

**City of Madison, Georgia
Financial Statements
Fiscal Year Ended
June 30, 2013**

City of Madison, Georgia
Financial Statements
For the Fiscal Year Ended June 30, 2013

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Treadwell, Tamplin & Co.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Madison, Georgia, as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents.

Managements' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Madison, Georgia, as of June 30, 2013, 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.

Changes in Accounting Principle

As discussed in Note 17 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 61, *The Financial Reporting Entity*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, Retirement Plan – Schedule of Funding Progress and the Other Postemployment Benefits – Schedule of Funding Progress on page on pages i through ix, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Madison, Georgia's financial statements as a whole. The combining and individual fund schedules, other general fund schedules, bond disclosure schedules, and the Schedule of Projects Constructed with Special Sales Tax Proceeds, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the Schedule of Projects Constructed with Special Sales Tax Proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 15, 2014 on our consideration of the City of Madison, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Madison, Georgia's internal control over financial reporting and compliance.

Madison, Georgia
May 15, 2014

Frederick, Ogden & 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, 2013. 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 2013 by \$32,967,885 (total net position). Of this amount, \$5,899,205 (unrestricted net position) was available for use to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net position decreased by \$407,307 during the most recent fiscal year, resulting from governmental and business-type activities.
- At the close of fiscal year 2013, the City's governmental funds reported combined ending fund balances of \$2,455,061. Of this amount, \$671,022 or 27% is available for spending at the government's discretion (General unassigned fund balance). The balance of this amount (\$1,784,039) 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 \$671,022.
- Beginning with fiscal year 2013, the Madison Downtown Development Authority is presented in the City's financial statements as a blended component unit. This is a result of the City implementing GASB 61.

Overview of the Financial Statements

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

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

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

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

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

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into governmental funds and proprietary funds.

Governmental funds. Government funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains ten 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 nine 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 39 through 50.

Beginning with fiscal year 2013, 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 position may serve over time as a useful indicator of the City's financial position. The assets exceeded the liabilities at the close of fiscal year 2013 by \$32,967,885.

The largest component of the City's net position is net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding, which comprises \$25,823,597 or 78.3%. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

City of Madison Net Position

	Governmental Activities		Business Activities		Total	
	2012	2013	2012	2013	2012	2013
Assets:						
Current assets	\$ 2,230,267	\$ 2,507,142	\$ 5,514,081	\$ 5,113,713	\$ 7,744,348	\$ 7,620,855
Restricted assets	\$ 241,357	\$ 247,506	\$ 921,290	\$ 300,000	\$ 1,162,647	\$ 547,506
Other assets	\$ 14,700		\$ 170,431	\$ -	\$ 185,131	\$ -
Capital assets	\$ 8,277,117	\$ 12,164,530	\$ 25,894,289	\$ 25,316,309	\$ 34,171,406	\$ 37,480,839
Total assets	\$ 10,763,441	\$ 14,919,178	\$ 32,500,091	\$ 30,730,022	\$ 43,263,532	\$ 45,649,200
Deferred Outflows of Resources:						
Deferred amount of debt refunding	\$ -	\$ -	\$ -	\$ 1,310,363	\$ -	\$ 1,310,363
Total assets and deferred outflows	\$ 10,763,441	\$ 14,919,178	\$ 32,500,091	\$ 32,040,385	\$ 43,263,532	\$ 46,959,563
Liabilities:						
Current liabilities	\$ 144,268	\$ 215,248	\$ 587,030	\$ 612,125	\$ 731,298	\$ 827,373
Accrued Interest	\$ 17,027	\$ 14,421	\$ -	\$ -	\$ 17,027	\$ 14,421
Current liabilities payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
from restricted assets	\$ -	\$ -	\$ 395,000	\$ 490,479	\$ 395,000	\$ 490,479
Long-term liabilities	\$ 1,510,413	\$ 2,689,727	\$ 9,810,633	\$ 9,969,678	\$ 11,321,046	\$ 12,659,405
Total liabilities	\$ 1,671,708	\$ 2,919,396	\$ 10,792,663	\$ 11,072,282	\$ 12,464,371	\$ 13,991,678
Net position:						
Net investment in capital assets	\$ 6,864,897	\$ 9,580,028	\$ 15,756,506	\$ 16,243,569	\$ 22,621,403	\$ 25,823,597
Restricted for General Government	\$ 14,619	\$ 69,589	\$ -	\$ -	\$ 14,619	\$ 69,589
Restricted for Public Safety	\$ 45,052	\$ 39,535	\$ -	\$ -	\$ 45,052	\$ 39,535
Restricted for Public Works	\$ 302,945	\$ 365,173	\$ -	\$ -	\$ 302,945	\$ 365,173
Restricted for Health & Welfare	\$ 77,194	\$ 86,240	\$ -	\$ -	\$ 77,194	\$ 86,240
Restricted for Culture and Recreation	\$ 79,508	\$ 137,040	\$ -	\$ -	\$ 79,508	\$ 137,040
Restricted for debt service	\$ -	\$ -	\$ 991,687	\$ -	\$ 991,687	\$ -
Restricted for Renewal/Extention	\$ -	\$ -	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Restricted for non expendable trust	\$ 233,606	\$ 247,506	\$ -	\$ -	\$ 233,606	\$ 247,506
Unrestricted	\$ 1,473,912	\$ 1,474,671	\$ 4,659,235	\$ 4,424,534	\$ 6,133,147	\$ 5,899,205
Total net position	\$ 9,091,733	\$ 11,999,782	\$ 21,707,428	\$ 20,968,103	\$ 30,799,161	\$ 32,967,885

An additional portion of the City's net position, \$1,245,083 or 3.8% represents resources that are subject to external restrictions on how they may be used. Of this amount, \$69,589 is restricted for general government, \$39,535 is restricted for Public Safety, \$365,173 is restricted for Public Works, \$86,240 is restricted for Health and Welfare, \$137,040 is restricted for Culture and Recreation. Another category of this portion of the City's net position is restricted for renewal and extension in the amount of \$300,000. 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 \$247,506. This represents two items (1) the Ricketts Environmental Excellence Trust (T.R.E.E.) program. A non-expendable trust was established by resolution in February 2000 from a bequest from Mr. Gwyn Thomas Ricketts. The interest from the bequest is to be used solely for the purchase of trees for the beautification of the City. (2) The City of Madison cannot spend the principle of cemetery lot sales. The interest can be used for cemetery maintenance.

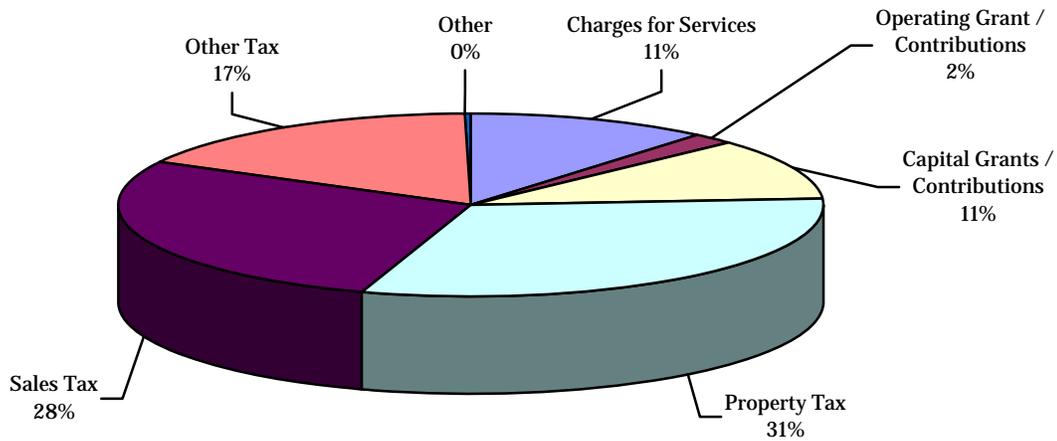
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole as well as for its separate governmental and business-type activities.

Governmental Activities. Governmental activities increased the City's net position by \$332,018. A transfer from the Natural Gas Fund of \$300,000, a transfer from the Water & Sewer Fund of \$225,000, and a transfer from the Solid Waste Fund for \$40,000 attributed to no further decreases in governmental activity net position.

