taxes	<u>2,911,600</u>	<u>2,921,700</u>	<u>3,146,495</u>	<u>224,795</u>
Licenses and Permits				
Business licenses	32,875	32,875	41,050	8,175
Non-business licenses and permits	7,000	7,000	6,745	(255)
Penalties and interest on licenses	500	500	420	(80)
Total licenses and permits	<u>40,375</u>	<u>40,375</u>	<u>48,215</u>	<u>7,840</u>
Intergovernmental Revenues				
Federal governmental grants	2,000	42,700	40,752	(1,948)
State governmental grants	40,000	40,000	-	(40,000)
Local government unit grants	1,000	1,000	373	(627)
Total intergovernmental revenue	<u>43,000</u>	<u>83,700</u>	<u>41,125</u>	<u>(42,575)</u>
Charges for services				
General government	9,248	9,248	3,944	(5,304)
Other fees	90,600	190,600	193,557	2,957
Other charges for services	33,000	45,900	38,698	(7,202)
Total charges for services	<u>132,848</u>	<u>245,748</u>	<u>236,199</u>	<u>(9,549)</u>
Fines & forfeitures				
Fines & forfeitures	254,100	254,100	223,065	(31,035)
Parking tickets	1,000	1,000	1,196	196
Total fines & forfeitures	<u>255,100</u>	<u>255,100</u>	<u>224,261</u>	<u>(30,839)</u>
Investment income				
Interest	2,000	2,000	3,129	1,129
Total investment income	<u>2,000</u>	<u>2,000</u>	<u>3,129</u>	<u>1,129</u>
Contributions and donations from private sources				
Contributions & donations	-	13,260	92	(13,168)
Total contributions and donations from private sources	<u>-</u>	<u>13,260</u>	<u>92</u>	<u>(13,168)</u>
Miscellaneous Revenue				
Rents and royalties	26,360	27,460	29,455	1,995
Other	2,500	2,900	3,480	580
Total miscellaneous revenue	<u>28,860</u>	<u>30,360</u>	<u>32,935</u>	<u>2,575</u>
Other Financing Sources				
Transfers in	654,330	654,330	556,867	(97,463)
Lease proceeds	-	84,500	84,358	(142)
Proceeds of governmental asset dispositions	-	4,300	4,410	110
Total other financing sources	<u>654,330</u>	<u>743,130</u>	<u>645,635</u>	<u>(97,495)</u>
Total Revenues and Other Financing Sources	<u>\$ 4,068,113</u>	<u>\$ 4,335,373</u>	<u>\$ 4,378,086</u>	<u>\$ 42,713</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Governing body				
Personal services	\$ 34,870	\$ 34,870	\$ 34,740	\$ 130
Purchased/contracted services	39,000	41,300	38,826	2,474
Supplies	4,000	6,500	6,306	194
Total governing body	<u>77,870</u>	<u>82,670</u>	<u>79,872</u>	<u>2,798</u>
Historic Preservation Commission				
Purchased/contracted services	8,000	8,000	1,963	6,037
Supplies	2,000	2,000	797	1,203
Total Historic Preservation Commission	<u>10,000</u>	<u>10,000</u>	<u>2,760</u>	<u>7,240</u>
Corridor Design Commission				
Purchased/contracted services	2,900	2,900	1,820	1,080
Supplies	1,100	1,100	65	1,035
Other costs	40,000	40,000	-	40,000
Total Corridor Design Commission	<u>44,000</u>	<u>44,000</u>	<u>1,885</u>	<u>42,115</u>
Tree Board				
Purchased/contracted services	3,600	3,600	1,620	1,980
Supplies	1,100	1,100	1,733	(633)
Total Tree Board	<u>4,700</u>	<u>4,700</u>	<u>3,353</u>	<u>1,347</u>
Cemetery Commission				
Purchased/contracted services	2,100	2,100	151	1,949
Supplies	2,100	2,100	348	1,752
Total Cemetery Commission	<u>4,200</u>	<u>4,200</u>	<u>499</u>	<u>3,701</u>
City Manager				
Personal services	118,200	118,400	116,823	1,577
Purchased/contracted services	6,400	6,400	4,166	2,234
Supplies	3,000	3,000	3,958	(958)
Total City Manager	<u>127,600</u>	<u>127,800</u>	<u>124,947</u>	<u>2,853</u>
City Clerk				
Personal services	83,600	86,300	83,593	2,707
Purchased/contracted services	19,350	16,050	16,750	(700)
Supplies	1,050	2,350	3,727	(1,377)
Other costs	13,500	13,500	13,594	(94)
Total City Clerk	<u>117,500</u>	<u>118,200</u>	<u>117,664</u>	<u>536</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Law				
Purchased/contracted services	20,000	37,500	37,348	152
Total Law	<u>20,000</u>	<u>37,500</u>	<u>37,348</u>	<u>152</u>
Data Processing/MIS				
Purchased/contracted services	56,000	59,600	61,086	(1,486)
Supplies	5,500	5,500	2,737	2,763
Capital outlay	12,000	13,500	13,358	142
Total Data Processing/MIS	<u>73,500</u>	<u>78,600</u>	<u>77,181</u>	<u>1,419</u>
General Government Buildings				
Purchased/contracted services	19,600	31,600	34,685	(3,085)
Supplies	52,500	52,500	46,222	6,278
Capital outlay	-	160,000	159,879	121
Other costs	6,400	1,400	1,477	(77)
Total General Government Buildings	<u>78,500</u>	<u>245,500</u>	<u>242,263</u>	<u>3,237</u>
Total General Government	<u>557,870</u>	<u>753,170</u>	<u>687,772</u>	<u>65,398</u>
JUDICIAL				
Municipal Court				
Personal services	41,700	41,700	38,809	2,891
Purchased/contracted services	46,400	46,400	44,158	2,242
Supplies	4,300	4,300	3,890	410
Total municipal court	<u>92,400</u>	<u>92,400</u>	<u>86,857</u>	<u>5,543</u>
Total Judicial	<u>92,400</u>	<u>92,400</u>	<u>86,857</u>	<u>5,543</u>
PUBLIC SAFETY				
Police				