City of Madison Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Revenues:						
Program Revenues:						
Charges for service	\$ 559,576	\$ 489,011	\$ 5,835,028	\$ 5,831,759	\$ 6,394,604	\$ 6,320,770
Operating grants/contributions	\$ 210,847	\$ 69,978	\$ 194,676	\$ 1	\$ 405,523	\$ 69,979
Capital grants/contributions	\$ 266,626	\$ 500,426	\$ 23,211	\$ 31,200	\$ 289,837	\$ 531,626
General revenues:						
Property taxes	\$ 1,289,017	\$ 1,373,456	\$ -	\$ -	\$ 1,289,017	\$ 1,373,456
Sales tax	\$ 1,245,426	\$ 1,204,746	\$ -	\$ -	\$ 1,245,426	\$ 1,204,746
Other Taxes	\$ 780,920	\$ 760,108	\$ -	\$ -	\$ 780,920	\$ 760,108
Intergovernmental rev	\$ 373	\$ 9	\$ -	\$ -	\$ 373	\$ 9
Investment earnings	\$ 5,301	\$ 4,472	\$ 28,781	\$ 17,576	\$ 34,082	\$ 22,048
Other	\$ 1,169	\$ 715	\$ -	\$ -	\$ 1,169	\$ 715
Gain/(Loss) on sale of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenue	\$ 4,359,255	\$ 4,402,921	\$ 6,081,696	\$ 5,880,536	\$ 10,440,951	\$ 10,283,457
Expenses:						
General government	\$ 630,726	\$ 770,627	\$ -	\$ -	\$ 630,726	\$ 770,627
Judicial	\$ 86,636	\$ 87,027	\$ -	\$ -	\$ 86,636	\$ 87,027
Public safety	\$ 1,549,116	\$ 1,460,456	\$ -	\$ -	\$ 1,549,116	\$ 1,460,456
Public works	\$ 752,926	\$ 880,508	\$ -	\$ -	\$ 752,926	\$ 880,508
Health and Welfare	\$ 105,419	\$ 34,561	\$ -	\$ -	\$ 105,419	\$ 34,561
Culture and recreation	\$ 322,101	\$ 405,069	\$ -	\$ -	\$ 322,101	\$ 405,069
Housing and development	\$ 914,518	\$ 779,011	\$ -	\$ -	\$ 914,518	\$ 779,011
Payment to Component Unit	\$ 125,000	\$ 125,000	\$ -	\$ -	\$ 125,000	\$ 125,000
Interest and fiscal charges	\$ 52,186	\$ 93,644	\$ -	\$ -	\$ 52,186	\$ 93,644
Water and sewer			\$ 3,433,265	\$ 3,725,042	\$ 3,433,265	\$ 3,725,042
Natural gas			\$ 1,732,705	\$ 1,808,017	\$ 1,732,705	\$ 1,808,017
Solid waste			\$ 496,499	\$ 521,802	\$ 496,499	\$ 521,802
Total Expenses	\$ 4,538,628	\$ 4,635,903	\$ 5,662,469	\$ 6,054,861	\$ 10,201,097	\$ 10,690,764
Inc in net position before transfers	\$ (179,373)	\$ (232,982)	\$ 419,227	\$ (174,325)	\$ 239,854	\$ (407,307)
Transfers	\$ 515,000	\$ 565,000	\$ (515,000)	\$ (565,000)	\$ -	\$ -
Change in net position	\$ 335,627	\$ 332,018	\$ (95,773)	\$ (739,325)	\$ 239,854	\$ (407,307)
Net Position Beginning	\$ 8,756,106	\$ 9,091,733	\$ 21,803,201	\$ 21,707,428	\$ 30,559,307	\$ 30,799,161
Prior Period Adjustment	\$ -	\$ 2,576,031	\$ -	\$ -	\$ -	\$ 2,576,031
Net Position Beginning, as restated	\$ 8,756,106	\$ 11,667,764	\$ 21,803,201	\$ 21,707,428	\$ 30,559,307	\$ 33,375,192
Net Position Ending	\$ 9,091,733	\$ 11,999,782	\$ 21,707,428	\$ 20,968,103	\$ 30,799,161	\$ 32,967,885

Revenues - Governmental Activities Fiscal Year 2013



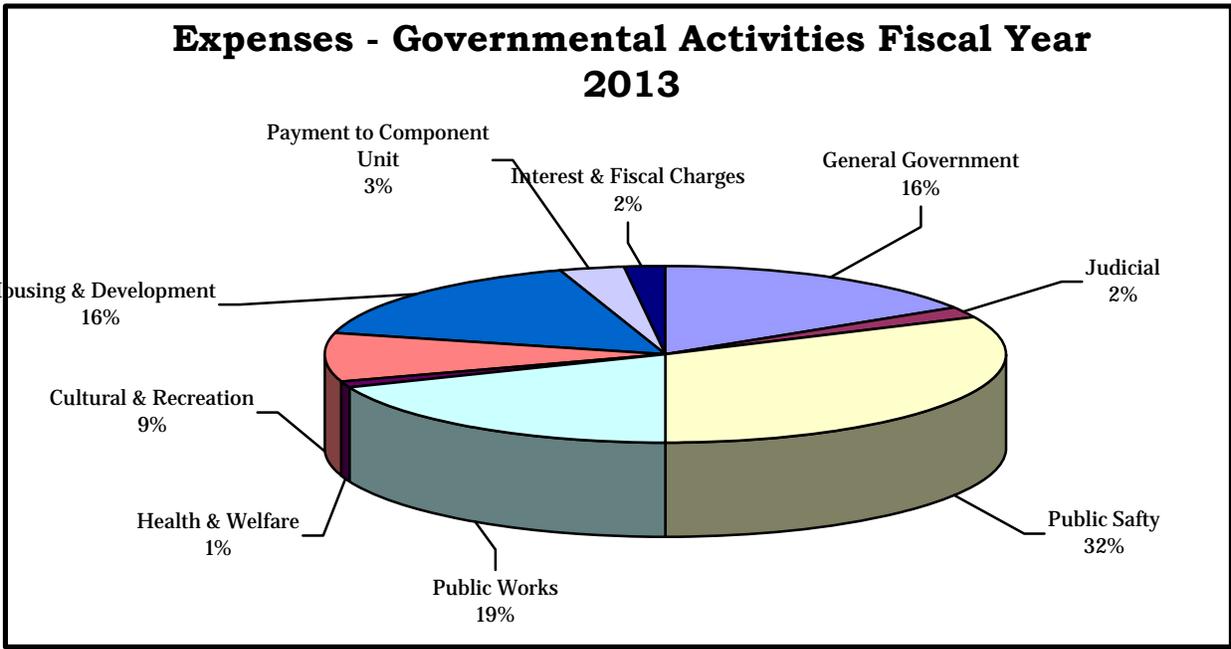
Revenues. Property taxes of \$1,373,456 and sales tax of \$1,204,746 accounted for 58.6% of total general revenues.

Capital grants and contributions consisted of the following:

- Total SPLOST funds received from Morgan County were \$284,913. SPLOST funds of \$181,994 were received from their 2007 Referendum and SPLOST funds of \$102,919 were received from their 2012 Referendum.
- The City of Madison received a paving grant from the Department of Transportation in the amount of \$43,602.
- A Gateway grant was also received for landscaping improvements around the I-20 corridor in the amount of \$40,000.

Operating grants and contributions consisted of the following:

- Ricketts Environmental Excellence Trust (T.R.E.E.) program received donations of \$2,751.
- The System of Care Fund received revenues for a grant in the amount of \$33,419.
- The City of Madison received a tourism grant for improvements at the Cultural Center in the amount of \$10,036.



Expenses. The total expense for the governmental activities is \$4,635,903. 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 \$1,460,456 or 31.5% of total governmental activity expense.

Total program revenues and general revenues exceeded expenses by \$332,018.

Business-type activities. Business-type activities decreased the City’s net position by \$739,325.

Revenues. Water and sewer operating revenue was \$3,253,015. Natural gas operating revenue was \$2,077,991. Sanitation operating revenue was \$500,753. Water and sewer revenue is derived from the sale of water and sewer services to the citizens of the City. Natural gas revenue is derived from the sale of natural gas to the citizens of the City. Sanitation revenue is derived from sanitation services provided to the citizens of the City.

Expenses. Water and sewer operating expense was \$3,017,161. Natural gas operating expense was \$1,808,017. Sanitation operating expense was \$520,154.

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 \$2,455,061. Approximately 27.3% of this amount (\$671,022) 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, 2013, unassigned fund balance of the general fund was \$671,022. 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 15.8% of total fund expenditures.

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

The total change in Water and Sewer net position was (\$652,360); the change in Natural Gas net position was (\$26,968); and the change in Solid Waste net position was (\$59,997).

General Fund Budgetary Highlights

Differences between the original budgeted expenditures and the final amended budgeted expenditures are approximately \$265,715 or 6% of the original budget. The increase in budgeted expenditures is attributable primarily to the increase in Legislative committees and special bodies for the Gateway project and the Highway and Streets for street paving. Budgeted revenue increased from the original budget in the amount of \$170,865. The increase in anticipated revenue resulted from the increase in Intergovernmental revenues for the Gateway grant and a paving grant.

During the year, actual revenues were less than budgetary estimates by \$140,680, and actual expenditures were less than budgetary estimates by \$382,586.

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, 2013, amounts to \$37,480,839 (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 completed a Gateway project for landscaping improvements at the I-20 corridor. The total cost was \$52,639.
- The City of Madison purchased land at 473 Burney Street for \$88,754.
- The Police department purchased two vehicles, a 2013 Expedition and a 2013 Ford Taurus, for a total cost of \$50,962.
- Two Survivair 4.5 Panther 2002 Spec SCBA airpaks were purchased for the Fire department for a total cost of \$6,126.
- Animal Control purchased a 2013 Ford Transit for \$20,625.
- The City of Madison has begun the Storm water Project. Land acquisitions for easements were complete for a total of \$29,021.
- The following streets were paved: Barclay Street, \$15,576; Morgan Circle, \$8,551; Kolb Street, \$10,107; and West Walton Street, \$10,451.
- The City of Madison replaced the Cemetery fence for a cost of \$12,528.
- A water fountain was purchased for Round Bowl Springs for \$3,531.
- The new fuel system at the airport is still in progress for a FY2013 cost of \$9,653.
- SPLOST Funds were used to pave Morgan Circle for a cost of \$17,204.
- The Administration Building – Phase III is underway. SPLOST funds of \$13,600 were expensed in FY2013. This project should be complete by the end of FY2015.

Business-type activities:

- The Wastewater department completed the Indian Creek WWTP Phosphorous Chemical Feeder. The FY2013 cost was \$48,488 with a total cost of \$558,736.
- The Wastewater department also purchased a 2013 Ford F-150 for a total of \$17,053.
- The Water department completed the EECBG Madison Water Treatment Plant Rehab. The FY2013 cost was \$31,563 with a total cost of \$596,292.
- The City of Madison is upgrading its MXU's over a five year period. The cost for FY2013 was \$39,750.
- The Water department also had purchased some equipment; 6 Turbidimeters, \$19,858 and 5 Chemical Feeders, \$70,125.

- The SCADA System was also upgraded in the Water department for \$63,000.
- A 5M Gas meter was installed at Vinson DeLaigle Poultry farm for \$6,005.
- The City of Madison Gas department updated the low pressure for a total cost of \$22,517.
- The Sanitation department purchased a F750 Garbage truck for \$106,648.

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

	Government Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Land	\$ 1,281,844	\$ 3,162,618	\$ 261,782	\$ 261,782	\$ 1,543,626	\$ 3,424,400
Historical Treasures	\$ 24,318	\$ 24,318	\$ -	\$ -	\$ 24,318	\$ 24,318
Construction in progress	\$ 327,853	\$ 215,887	\$ 1,080,074	\$ 44,847	\$ 1,407,927	\$ 260,734
Land improvements	\$ 488,302	\$ 1,608,349	\$ 3,875	\$ 3,665	\$ 492,177	\$ 1,612,014
Infrastructure	\$ 3,343,125	\$ 3,208,808	\$ 13,213,689	\$ 12,882,651	\$ 16,556,814	\$ 16,091,459
Building	\$ 2,134,113	\$ 3,192,011	\$ 7,196,756	\$ 7,217,616	\$ 9,330,869	\$ 10,409,627
Equipment	\$ 506,672	\$ 585,729	\$ 4,005,031	\$ 4,664,779	\$ 4,511,703	\$ 5,250,508
Vehicles	\$ 170,890	\$ 166,810	\$ 133,082	\$ 240,969	\$ 303,972	\$ 407,779
Total	\$ 8,277,117	\$ 12,164,530	\$ 25,894,289	\$ 25,316,309	\$ 34,171,406	\$ 37,480,839

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 \$10,291,938. 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 fiscal year 2013, the 2005 series bonds were refinanced with the 2013 series bonds in order to obtain a lower interest rate. In FY 2008, the City financed the new Public Works Facility through a capital lease with Georgia Municipal Association in the amount of \$2,100,000. This is a ten-year lease. In FY 2012, the City of Madison financed a new John Deere Tractor through a capital lease with Georgia Municipal Association in the amount of \$85,017. This is a four-year lease. In FY 2013, the City of Madison financed a new garbage truck through a capital lease with Georgia Municipal Association in the amount of \$106,648. This is a five year lease. The remainder of the capital lease obligations at FY 2013 is \$1,277,056. In fiscal year 2013, Downtown Development Authority became a blended component unit and the long term debt is included below. The notes payable balance at the end of the fiscal year is \$1,388,790, which has the purpose of purchasing property.

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

	Government Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Revenue Bonds	\$ -	\$ -	\$ 10,137,783	\$ 10,291,938	\$ 10,137,783	\$ 10,291,938
Notes Payable - DDA	\$ -	\$ 1,388,790	\$ -	\$ -	\$ -	\$ 1,388,790
Capital Lease Obligations	\$ 1,412,220	\$ 1,185,891	\$ -	\$ 91,165	\$ 1,412,220	\$ 1,277,056
Total	\$ 1,412,220	\$ 2,574,681	\$ 10,137,783	\$ 10,383,103	\$ 11,550,003	\$ 12,957,784

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 increased by \$199,921, an 11% increase from FY 2012.

Water and Wastewater operating revenues decreased by \$208,306, a 6% decrease from FY 2012.

Sales tax revenues decreased by \$47,853, a 6% decrease from FY 2012.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Manager, City of Madison, P. O. Box 32, Madison, Georgia, 30650.

Basic Financial Statements

City of Madison, Georgia
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 1,141,975	\$ 1,697,344	\$ 2,839,319
Investments, plus accrued interest	454,661	3,222,035	3,676,696
Accounts receivable, net	16,605	724,442	741,047
Taxes receivable, net	76,460	-	76,460
Internal balances	568,749	(568,749)	-
Due from other governments	183,100	-	183,100
Prepaid expenses	65,592	38,641	104,233
Restricted assets:			
Cash	-	300,000	300,000
Investments	247,506	-	247,506
Capital assets			
Capital assets not being depreciated	3,402,823	306,629	3,709,452
Capital assets being depreciated, net	8,761,707	25,009,680	33,771,387
Total capital assets	<u>12,164,530</u>	<u>25,316,309</u>	<u>37,480,839</u>
Total assets	<u>14,919,178</u>	<u>30,730,022</u>	<u>45,649,200</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount of debt refunding	-	1,310,363	1,310,363
	<u>14,919,178</u>	<u>32,040,385</u>	<u>46,959,563</u>
LIABILITIES			
Accounts payable and accrued expenses	215,248	250,874	466,122
Accrued interest	14,421	-	14,421
Customer deposits	-	361,251	361,251
Long-term liabilities:			
Portion due or payable within one year:			
Bonds and notes payable, net	1,089,146	470,000	1,559,146
Capital lease obligation	233,804	20,479	254,283
Portion due or payable after one year:			
Bonds and notes payable, net	299,644	9,821,938	10,121,582
Capital lease obligation	952,087	70,686	1,022,773
Compensated absences	96,120	62,183	158,303
OPEB obligation	18,926	14,871	33,797
Total liabilities	<u>2,919,396</u>	<u>11,072,282</u>	<u>13,991,678</u>
NET POSITION			
Net investment in capital assets	9,580,028	16,243,569	25,823,597
Restricted for :			
General government	69,589	-	69,589
Public safety	39,535	-	39,535
Public works:			
Expendable	365,173	-	365,173
Nonexpendable	222,506	-	222,506
Health & welfare	86,240	-	86,240
Culture & recreation:			
Expendable	137,040	-	137,040
Nonexpendable	25,000	-	25,000
Renewal & extensions (Note 6)	-	300,000	300,000
Unrestricted	1,474,671	4,424,534	5,899,205
Total net position	<u>\$ 11,999,782</u>	<u>\$ 20,968,103</u>	<u>\$ 32,967,885</u>

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

City of Madison, Georgia
Statement of Activities
For the Fiscal Year Ended June 30, 2013

Activities:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental:							
General government	\$ 770,627	\$ 72,781	\$ -	\$ 38,420	\$ (659,426)		\$ (659,426)
Judicial	87,027	257,351	-	-	170,324		170,324
Public safety	1,460,456	8,040	7,233	53,458	(1,391,725)		(1,391,725)
Public works	880,508	19,550	250	211,273	(649,435)		(649,435)
Health and welfare	34,561	-	42,895	-	8,334		8,334
Culture and recreation	405,069	28,237	12,787	65,775	(298,270)		(298,270)
Housing and development	904,011	103,052	6,813	131,500	(662,646)		(662,646)
Interest and fiscal charges	93,644	-	-	-	(93,644)		(93,644)
Total governmental activities	4,635,903	489,011	69,978	500,426	(3,576,488)		(3,576,488)
Business-type:							
Gas	1,808,017	2,077,991	-	-		\$ 269,974	269,974
Water and sewer	3,725,042	3,253,015	1	31,200		(440,826)	(440,826)
Sanitation	521,802	500,753	-	-		(21,049)	(21,049)
Total business-type activities	6,054,861	5,831,759	1	31,200		(191,901)	(191,901)
General revenues:							
Taxes							
Property taxes, levied for general purposes					1,373,456	-	1,373,456
Sales tax					1,204,746	-	1,204,746
Intangible tax					9,527	-	9,527
Business taxes					282,306	-	282,306
Franchise fees					468,275	-	468,275
Intergovernmental revenues					9	-	9
Investment earnings					4,472	17,576	22,048
Miscellaneous					715	-	715
Transfers					565,000	(565,000)	-
Total general revenues and transfers					3,908,506	(547,424)	3,361,082
					Change in net position		
Net position - beginning, as previously reported					332,018	(739,325)	(407,307)
Prior period adjustment - GASB 61 (Note 17)					9,091,733	21,707,428	30,799,161
Prior period adjustment - GASB 65 (Note 17)					2,590,731	-	2,590,731
					(14,700)	-	(14,700)
Net position - beginning, as restated					11,667,764	21,707,428	33,375,192
Net position - ending					\$ 11,999,782	\$ 20,968,103	\$ 32,967,885

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

City of Madison, Georgia
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 452,840	\$ 689,134	\$ 1,141,974
Investments, plus accrued interest	426,022	28,639	454,661
Accounts receivable	4,905	11,600	16,505
Taxes receivable, net	76,460	-	76,460
Internal balances	584,236	40,721	624,957
Due from other governments	114,246	68,952	183,198
Prepaid items	60,358	5,234	65,592
Restricted investments	-	247,506	247,506
Total assets	<u>1,719,067</u>	<u>1,091,786</u>	<u>2,810,853</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	158,368	34,505	192,873
Accrued expenses	22,374	-	22,374
Internal balances	40,721	15,487	56,208
Total liabilities	<u>221,463</u>	<u>49,992</u>	<u>271,455</u>
Deferred inflows of resources:			
Unavailable property taxes	73,137	-	73,137
Unavailable revenues	-	11,200	11,200
Total deferred inflows of resources	<u>73,137</u>	<u>11,200</u>	<u>84,337</u>
Fund balances (Note 8):			
Nonspendable	60,358	252,740	313,098
Restricted	9,399	687,944	697,343
Committed	-	19,439	19,439
Assigned	683,688	70,471	754,159
Unassigned	671,022	-	671,022
Total fund balances	<u>1,424,467</u>	<u>1,030,594</u>	<u>2,455,061</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,719,067</u>	<u>\$ 1,091,786</u>	<u>\$ 2,810,853</u>

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

City of Madison, Georgia
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2013

Total *fund* balances for governmental funds (Exhibit 3) \$ 2,455,061

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

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

Capital assets not being depreciated	3,402,823	
Capital assets being depreciated, net of \$4,891,152 of accumulated depreciation	<u>8,761,707</u>	
Total capital assets		12,164,530

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. 84,339

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net position. Balances at June 30, 2013 are:

Capital leases payable	(1,185,891)	
Notes payable	(1,388,790)	
Interest payable	(14,421)	
Compensated absences	(96,120)	
OPEB Obligation	<u>(18,926)</u>	
Total long-term liabilities		<u>(2,704,148)</u>

Total net position of governmental activities (Exhibit 1) \$ 11,999,782

City of Madison, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 3,138,707	\$ 190,234	\$ 3,328,941
Licenses and permits	52,820	-	52,820
Intergovernmental revenue	95,031	318,333	413,364
Charges for services	110,281	18,275	128,556
Fines and forfeitures	257,351	2,251	259,602
Investment income	2,925	1,956	4,881
Contributions and donations	4,662	38,727	43,389
Miscellaneous	41,848	2,250	44,098
Total revenues	<u>3,703,625</u>	<u>572,026</u>	<u>4,275,651</u>
EXPENDITURES			
Current:			
General government	743,794	-	743,794
Judicial	86,651	-	86,651
Public safety	1,449,174	2,502	1,451,676
Public works	759,021	-	759,021
Health and welfare	-	34,561	34,561
Culture and recreation	397,736	728	398,464
Housing and development	528,749	372,801	901,550
Capital outlay:			
General government	-	53,856	53,856
Public safety	-	21,369	21,369
Public works	-	48,904	48,904
Debt service:			
Principal payments	226,329	114,467	340,796
Interest and fiscal charges	45,425	50,825	96,250
Total expenditures	<u>4,236,879</u>	<u>700,013</u>	<u>4,936,892</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(533,254)</u>	<u>(127,987)</u>	<u>(661,241)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt	-	160,000	160,000
Transfers in	592,351	128,076	720,427
Transfers (out)	(128,076)	(27,351)	(155,427)
Total other financing sources (uses)	<u>464,275</u>	<u>260,725</u>	<u>725,000</u>
Net change in fund balances	(68,979)	132,738	63,759
Fund balances - beginning, as previously reported	1,493,446	765,840	2,259,286
Prior Period Adjustment	-	132,016	132,016
Fund balances - beginning	<u>1,493,446</u>	<u>897,856</u>	<u>2,391,302</u>
Fund balances - ending	<u>\$ 1,424,467</u>	<u>\$ 1,030,594</u>	<u>\$ 2,455,061</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, 2013