Personal services	909,000	897,000	845,981	51,019
Purchased/contracted services	55,300	55,300	46,287	9,013
Supplies	84,450	112,750	118,489	(5,739)
Capital outlay	59,600	60,600	60,274	326
Other costs	18,000	7,000	5,042	1,958
Total police department	<u>1,126,350</u>	<u>1,132,650</u>	<u>1,076,073</u>	<u>56,577</u>
Custody of Prisoners				
Purchased/contracted services	1,500	1,500	-	1,500
Supplies	2,000	2,000	70	1,930
Other costs	40,000	32,000	27,895	4,105
Total custody of prisoners	<u>43,500</u>	<u>35,500</u>	<u>27,965</u>	<u>7,535</u>
Fire				
Personal services	84,500	69,700	61,341	8,359
Purchased/contracted services	59,350	59,350	49,292	10,058
Supplies	31,265	31,265	30,516	749
Capital outlay	5,100	6,400	6,320	80
Other costs	1,000	1,000	-	1,000
Total fire department	<u>181,215</u>	<u>167,715</u>	<u>147,469</u>	<u>20,246</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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
E-911				
Other costs	121,000	93,000	92,652	348
Total E-911	<u>121,000</u>	<u>93,000</u>	<u>92,652</u>	<u>348</u>
Animal Control				
Personal services	46,000	46,900	46,462	438
Purchased/contracted services	11,600	11,350	6,751	4,599
Supplies	8,000	7,750	4,716	3,034
Other costs	2,500	2,500	4,472	(1,972)
Total animal control	<u>68,100</u>	<u>68,500</u>	<u>62,401</u>	<u>6,099</u>
Total Public Safety	<u>1,540,165</u>	<u>1,497,365</u>	<u>1,406,560</u>	<u>90,805</u>
PUBLIC WORKS				
Highways & Streets				
Personal services	353,000	319,800	302,329	17,471
Purchased/contracted services	39,235	59,235	67,382	(8,147)
Supplies	174,200	208,700	219,282	(10,582)
Capital outlay	8,500	94,000	92,425	1,575
Other costs	42,000	-	-	-
Total highways & streets	<u>616,935</u>	<u>681,735</u>	<u>681,418</u>	<u>317</u>
Maintenance and shop				
Personal services	61,700	63,500	62,552	948
Purchased/contracted services	2,500	2,000	1,516	484
Supplies	6,850	5,550	4,877	673
Total maintenance and shop	<u>71,050</u>	<u>71,050</u>	<u>68,945</u>	<u>2,105</u>
Cemetery				
Purchased/contracted services	3,000	3,000	-	3,000
Supplies	1,500	1,500	-	1,500
Total cemetery	<u>4,500</u>	<u>4,500</u>	<u>-</u>	<u>4,500</u>
Total Public Works	<u>692,485</u>	<u>757,285</u>	<u>750,363</u>	<u>6,922</u>
CULTURE AND RECREATION				
Recreation				
Purchased/contracted services	1,400	1,900	1,628	272
Supplies	11,880	11,880	11,880	-
Capital outlay	-	40,000	39,759	241
Other costs	30,000	5,000	5,000	-
Total recreation	<u>43,280</u>	<u>58,780</u>	<u>58,267</u>	<u>513</u>
Landscaping				
Personal services	199,300	228,300	224,256	4,044
Purchased/contracted services	14,500	14,500	14,145	355
Supplies	61,000	61,000	55,260	5,740
Total landscaping	<u>282,800</u>	<u>311,800</u>	<u>300,996</u>	<u>10,804</u>
Total Culture & Recreation	<u>326,080</u>	<u>370,580</u>	<u>359,263</u>	<u>11,317</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
HOUSING AND DEVELOPMENT				
Planning and zoning:				
Personal services	137,500	137,500	134,137	3,363
Purchased/contracted services	61,700	61,700	46,145	15,555
Supplies	6,800	6,800	6,795	5
Total planning and zoning	<u>206,000</u>	<u>206,000</u>	<u>187,077</u>	<u>18,923</u>
Tourism				
Purchased/contracted services	6,200	6,200	6,162	38
Other costs	34,563	34,563	34,563	-
Total tourism	<u>40,763</u>	<u>40,763</u>	<u>40,725</u>	<u>38</u>
Downtown Development				
Other costs	125,000	138,260	138,260	-
Total downtown development	<u>125,000</u>	<u>138,260</u>	<u>138,260</u>	<u>-</u>
Main Street				
Personal services	108,500	108,500	106,378	2,122
Purchased/contracted services	80,750	80,750	78,648	2,102
Supplies	12,700	12,700	10,684	2,016
Capital outlay	4,000	4,000	2,843	1,157
Total main street program	<u>205,950</u>	<u>205,950</u>	<u>198,553</u>	<u>7,397</u>
Airport:				
Purchased/contracted services	24,400	49,500	47,415	2,085
Supplies	84,500	193,300	193,423	(123)
Capital outlay	-	5,300	5,300	-
Other costs	15,000	-	-	-
Total airport	<u>123,900</u>	<u>248,100</u>	<u>246,138</u>	<u>1,962</u>
Total Housing & Development	<u>701,613</u>	<u>839,073</u>	<u>810,753</u>	<u>28,320</u>
Debt Service				
Principal payments:				
General government buildings department	199,000	199,000	199,005	(5)
Highway & streets department	-	15,500	15,029	471
Total principal payments	<u>199,000</u>	<u>214,500</u>	<u>214,034</u>	<u>466</u>
Interest and fiscal charges:				
General government buildings department	50,500	50,500	50,234	266
Highway & streets department	-	2,500	1,857	643
Total interest and fiscal charges	<u>50,500</u>	<u>53,000</u>	<u>52,091</u>	<u>909</u>
Total Debt Service	<u>249,500</u>	<u>267,500</u>	<u>266,125</u>	<u>1,375</u>
Total Expenditures and Other Financing Uses	<u>\$ 4,160,113</u>	<u>\$ 4,577,373</u>	<u>\$ 4,367,693</u>	<u>\$ 209,680</u>

Bond Disclosures

**City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Water and Sewer Demand
June 30, 2012**

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

Hard Labor Creek Plant

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Avg. Flow MGD	0.353	0.327	0.388	0.301	0.519
Max. Flow MGD	0.903	0.903	0.963	0.887	1.316

Lake Oconee Plant

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Avg. Flow MGD	0.802	0.807	0.807	0.866	0.854
Max. Flow MGD	1.805	1.561	1.816	1.715	1.957

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

Northside Plant

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Avg. Flow MGD	0.058	0.057	0.074	0.063	0.071
Max. Flow MGD	0.357	0.275	0.649	0.427	0.278

Southside Plant

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Avg. Flow MGD	0.455	0.344	0.382	0.351	0.300
Max. Flow MGD	1.548	1.292	1.605	1.818	0.371

Indian Creek

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Avg. Flow MGD	-	0.184	0.200	0.224	0.190
Max. Flow MGD	-	0.510	1.070	0.540	0.460

**City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Water and Sewer Customers
June 30, 2012**

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

TOTAL CUSTOMERS

Water Customers

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Inside City	2,076	2,066	2,059	2,060	2,079
Outside City	489	506	513	522	527
Total	<u>2,565</u>	<u>2,572</u>	<u>2,572</u>	<u>2,582</u>	<u>2,606</u>

Sewerage Customers

Inside City	1,767	1,778	1,777	1,780	1,802
Outside City	67	66	69	71	73
Total	<u>1,834</u>	<u>1,844</u>	<u>1,846</u>	<u>1,851</u>	<u>1,875</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>
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
2012	11,447,000	595,000	1,770,000	13,812,000
Total	<u>52,560,000</u>	<u>684,000</u>	<u>6,989,800</u>	<u>60,233,800</u>