Net change in <i>fund</i> balances - total governmental funds (Exhibit 4)	\$	63,759
<p>The change in <i>net position</i> reported for governmental activities in the statement of activities is different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$583,396) exceeded capital outlays (\$557,836) in the current period.</p>		(25,560)
<p>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 land.</p>		111,000
<p>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:</p>		
Compensated absences		(11,506)
OPEB liability		(5,347)
Interest Payable		2,606
<p>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.</p>		16,270
<p>Loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Net Position.</p>		(160,000)
<p>Capital lease principal payments are reported as expenditures in the governmental funds, but reduce the liability in the statement of net position.</p>		<u>340,796</u>
Change in net position of governmental activities (Exhibit 2)	\$	<u><u>332,018</u></u>

City of Madison, Georgia
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Funds			Total
	Gas Fund	Water & Sewer Fund	Nonmajor Sanitation Fund	
ASSETS				
Current assets:				
Cash	\$ 613,262	\$ 994,221	\$ 89,861	\$ 1,697,344
Investments, plus accrued interest	579,923	2,454,026	188,086	3,222,035
Accounts receivable, net	154,502	482,292	87,648	724,442
Due from other funds	18,636	16,285	-	34,921
Prepaid expenses	4,816	28,216	5,609	38,641
Total current assets	1,371,139	3,975,040	371,204	5,717,383
Noncurrent assets:				
Restricted assets - cash	-	300,000	-	300,000
Capital assets				
Capital assets not being depreciated	14,597	292,032	-	306,629
Capital assets being depreciated, net	1,733,739	23,053,287	222,654	25,009,680
Total capital assets	1,748,336	23,345,319	222,654	25,316,309
Total noncurrent assets	1,748,336	23,645,319	222,654	25,616,309
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on debt refunding	-	1,310,363	-	1,310,363
Total assets and deferred outflows	3,119,475	28,930,722	593,858	32,644,055
LIABILITIES				
Current liabilities:				
Accounts payable	71,103	125,573	14,984	211,660
Accrued expenses	7,685	28,665	2,864	39,214
Due to other funds	304,694	228,089	70,887	603,670
Bonds payable, net	-	470,000	-	470,000
Capital leases	-	-	20,479	20,479
Customer deposits	192,152	169,099	-	361,251
Total current liabilities	575,634	1,021,426	109,214	1,706,274
Noncurrent liabilities:				
Bonds payable, net	-	9,821,938	-	9,821,938
Capital leases	-	-	70,686	70,686
Compensated absences	29,417	30,096	2,670	62,183
OPEB obligation	4,056	9,125	1,690	14,871
Total noncurrent liabilities	33,473	9,861,159	75,046	9,969,678
Total liabilities	609,107	10,882,585	184,260	11,675,952
NET POSITION				
Net investment in capital assets	1,748,336	14,363,744	131,489	16,243,569
Restricted for renewal and extensions	-	300,000	-	300,000
Unrestricted	762,032	3,384,393	278,109	4,424,534
Total net position	\$ 2,510,368	\$ 18,048,137	\$ 409,598	\$ 20,968,103

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

City of Madison, Georgia
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

	Enterprise Funds			Total
	Gas Fund	Water & Sewer Fund	Nonmajor Sanitation Fund	
Operating Revenues:				
Charges for services	\$ 2,072,648	\$ 3,225,117	\$ 500,753	\$ 5,798,518
Tap fees	400	25,955	-	26,355
Other revenues	4,943	1,943	-	6,886
Total operating revenues	<u>2,077,991</u>	<u>3,253,015</u>	<u>500,753</u>	<u>5,831,759</u>
Operating Expenses:				
Cost of gas sold	1,144,562	-	-	1,144,562
Personal services	452,656	1,028,047	178,768	1,659,471
Purchased/contracted services	85,258	484,823	102,646	672,727
Supplies	64,469	582,469	104,588	751,526
Other costs	2,061	21	111,976	114,058
Depreciation	59,011	921,801	22,176	1,002,988
Total operating expenses	<u>1,808,017</u>	<u>3,017,161</u>	<u>520,154</u>	<u>5,345,332</u>
Operating income	269,974	235,854	(19,401)	486,427
Nonoperating revenues (expenses):				
Investment earnings	3,058	13,466	1,052	17,576
Grant revenue	-	1	-	1
Interest expense	-	(707,881)	(1,648)	(709,529)
Total nonoperating revenues (expenses)	<u>3,058</u>	<u>(694,414)</u>	<u>(596)</u>	<u>(691,952)</u>
Income before contributions and transfers	273,032	(458,560)	(19,997)	(205,525)
Contributions and transfers:				
Capital contributions - connection fees	-	31,200	-	31,200
Transfers (out)	(300,000)	(225,000)	(40,000)	(565,000)
Net contributions and transfers	<u>(300,000)</u>	<u>(193,800)</u>	<u>(40,000)</u>	<u>(533,800)</u>
Change in net position	(26,968)	(652,360)	(59,997)	(739,325)
Total net position - beginning	2,537,336	18,700,497	469,595	21,707,428
Total net position - ending	<u>\$ 2,510,368</u>	<u>\$ 18,048,137</u>	<u>\$ 409,598</u>	<u>\$ 20,968,103</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, 2013

	Enterprise Funds			Total
	Gas Fund	Water & Sewer Fund	Nonmajor Sanitation Fund	
Cash flows from operating activities:				
Receipts from customers	\$ 2,105,901	\$ 3,418,714	\$ 502,324	\$ 6,026,939
Payments to suppliers	(1,280,726)	(1,090,817)	(314,686)	(2,686,229)
Payments to employees	(446,999)	(1,022,672)	(182,087)	(1,651,758)
Net cash provided by operating activities	<u>378,176</u>	<u>1,305,225</u>	<u>5,551</u>	<u>1,688,952</u>
Cash flows from noncapital financing activities:				
Interfund balances	(965)	40,985	7,542	47,562
Transfers (out)	(300,000)	(225,000)	(40,000)	(565,000)
Net cash (used) by noncapital financing activities	<u>(300,965)</u>	<u>(184,015)</u>	<u>(32,458)</u>	<u>(517,438)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(28,522)	(289,838)	(106,648)	(425,008)
Grant proceeds	-	91,016	-	91,016
Capital contributions - connections	-	31,200	-	31,200
Proceeds from issuance of debt	-	9,117,414	106,648	9,224,062
Principal payments on debt	-	(10,365,000)	(15,483)	(10,380,483)
Interest payments on debt	-	(453,126)	(1,648)	(454,774)
Net cash used by capital and related financing activities	<u>(28,522)</u>	<u>(1,868,334)</u>	<u>(17,131)</u>	<u>(1,913,987)</u>
Cash flows from investing activities:				
Interest	247	1,571	141	1,959
Net cash provided by investing activities	<u>247</u>	<u>1,571</u>	<u>141</u>	<u>1,959</u>
Net increase (decrease) in cash and cash equivalents	48,936	(745,553)	(43,897)	(740,514)
Balances - beginning	564,326	2,039,774	133,758	2,737,858
Balances - end	<u>\$ 613,262</u>	<u>\$ 1,294,221</u>	<u>\$ 89,861</u>	<u>\$ 1,997,344</u>
Displayed as:				
Unrestricted cash	613,262	994,221	89,861	1,697,344
Restricted cash	-	300,000	-	300,000
Total	<u>\$ 613,262</u>	<u>\$ 1,294,221</u>	<u>\$ 89,861</u>	<u>\$ 1,997,344</u>

City of Madison, Georgia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

	<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	\$ 269,974	\$ 235,854	\$ (19,401)	\$ 486,427
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	59,011	921,801	22,176	1,002,988
Changes in assets and liabilities:				
Receivables, net	13,115	154,252	1,571	168,938
Prepaid expenses	(513)	(2,136)	(1,051)	(3,700)
Accounts payable	16,137	(21,368)	5,575	344
Accrued expenses	5,657	(1,228)	(3,319)	1,110
Customer deposits	14,795	18,050	-	32,845
Net cash provided by operating activities	<u>\$ 378,176</u>	<u>\$ 1,305,225</u>	<u>\$ 5,551</u>	<u>\$ 1,688,952</u>

Notes to Financial Statements

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2013

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

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

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

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

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

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

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2013

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, 2013

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.

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

C. Budgets and Budgetary Accounting

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

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

D. Encumbrances

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

E. Deposits and Investments

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

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

Investments of the City consist of time deposits in banks. 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, 2013

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>2012</u>
Lien date	January 1, 2012
Levy date	July 23, 2012
Collection period	October 10, 2012 - December 20, 2012
Due date	December 20, 2012

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, 2013

Note 1: Summary of Significant Accounting Policies, continued

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

J. Vacation, Sick Leave, and Other Compensated Absences

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

K. Restricted Assets

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

L. Fund Equity

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

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

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

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

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

Unassigned – all other spendable amounts.

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

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2013

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, 2013, 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, 2013.