City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Ten Largest Water and Sewer Customers
June 30, 2012

LARGEST CUSTOMERS

<u>Customers</u>	<u>Water Use (Gallons)</u>	<u>Water Revenue</u>	<u>Wastewater Revenue</u>	<u>Total Revenue</u>	<u>Percentage of System Revenues</u>
1. Georgia Pacific	67,091,000	\$ 423,777	\$ -	\$ 423,777	12.31%
2. City of Rutledge	11,447,000	45,445	-	45,445	1.32%
3. Morgan Co Schools	9,904,000	70,896	49,466	120,362	3.50%
4. Morgan Co Recreation	6,349,900	42,801	3,145	45,946	1.33%
5. Madison Lakes LLC	5,705,000	36,245	-	36,245	1.05%
6. Pilot Travel Centers LLC	4,932,000	31,375	31,127	62,502	1.82%
7. Madison Health & Rehab	4,792,000	30,852	30,245	61,097	1.77%
8. Anthony International	4,156,900	26,796	26,237	53,033	1.54%
9. Travel Center of America	2,976,500	19,414	18,807	38,221	1.11%
10. Howard Johnson dba Travel Lc	2,896,700	18,553	18,304	36,857	1.07%

City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Historic Water and Sewer Rates
June 30, 2012

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

City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Water and Sewer Rates and Tap Fees
June 30, 2012

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)

Water¹		Sewer²	
Inside City	Outside City	Inside City	Outside City
\$ 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, 2012, 2011, 2010, 2009, 2008

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>2008</u>		<u>2009</u>		<u>2010</u>		<u>2011</u>		<u>2012</u>
Net Income (Loss) (before transfers)	\$ 824,662	\$	15,880	\$	(39,986)	\$	247,194	\$	266,882
Plus Depreciation and Amortization	420,827		684,636		880,858		901,510		903,355
Plus Interest	<u>275,666</u>		<u>504,878</u>		<u>516,276</u>		<u>480,818</u>		<u>467,563</u>
Net Revenues Available for Debt Service	\$ <u>1,521,155</u>	\$	<u>1,205,394</u>	\$	<u>1,357,148</u>	\$	<u>1,629,522</u>	\$	<u>1,637,800</u>
Actual Debt Service on Bonds	\$ 851,732	\$	850,007	\$	847,933	\$	850,817	\$	852,563
Coverage Ratio	1.79x		1.42x		1.60x		1.92x		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 2005 Bonds, and the payment of the outstanding debt on the System.

HISTORIC PRO-FORMA COVERAGE OF MAXIMUM ANNUAL DEBT SERVICE

	<u>2008</u>		<u>2009</u>		<u>2010</u>		<u>2011</u>		<u>2012</u>
Net Revenues Available for Debt Service	\$ 1,521,155	\$	1,205,394	\$	1,357,148	\$	1,629,522	\$	1,637,800
Maximum Annual Debt Service on Bonds	\$ 852,563	\$	852,563	\$	852,563	\$	852,563	\$	852,563
Coverage Ratio	1.78x		1.41x		1.59x		1.91x		1.92x

COMPLIANCE SECTION

Treadwell, Tamplin & Co.

Certified Public Accountants

A Limited Liability Partnership

157 West Jefferson Street
Madison, Georgia 30650

1031 Park Drive, Suite #1
Watkinsville, GA 30677

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, 2012 which collectively comprise the City of Madison, Georgia's basic financial statements and have issued our report thereon dated December 28, 2012. 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

Management of City of Madison, Georgia is responsible for establishing and maintaining effective 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. Accordingly, we do not express 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.

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*.

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 28, 2012



J. A. Duvall. J. A. Duvall & Co

City of Madison, Georgia
Schedule of Special Purpose
Local Option Sales Tax
For the Fiscal Year Ended June 30, 2012

	Original Estimated Cost	Revised Estimated Cost	Expenditures			Estimated Percentages of Completion
			Prior Years	Current Year	Total	
2007 Referendum						
Road and Bridge Improvement	\$ 600,000	\$ 600,000	\$ 515,447	\$ 30,931	\$ 546,378	91%
Public Works Building	\$ 400,000	\$ 400,000	\$ 263,286	\$ -	\$ 263,286	66%
Public Safety Building	\$ 350,000	\$ 350,000	\$ -	\$ 149,638	\$ 149,638	43%
City Hall Renovation	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ -	0%
Park Improvements and Equipment	\$ 204,400	\$ 204,400	\$ 4,718	\$ -	\$ 4,718	2%
Total	\$ 1,804,400	\$ 1,804,400	\$ 783,451	\$ 180,569	\$ 964,020	

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