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:

	<u>Gas Fund</u>	<u>Water & Sewer Fund</u>	<u>Nonmajor Sanitation Fund</u>	<u>Total</u>
Gross accounts receivable	\$ 159,601	\$ 495,084	\$ 89,848	\$ 744,533
Less: allowance for uncollectible	(5,099)	(12,792)	(2,200)	(20,091)
Net total receivables	<u>\$ 154,502</u>	<u>\$ 482,292</u>	<u>\$ 87,648</u>	<u>\$ 724,442</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2013

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government	Beginning			Ending
	Balances, as restated	Increases	Decreases	Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,805,317	\$ 548,098	\$ 190,797	\$ 3,162,618
Historical treasures	24,318	-	-	24,318
Construction in progress	327,853	65,535	177,501	215,887
Total capital assets not being depreciated	<u>3,157,488</u>	<u>613,633</u>	<u>368,298</u>	<u>3,402,823</u>
Capital assets being depreciated:				
Infrastructure	5,194,846	93,589	-	5,288,435
Land improvements	1,972,058	65,167	-	2,037,225
Buildings and improvements	3,618,450	158,654	-	3,777,104
Equipment	1,296,323	34,504	-	1,330,827
Vehicles	1,147,681	71,587	-	1,219,268
Total capital assets being depreciated	<u>13,229,358</u>	<u>423,501</u>	<u>-</u>	<u>13,652,859</u>
Less accumulated depreciation for:				
Infrastructure	1,846,670	232,957	-	2,079,627
Land improvements	330,630	98,246	-	428,876
Buildings and improvements	493,520	91,573	-	585,093
Equipment	660,145	84,953	-	745,098
Vehicles	976,791	75,667	-	1,052,458
Total accumulated depreciation	<u>4,307,756</u>	<u>583,396</u>	<u>-</u>	<u>4,891,152</u>
Total capital assets being depreciated, net	<u>8,921,602</u>	<u>(159,895)</u>	<u>-</u>	<u>8,761,707</u>
Governmental activity capital assets, net	<u>\$ 12,079,090</u>	<u>\$ 453,738</u>	<u>\$ 368,298</u>	<u>\$ 12,164,530</u>

Depreciation expense was charged to functions as follows:

General government	\$ 116,478
Public safety	80,030
Public works	207,080
Culture and recreation	9,057
Housing and development	64,442
Total governmental activities depreciation expense	<u>\$ 477,087</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2013

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	1,074,977	119,801	1,155,028	39,750
Total capital assets not being depreciated	<u>1,327,259</u>	<u>119,801</u>	<u>1,155,028</u>	<u>292,032</u>
<i>Capital assets being depreciated:</i>				
Land improvements	47,698	-	-	47,698
Infrastructure	16,287,654	-	-	16,287,654
Buildings and improvements	9,035,000	202,861	-	9,237,861
Equipment	5,565,191	1,105,152	-	6,670,343
Vehicles	159,310	17,052	-	176,362
Total capital assets being depreciated	<u>31,094,853</u>	<u>1,325,065</u>	<u>-</u>	<u>32,419,918</u>
Less accumulated depreciation for:				
Land improvements	43,823	210	-	44,033
Infrastructure	4,792,863	310,898	-	5,103,761
Buildings and improvements	1,838,244	182,001	-	2,020,245
Equipment	1,626,889	421,866	-	2,048,755
Vehicles	143,011	6,826	-	149,837
Total accumulated depreciation	<u>8,444,830</u>	<u>921,801</u>	<u>-</u>	<u>9,366,631</u>
Capital assets being depreciated, net	<u>22,650,023</u>	<u>403,264</u>	<u>-</u>	<u>23,053,287</u>
Water and sewer capital assets, net	<u>\$ 23,977,282</u>	<u>\$ 523,065</u>	<u>\$ 1,155,028</u>	<u>\$ 23,345,319</u>

Gas Fund:	Beginning			Ending
<i>Capital assets not being depreciated:</i>	Balance	Increases	Decreases	Balance
Land	\$ 9,500	\$ -	\$ -	\$ 9,500
Construction in progress	5,097	-	-	5,097
Total capital assets not being depreciated	<u>14,597</u>	<u>-</u>	<u>-</u>	<u>14,597</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	2,532,815	28,522	-	2,561,337
Equipment	295,418	-	-	295,418
Vehicles	83,579	-	-	83,579
Total capital assets being depreciated	<u>2,911,812</u>	<u>28,522</u>	<u>-</u>	<u>2,940,334</u>
Less accumulated depreciation for:				
Infrastructure	813,917	48,662	-	862,579
Equipment	252,105	8,194	-	260,299
Vehicles	81,562	2,155	-	83,717
Total accumulated depreciation	<u>1,147,584</u>	<u>59,011</u>	<u>-</u>	<u>1,206,595</u>
Capital assets being depreciated, net	<u>1,764,228</u>	<u>(30,489)</u>	<u>-</u>	<u>1,733,739</u>
Gas capital assets, net	<u>\$ 1,778,825</u>	<u>\$ (30,489)</u>	<u>\$ -</u>	<u>\$ 1,748,336</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2013

Note 4: Capital Assets, continued

Nonmajor - Sanitation Fund:				Ending
<i>Capital assets being depreciated:</i>	Beginning			Balance
	Balance	Increases	Decreases	
Equipment	\$ 106,733	\$ -	\$ -	\$ 106,733
Vehicles	389,166	106,648	-	495,814
Total capital assets being depreciated	<u>495,899</u>	<u>106,648</u>	<u>-</u>	<u>602,547</u>
Less accumulated depreciation for:				
Equipment	83,317	15,344	-	98,661
Vehicles	274,400	6,832	-	281,232
Total accumulated depreciation	<u>357,717</u>	<u>22,176</u>	<u>-</u>	<u>379,893</u>
Capital assets being depreciated, net	<u>138,182</u>	<u>84,472</u>	<u>-</u>	<u>222,654</u>
Sanitation capital assets, net	<u>\$ 138,182</u>	<u>\$ 84,472</u>	<u>\$ -</u>	<u>\$ 222,654</u>
 Business-type activities capital assets, net	 <u>\$ 25,894,289</u>	 <u>\$ 577,048</u>	 <u>\$ 1,155,028</u>	 <u>\$ 25,316,309</u>

Total interest cost incurred was \$ 551,024. All of the interest cost incurred was expensed.

Note 5: Interfund Balances and Activity

Interfund balances at June 30, 2013 consist of the following:

Payable Fund:						
Receivable Fund:	General Fund	Nonmajor Gov. Fund	Gas Fund	Water & Sewer Fund	Nonmajor Enterprise	Total
General Fund	\$ -	\$ 14,180	\$ 301,800	\$ 228,089	\$ 40,167	\$ 584,236
Nonmajor governmental	40,721	-	-	-	-	40,721
Gas Fund	-	221	-	-	18,415	18,636
Water and Sewer Fund	-	1,086	2,894	-	12,305	16,285
	<u>\$ 40,721</u>	<u>\$ 15,487</u>	<u>\$ 304,694</u>	<u>\$ 228,089</u>	<u>\$ 70,887</u>	<u>\$ 659,878</u>

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

Transfers to/from Other Funds

Transfers In:			
Transfers Out:	General Fund	Nonmajor Gov. Fund	Total
General Fund	\$ -	128,076	\$ 128,076
Nonmajor governmental	27,351	-	27,351
Gas Fund	300,000	-	300,000
Water and Sewer Fund	225,000	-	225,000
Nonmajor enterprise	40,000	-	40,000
	<u>\$ 592,351</u>	<u>\$ 128,076</u>	<u>\$ 720,427</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2013

Note 5: Interfund Balances and Activity, continued

The transfers to the General fund in the amount of \$592,351 were to assist in the daily operation of this fund. The General Fund transferred \$125,250 to the Downtown Development Fund to assist with the operations of the Authority. The General Fund transferred \$1,826 to the Impact Fee Fund as Mayor and Council voted to refund impact fees.

Note 6: Long-term Obligations

Governmental Activities

Categories of Debt

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, 2013 was \$1,066,342. All principal and unpaid interest on the note is due upon the maturity date of the note which is August 27, 2013.

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 monthly payments 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, 2013 was \$59,104. All principal and unpaid interest on the note is due upon the maturity date of the note which is October 15, 2015.

On December 17, 2012, the Downtown Development Authority entered into a loan agreement with the Bank of Madison with a principal amount of \$90,000. The purpose of the loan is to purchase property. The Authority shall make monthly payments 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, 2013 was \$86,080. All principal and unpaid interest on the note is due upon the maturity date of the note which is December 15, 2017.

On January 5, 2013, the Downtown Development Authority entered into a loan agreement with United Bank with a principal amount of \$111,404. The purpose of the loan is to purchase property. The Authority shall make monthly payments 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, 2013 was \$108,741. All principal and unpaid interest on the note is due upon the maturity date of the note which is October 5, 2015.

On March 11, 2013, the Downtown Development Authority entered into a loan agreement with the Bank of Madison with a principal amount of \$70,000. The purpose of the loan is to purchase property. The Authority shall make monthly payments 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, 2013 was \$68,524. All principal and unpaid interest on the note is due upon the maturity date of the note which is March 11, 2018.

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.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2013

Note 6: Long-term Obligations, continued

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

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

	Historical Cost	Accumulated Depreciation
Municipal complex	\$ 2,100,000	\$ 448,466
John Deere Tractor	85,017	11,336
Garbage Truck	106,648	4,147

Future minimum lease payments at June 30, 2013:

Fiscal Year Ending June 30,	Governmental Activities	Business-type Activities
2014	\$ 271,753	22,842
2015	271,753	22,842
2016	254,867	22,842
2017	249,238	22,842
2018	249,238	5,710
Minimum lease payments	1,296,849	97,078
Less: Interest	(110,958)	(5,913)
Net present value of minimum lease payments	\$ 1,185,891	91,165

Business-type Activities

Revenue Bonds

2005 Series

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

2013 Series

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

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2013

Note 6: Long-term Obligations, continued

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

Long-term Obligation Activity

Changes in long-term obligations for the year ended June 30, 2013 are as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental activities:					
Capital lease obligations	\$ 1,412,220	\$ -	\$ 226,329	\$ 1,185,891	\$ 233,804
Notes Payable - DDA	1,343,257	160,000	114,467	1,388,790	1,089,146
Compensated absences	84,614	53,984	42,478	96,120	-
	<u>\$ 2,840,091</u>	<u>\$ 213,984</u>	<u>\$ 383,274</u>	<u>\$ 2,670,801</u>	<u>\$ 1,322,950</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Business-type activities:					
Gas Fund:					
Compensated absences	24,139	12,479	7,201	29,417	-
	<u>\$ 24,139</u>	<u>\$ 12,479</u>	<u>\$ 7,201</u>	<u>\$ 29,417</u>	<u>\$ -</u>
Water and Sewer Fund:					
Revenue bonds	10,365,000	9,800,000	10,365,000	9,800,000	470,000
Deferred amounts:					
Issuance discounts	(152,732)	-	152,732	-	-
Issuance premiums	-	491,938	-	491,938	-
Total bonds payable	<u>10,212,268</u>	<u>10,291,938</u>	<u>10,517,732</u>	<u>10,291,938</u>	<u>470,000</u>
Compensated absences	27,298	27,325	24,527	30,096	-
	<u>\$ 10,239,566</u>	<u>\$ 10,319,263</u>	<u>\$ 10,542,259</u>	<u>\$ 10,322,034</u>	<u>\$ 470,000</u>
Nonmajor-Sanitation Fund:					
Compensated absences	5,742	3,654	6,726	2,670	-
Capital leases	-	106,648	15,483	91,165	20,479
	<u>\$ 5,742</u>	<u>\$ 110,302</u>	<u>\$ 22,209</u>	<u>\$ 93,835</u>	<u>\$ 20,479</u>
Total Business-type	<u>\$ 10,269,447</u>	<u>\$ 10,442,044</u>	<u>\$ 10,571,669</u>	<u>\$ 10,445,286</u>	<u>\$ 490,479</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2013

Note 6: Long-term Obligations, continued

Debt service requirements:

Governmental activities

Year Ending June 30,	Notes Payable - DDA	
	Principal	Interest
2014	\$ 1,089,146	\$ 50,337
2015	23,659	10,719
2016	164,581	6,740
2017	15,460	3,740
2018	95,944	2,270
	\$ 1,388,790	\$ 73,806

Business-type activities

Year Ending June 30,	Water & Sewer Fund	
	Revenue Bonds	
	Principal	Interest
2014	\$ 470,000	\$ 293,913
2015	475,000	284,783
2016	485,000	278,343
2017	490,000	271,168
2018	500,000	263,188
2019 - 2023	2,700,000	1,113,336
2024 - 2028	3,235,000	576,837
2029 - 2030	1,445,000	76,176
	\$ 9,800,000	\$ 3,157,744

Note 7: Net Position 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	\$ 551,209
Public safety	14,872
	\$ 566,081

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2013

Note 8: Fund Balance – Governmental Funds

As of June 30, 2013, fund balances are composed of the following:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable			
Prepays	\$ 60,358	\$ 5,234	\$ 65,592
Permanent fund principal	-	247,506	247,506
Total nonspendable	<u>60,358</u>	<u>252,740</u>	<u>313,098</u>
Restricted			
General government	-	69,589	69,589
Public safety	6,501	33,034	39,535
Public works	250	364,923	365,173
Health & welfare	-	86,006	86,006
Culture & recreation	2,648	134,392	137,040
Total restricted	<u>9,399</u>	<u>687,944</u>	<u>697,343</u>
Committed			
Public works	-	19,439	19,439
Total committed	<u>-</u>	<u>19,439</u>	<u>19,439</u>
Assigned			
Public works	249,238	-	249,238
Housing & development	-	70,471	70,471
Subsequent years' budget	434,450	-	434,450
Total assigned	<u>683,688</u>	<u>70,471</u>	<u>754,159</u>
Unassigned			
Total unassigned	<u>671,022</u>	<u>-</u>	<u>671,022</u>
Total fund balance	<u>\$ 1,424,467</u>	<u>\$ 1,030,594</u>	<u>\$ 2,455,061</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, 2013

Note 9: Retirement Benefits, continued

For the year ended January 1, 2013 (the most recent actuarial valuation date), the City's total covered payroll amounted to \$2,483,992. 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	30
Terminated plan members entitled to, but not receiving benefits	11
Active plan members	68
Total	109

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 \$316,811, which is 12.75% 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 \$341,381

Annual Pension Cost

The City's annual pension cost of \$341,381. The employer contribution was \$341,381 for the plan year ended January 1, 2013.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation as of January 1, 2013.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2013

Note 9: Retirement Benefits, continued

Actuarial Valuation Information

Valuation date	January 1, 2013	January 1, 2012
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>
1/1/2013	\$ 341,381	100%	\$ -
1/1/2012	432,619	100%	-
1/1/2011	417,678	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>
1/1/2013	8,842,617	9,235,138	392,521	95.75%	2,483,992	15.8%

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.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2013

Note 9: Retirement Benefits, continued

Deferred Compensation Plan

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

Note 10: Other Postemployment Benefits

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

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

Currently there are four retirees that meet those eligibility requirements. The City provides health insurance coverage for its retirees and active employees through the Georgia Municipal Employees Benefit System. During the year, \$16,560 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)	\$ 7,585
Amortization of UAAL (share of past service cost)	18,522
Annual Required Contribution (ARC)	<u>26,107</u>
OPEB costs paid during year	(16,560)
Increase in Net OPEB Obligation	<u>9,547</u>
Net OPEB Obligation, beginning	24,250
Net OPEB Obligation, ending	<u><u>\$ 33,797</u></u>
Percentage of ARC contributed	63%

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 third year of implementation of GASB no. 45.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2013

Note 10: Other Postemployment Benefits, continued

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2013	\$ -	\$ 277,954	\$ 277,954	0%	\$ 2,440,522	11%

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	1/1/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed, 25 years
Remaining amortization period	2 years as of January 1, 2013
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4%
Medical cost trend rate	8.0% graded to 5.0% over 6 years

Trend Information

Year Ended	OPEB Cost	Contribution (ARC)	OPEB Cost Contributed	% of ARC Contributed	OPEB Obligation
6/30/2013	\$ 25,427	\$ 26,105	\$ 16,560	63%	\$ 33,797
6/30/2012	23,479	23,479	15,624	67%	24,252
6/30/2011	23,479	23,479	16,626	71%	16,397

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.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2013

Note 11: Risk Management, continued

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

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

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

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

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

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2013

Note 11: Risk Management, continued

The Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding 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, 2013.

Note 12: Commitments and Contingencies

Construction and Commitments

At June 30, 2013, the City had the following active projects:

	Estimated Project Cost	Expended to Date
Governmental Funds		
Administrative Building - Phase III	\$ 1,200,000	\$ 13,600
Airport Improvement	180,000	173,268
Stormwater Project	650,000	29,021
Gas Fund		
Southeast Gas Extension	1,200,000	5,097
Water Fund		
MXU Upgrade	200,000	39,750

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.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2013

Note 12: Commitments and Contingencies, continued

The City of Madison, Georgia and the Downtown Development Authority of Madison (Authority) entered into an intergovernmental contract on 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, 2013.

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, 2013.

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.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2013

Note 14: Joint Ventures

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

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

Note 15: Related Entity

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

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

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

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

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

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

For the fiscal year ending June 30, 2013, Payments in Lieu of Taxes paid to the City was \$9.

Note 16: Hotel/Motel Lodging Tax

The City of Madison, Georgia has levied a 5% lodging tax. The City entered into a contract with the Madison-Morgan Chamber of Commerce, Inc., a non-profit 501(c)(6) organization in Morgan County, Georgia. The City made total payments to the Chamber in the amount of \$91,335 even though only \$76,094 was required by enabling legislation. The funds received by the Chamber shall be expended for the purposes of promoting tourism in the City of Madison, Georgia. A summary of transactions for the obligation to the Chamber of Commerce for the year ended June 30, 2013 follows:

	<u>Chamber - 40%</u>	<u>City - 60%</u>	<u>Total</u>
Balance owed at 6/30/2012	\$ -	\$ -	\$ -
Lodging tax receipts FYE 6/30/2013	76,094	114,140	190,234
Disbursements to the Madison-Morgan Chamber of Commerce for promotion of tourism	(76,094)	(15,241)	(91,335)
Disbursements for downtown development activities	-	(98,899)	(98,899)
Balance owed at 6/30/2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2013

Note 17: Implementation of New Accounting Standards

Implementation of GASB Statement No. 61, *The Financial Reporting Entity*

The City implemented GASB Statement no. 61, *The Financial Reporting Entity*, effective July 1, 2012. This pronouncement changed the criteria under which a component unit of a primary government is required to be reported as a “blended” component unit. The financial condition and results of blended component units are required to be reported as though the blended component unit is actually a part of the primary government and is not an entity separate from the primary government. Because resources of the City will be the primary source of repayment for the debt that the Downtown Development Authority issued, the new accounting standards require that the DDA be reported as a blended component unit as opposed to a discretely presented component unit as had been the case previously.

The GASB required that the new accounting standard be implemented retroactively, which required a restatement to increase beginning fund balance in the nonmajor governmental funds of \$132,016. This amount represents the total beginning fund balance of the funds reported by the DDA reported on the modified accrual basis of accounting. Additionally, the City’s beginning net position in the governmental activities column of the government wide statements was increased by \$2,590,731 to report the beginning net position of the DDA under the accrual basis of accounting. Adopting the new accounting principle reduced the current change in fund balance for nonmajor funds by \$56,545.

Implementation of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*

The City implemented the requirements of GASB Statement no. 63 as of July 1, 2012. This statement required that the balance sheet and statement of net position contain elements entitled “deferred outflows or resources” and “deferred inflows of resources”. Additionally, the standard requires that the name of the residual financial position value of the government-wide financial statements and the enterprise fund financial statements be changed from “net assets” to “net position”. Deferred outflows of resources, which are similar to assets, represent resources consumed by the entity that is applicable to a future period (i.e. the related expenditure / expense will be reported in a future period). Deferred inflows of resources, which are similar to liabilities, represent resources received by the entity that are applicable to future period (i.e. the related revenue will be reported in a future period).

The City elected to early implement the guidance of GASB 65 as of July 1, 2012. This pronouncement proscribed certain financial statement elements that should be reported as either deferred outflows of resources or deferred inflows of resources. Additionally, the statement clarified that most debt issuance costs would be reported as an expense in the period that they are incurred rather than amortized to expense over the life of the related debt issuance. The statement requires that any unamortized debt issuance costs present upon implementation of the standard be removed from assets and the appropriate class of beginning net position be reduced. The City’s governmental beginning net position was reduced by \$14,700 as a result of removing the unamortized debt issuance costs from the respective statements of net position.

The City reported deferred inflows of resources in its governmental funds for taxes receivable that were not reported as revenue in the funds because they were not received soon enough to be considered available. Prior to the implementation of GASB 63, these amounts had been reported as liabilities. The City reported deferred outflows of resources in the government wide statement of net position for business-type activities related to deferred losses on the refunding of debt issuances.

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 3,036,500	\$ 3,161,100	\$ 3,138,707	\$ (22,393)
Licenses and permits	44,500	44,500	52,820	8,320
Intergovernmental	53,000	107,415	95,031	(12,384)
Charges for services	250,900	245,200	110,281	(134,919)
Fines and forfeitures	254,600	246,900	257,351	10,451
Investment income	2,000	2,000	2,925	925
Contributions and donations	-	1,250	4,662	3,412
Miscellaneous revenue	31,940	35,940	41,848	5,908
Total revenues	<u>3,673,440</u>	<u>3,844,305</u>	<u>3,703,625</u>	<u>(140,680)</u>
EXPENDITURES				
Current:				
General government:				
Governing body	75,950	81,950	79,445	2,505
Legislative committees and special bodies	80,400	123,065	96,407	26,658
City manager	130,900	130,900	128,251	2,649
City clerk	119,300	123,400	123,027	373
Financial administration	-	10,100	10,036	64
Law	25,000	47,000	46,869	131
Data processing/MIS	57,050	63,650	61,730	1,920
General government buildings	77,200	199,800	198,029	1,771
Judicial:				
Municipal court	90,250	90,250	86,651	3,599
Public safety:				
Police	1,111,700	1,111,700	1,048,331	63,369
Custody of prisoners	37,000	37,000	26,011	10,989
Fire	186,550	186,550	160,863	25,687
E-911	110,000	125,000	124,238	762
Animal control	102,200	102,200	89,731	12,469
Public works:				
Highways and streets	658,050	701,700	670,222	31,478
Maintenance and shop	75,350	77,150	73,063	4,087
Cemetery	16,500	17,600	15,736	1,864
Culture & recreation:				
Recreation	44,400	44,400	44,259	141
Landscaping	375,600	375,600	353,477	22,123
Housing & development:				
Planning and zoning	209,500	209,500	201,461	8,039
Tourism	43,200	43,300	40,151	3,149
Main Street	243,450	233,450	203,033	30,417
Airport	211,600	211,600	84,104	127,496
Debt service:				
Principal payments	227,000	227,000	226,329	671
Interest and fiscal charges	45,600	45,600	45,425	175
Total expenditures	<u>4,353,750</u>	<u>4,619,465</u>	<u>4,236,879</u>	<u>382,586</u>
Excess (deficiency) of revenues over (under) expenditures	(680,310)	(775,160)	(533,254)	241,906

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Other financing sources:				
Transfers in	619,100	619,100	592,351	(26,749)
Transfers (out)	(125,000)	(128,150)	(128,076)	74
Total other financing sources	<u>494,100</u>	<u>490,950</u>	<u>464,275</u>	<u>(26,675)</u>
Net change in fund balance	(186,210)	(284,210)	(68,979)	215,231
Fund balance - beginning	1,493,446	1,493,446	1,493,446	-
Fund balance - ending	\$ <u>1,307,236</u>	\$ <u>1,209,236</u>	\$ <u>1,424,467</u>	\$ <u>215,231</u>

City of Madison, Georgia
Required Supplementary Information
Retirement Plan-Schedule of Funding Progress
June 30, 2013

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
1/1/2013	\$ 8,842,617	\$ 9,235,138	\$ 392,521	95.7%	\$ 2,483,992	15.8%
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, 2013

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>
1/1/2013	\$ -	\$ 277,954	\$ 277,954	0.0%	\$ 2,440,522	11.4%
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>
6/30/2013	\$ 26,105	\$ 16,560	63.44%
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. For financial reporting purposes, an actuarial valuation should be performed at least triennially. Therefore, the City has only performed two actuarial valuations to date, which is presented above.

City of Madison, Georgia
Notes to Required Supplementary Information
June 30, 2013

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.

Downtown Development Authority - This is a blended component unit. This fund is used to account all of the transactions of the development authority.

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, 2013

	<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	\$ 173,807	\$ 513,161	\$ 2,166	\$ 689,134
Investments	-	-	28,639	28,639
Accounts receivables	-	-	11,600	11,600
Internal balances	40,721	-	-	40,721
Due from other governments	100	68,852	-	68,952
Prepaid items	5,234	-	-	5,234
Restricted Investments	-	-	247,506	247,506
Total assets	<u>219,862</u>	<u>582,013</u>	<u>289,911</u>	<u>1,091,786</u>
Liabilities, Deferred Inflows and Fund Balance				
Liabilities:				
Accounts payable	17,301	17,204	-	34,505
Internal balances	1,887	13,600	-	15,487
Total liabilities	<u>19,188</u>	<u>30,804</u>	<u>-</u>	<u>49,992</u>
Deferred Inflows of resources:				
Unavailable revenue	-	-	11,200	11,200
Total deferred inflows	<u>-</u>	<u>-</u>	<u>11,200</u>	<u>11,200</u>
Fund Balances:				
Nonspendable	5,234	-	247,506	252,740
Restricted	124,969	551,209	11,766	687,944
Committed	-	-	19,439	19,439
Total fund balances	<u>200,674</u>	<u>551,209</u>	<u>278,711</u>	<u>1,030,594</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 219,862</u>	<u>\$ 582,013</u>	<u>\$ 289,911</u>	<u>\$ 1,091,786</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, 2013

	<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	\$ 190,234	\$ -	\$ -	\$ 190,234
Intergovernmental	33,419	284,914	-	318,333
Charges for services	4,375	-	13,900	18,275
Forfeitures	2,251	-	-	2,251
Interest	348	434	1,174	1,956
Contributions and donations	35,976	-	2,751	38,727
Miscellaneous	2,250	-	-	2,250
Total Revenues	<u>268,853</u>	<u>285,348</u>	<u>17,825</u>	<u>572,026</u>
Expenditures:				
Current:				
Public safety	2,502	-	-	2,502
Health and welfare	34,561	-	-	34,561
Culture and recreation	-	-	728	728
Housing and development	372,801	-	-	372,801
Capital Outlay:				
General government	-	53,856	-	53,856
Public safety	-	21,369	-	21,369
Public works	-	48,904	-	48,904
Debt service:				
Principal payments	114,467	-	-	114,467
Interest and fiscal charges	50,825	-	-	50,825
Total Expenditures	<u>575,156</u>	<u>124,129</u>	<u>728</u>	<u>700,013</u>
Excess of revenues over expenditures	(306,303)	161,219	17,097	(127,987)
Other financing sources (uses):				
Proceeds from long-term debt	160,000	-	-	160,000
Transfers in	126,250	1,826	-	128,076
Transfers (out)	(23,891)	(3,460)	-	(27,351)
Net change in fund balances	(43,944)	159,585	17,097	132,738
Fund balance - beginning, as previously reported	112,602	391,624	261,614	765,840
Prior period adjustment	132,016	-	-	132,016
Fund balance - beginning	<u>244,618</u>	<u>391,624</u>	<u>261,614</u>	<u>897,856</u>
Fund balance - ending	<u>\$ 200,674</u>	<u>\$ 551,209</u>	<u>\$ 278,711</u>	<u>\$ 1,030,594</u>

**City of Madison, Georgia
Special Revenue Funds
Combining Balance Sheet
June 30, 2013**

	<u>Confiscated Asset Fund</u>	<u>System of Care Fund</u>	<u>Local Development Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Downtown Development Authority</u>	<u>Total</u>
Assets						
Cash	\$ 14,872	\$ 87,200	\$ -	\$ -	\$ 71,735	\$ 173,807
Internal balances	-	-	24,091	16,630	-	40,721
Due from other governments	-	-	-	-	100	100
Prepaid items	-	234	-	-	5,000	5,234
Total assets	<u>14,872</u>	<u>87,434</u>	<u>24,091</u>	<u>16,630</u>	<u>76,835</u>	<u>219,862</u>
Liabilities and Fund Balance						
Liabilities:						
Accounts payable	-	1,194	-	15,323	784	17,301
Internal balances	-	-	-	1,307	580	1,887
Total liabilities	<u>-</u>	<u>1,194</u>	<u>-</u>	<u>16,630</u>	<u>1,364</u>	<u>19,188</u>
Fund balances:						
Nonspendable	-	234	-	-	5,000	5,234
Restricted	14,872	86,006	24,091	-	-	124,969
Assigned	-	-	-	-	70,471	70,471
Total fund balance	<u>14,872</u>	<u>86,240</u>	<u>24,091</u>	<u>-</u>	<u>75,471</u>	<u>200,674</u>
Total liabilities and fund equity	<u>\$ 14,872</u>	<u>\$ 87,434</u>	<u>\$ 24,091</u>	<u>\$ 16,630</u>	<u>\$ 76,835</u>	<u>\$ 219,862</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, 2013

	Confiscated Asset Fund	System of Care Fund	Local Development Fund	Hotel/Motel Tax Fund	Downtown Development Authority	Total
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ 190,234	\$ -	\$ 190,234
Intergovernmental	-	33,419	-	-	-	33,419
Charges for services	-	-	4,375	-	-	4,375
Forfeitures	2,251	-	-	-	-	2,251
Interest	22	121	-	-	205	348
Contributions and donations	-	9,476	-	-	26,500	35,976
Miscellaneous	-	-	-	-	2,250	2,250
Total revenue	<u>2,273</u>	<u>43,016</u>	<u>4,375</u>	<u>190,234</u>	<u>28,955</u>	<u>268,853</u>
Expenditures:						
Current:						
Public safety	2,502	-	-	-	-	2,502
Health and welfare	-	34,561	-	-	-	34,561
Housing and development	-	-	-	166,343	206,458	372,801
Debt service:						
Principal payments	-	-	-	-	114,467	114,467
Interest and fiscal charges	-	-	-	-	50,825	50,825
Total expenditures	<u>2,502</u>	<u>34,561</u>	<u>-</u>	<u>166,343</u>	<u>371,750</u>	<u>575,156</u>
Excess (deficiency) of revenues over (under) expenditures	(229)	8,455	4,375	23,891	(342,795)	(306,303)
Other financing sources (uses):						
Proceeds from long-term debt	-	-	-	-	160,000	160,000
Transfers in	-	-	-	-	126,250	126,250
Transfers (out)	-	-	-	(23,891)	-	(23,891)
Total other financing sources (uses)	-	-	-	(23,891)	286,250	262,359
Net change in fund balances	(229)	8,455	4,375	-	(56,545)	(43,944)
Fund balance - beginning, as previously reported	15,101	77,785	19,716	-	-	112,602
Prior period adjustment	-	-	-	-	132,016	132,016
Fund balance - beginning, as restated	<u>15,101</u>	<u>77,785</u>	<u>19,716</u>	<u>-</u>	<u>132,016</u>	<u>244,618</u>
Fund balance - ending	<u>\$ 14,872</u>	<u>\$ 86,240</u>	<u>\$ 24,091</u>	<u>\$ -</u>	<u>\$ 75,471</u>	<u>\$ 200,674</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, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Forfeitures	\$ 4,300	\$ 4,300	\$ 2,251	\$ (2,049)
Interest	200	200	22	(178)
Total revenue	4,500	4,500	2,273	(2,227)
Expenditures:				
Current:				
Public safety	7,000	7,000	2,502	4,498
Total expenditures	7,000	7,000	2,502	4,498
Net change in fund balances	(2,500)	(2,500)	(229)	2,271
Fund balance - beginning	15,101	15,101	15,101	-
Fund balance - ending	\$ 12,601	\$ 12,601	\$ 14,872	\$ 2,271

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Intergovernmental	\$ 113,139	\$ 85,689	\$ 33,419	\$ (52,270)
Interest	-	-	121	121
Contributions and donations	-	27,450	9,476	(17,974)
Total revenue	<u>113,139</u>	<u>113,139</u>	<u>43,016</u>	<u>(70,123)</u>
Expenditures:				
Current:				
Health and welfare	105,135	105,135	34,561	70,574
Total expenditures	<u>105,135</u>	<u>105,135</u>	<u>34,561</u>	<u>70,574</u>
Net change in fund balances	8,004	8,004	8,455	451
Fund balance - beginning	77,785	77,785	77,785	-
Fund balance - ending	<u>\$ 85,789</u>	<u>\$ 85,789</u>	<u>\$ 86,240</u>	<u>\$ 451</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Charges for services	\$ -	\$ -	\$ 4,375	\$ 4,375
Total revenue	<u>-</u>	<u>-</u>	<u>4,375</u>	<u>4,375</u>
Expenditures:				
Current:				
Public works	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	4,375	4,375
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>\$ 24,091</u>	<u>\$ 4,375</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes	\$ 200,000	\$ 200,000	\$ 190,234	\$ (9,766)
Total revenue	<u>200,000</u>	<u>200,000</u>	<u>190,234</u>	<u>(9,766)</u>
Expenditures:				
Current:				
Housing and development	<u>170,900</u>	<u>170,900</u>	<u>166,343</u>	<u>4,557</u>
Total expenditures	<u>170,900</u>	<u>170,900</u>	<u>166,343</u>	<u>4,557</u>
Excess of revenues over expenditures	29,100	29,100	23,891	(5,209)
Other financing (uses):				
Transfers (out)	<u>(29,100)</u>	<u>(29,100)</u>	<u>(23,891)</u>	<u>5,209</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, 2013

	<u>SPLOST</u>	<u>Impact Fee</u>	<u>Total</u>
Assets			
Cash	\$ 513,161	\$ -	\$ 513,161
Due from other governments	68,852	-	68,852
Total assets	<u>582,013</u>	<u>-</u>	<u>582,013</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	17,204	-	17,204
Interfund payables	13,600	-	13,600
Total liabilities	<u>30,804</u>	<u>-</u>	<u>30,804</u>
Fund Balances:			
Restricted	551,209	-	551,209
Total fund balances	<u>551,209</u>	<u>-</u>	<u>551,209</u>
Total liabilities and fund balances	<u>\$ 582,013</u>	<u>\$ -</u>	<u>\$ 582,013</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, 2013

	<u>SPLOST</u>	<u>Impact Fee</u>	<u>Total</u>
Revenues:			
Intergovernmental	\$ 284,914	\$ -	\$ 284,914
Interest	410	24	434
Total revenue	<u>285,324</u>	<u>24</u>	<u>285,348</u>
Expenditures:			
Capital outlay:			
General government	-	53,856	53,856
Public safety	21,369	-	21,369
Public works	48,904	-	48,904
Total expenditures	<u>70,273</u>	<u>53,856</u>	<u>124,129</u>
Excess of revenues over expenditures	215,051	(53,832)	161,219
Other financing sources (uses):			
Transfers in	-	1,826	1,826
Transfers (out)	<u>-</u>	<u>(3,460)</u>	<u>(3,460)</u>
Net change in fund balances	215,051	(55,466)	159,585
Fund balance - beginning	336,158	55,466	391,624
Fund balance - ending	<u>\$ 551,209</u>	<u>\$ -</u>	<u>\$ 551,209</u>

City of Madison, Georgia
Permanent Funds
Combining Balance Sheet
For the Fiscal Year Ended June 30, 2013

	Ricketts		Total
	Environmental Trust	Cemetery	
Assets			
Cash	\$ 2,166	\$ -	\$ 2,166
Investments	9,200	19,439	28,639
Accounts receivables	400	11,200	11,600
Restricted investments	25,000	222,506	247,506
Total assets	<u>36,766</u>	<u>253,145</u>	<u>289,911</u>
Liabilities, Deferred Inflows and Fund Balance			
Liabilities:			
Internal balances	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:			
Unavailable revenue	-	11,200	11,200
Total deferred inflows	<u>-</u>	<u>11,200</u>	<u>11,200</u>
Fund Balances:			
Nonspendable	25,000	222,506	247,506
Restricted	11,766	-	11,766
Committed	-	19,439	19,439
Total fund balances	<u>36,766</u>	<u>241,945</u>	<u>278,711</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 36,766</u>	<u>\$ 253,145</u>	<u>\$ 289,911</u>

City of Madison, Georgia
Permanent Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance
For the Fiscal Year Ended June 30, 2013

	Ricketts		
	Environmental Trust	Cemetery	Total
Revenues:			
Charges for services	\$ -	\$ 13,900	\$ 13,900
Interest	67	1,107	1,174
Contributions and donations	2,751	-	2,751
Total revenue	<u>2,818</u>	<u>15,007</u>	<u>17,825</u>
Expenditures:			
Culture and recreation	728	-	728
Total expenditures	<u>728</u>	<u>-</u>	<u>728</u>
Net change in fund balances	2,090	15,007	17,097
Fund balance - beginning	34,676	226,938	261,614
Fund balance - ending	<u>\$ 36,766</u>	<u>\$ 241,945</u>	<u>\$ 278,711</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes				
General property taxes	\$ 1,748,000	\$ 1,842,100	\$ 1,830,892	\$ (11,208)
General sales and use taxes	780,000	798,500	792,316	(6,184)
Selective sales and use taxes	230,000	230,000	222,196	(7,804)
Business taxes	271,500	279,500	282,306	2,806
Penalties and interest on delinquent taxes	7,000	11,000	10,997	(3)
Total taxes	<u>3,036,500</u>	<u>3,161,100</u>	<u>3,138,707</u>	<u>(22,393)</u>
Licenses and Permits				
Business licenses	38,000	38,000	45,175	7,175
Non-business licenses and permits	6,000	6,000	7,140	1,140
Regulatory fees	-	-	100	100
Penalties and interest on licenses	500	500	405	(95)
Total licenses and permits	<u>44,500</u>	<u>44,500</u>	<u>52,820</u>	<u>8,320</u>
Intergovernmental Revenues				
Federal governmental grants	2,000	2,000	719	(1,281)
State governmental grants	50,000	104,415	94,303	(10,112)
Local government unit grants	1,000	1,000	9	(991)
Total intergovernmental revenue	<u>53,000</u>	<u>107,415</u>	<u>95,031</u>	<u>(12,384)</u>
Charges for services				
General government	8,800	10,800	9,477	(1,323)
Other fees	186,000	186,000	66,545	(119,455)
Other charges for services	56,100	48,400	34,259	(14,141)
Total charges for services	<u>250,900</u>	<u>245,200</u>	<u>110,281</u>	<u>(134,919)</u>
Fines & forfeitures				
Fines & forfeitures	253,600	245,900	256,378	10,478
Parking tickets	1,000	1,000	973	(27)
Total fines & forfeitures	<u>254,600</u>	<u>246,900</u>	<u>257,351</u>	<u>10,451</u>
Investment income				
Interest	2,000	2,000	2,925	925
Total investment income	<u>2,000</u>	<u>2,000</u>	<u>2,925</u>	<u>925</u>
Contributions and donations from private sources				
Contributions & donations	-	1,250	4,662	3,412
Total contributions and donations from private sources	<u>-</u>	<u>1,250</u>	<u>4,662</u>	<u>3,412</u>
Miscellaneous Revenue				
Rents and royalties	28,940	32,940	33,502	562
Other	3,000	3,000	8,346	5,346
Total miscellaneous revenue	<u>31,940</u>	<u>35,940</u>	<u>41,848</u>	<u>5,908</u>
Other Financing Sources				
Transfers in	619,100	619,100	592,351	(26,749)
Total other financing sources	<u>619,100</u>	<u>619,100</u>	<u>592,351</u>	<u>(26,749)</u>
Total Revenues and Other Financing Sources	<u>\$ 4,292,540</u>	<u>\$ 4,463,405</u>	<u>\$ 4,295,976</u>	<u>\$ (167,429)</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Governing body				
Personal services	\$ 34,950	\$ 34,950	\$ 34,624	\$ 326
Purchased/contracted services	38,500	44,100	43,239	861
Supplies	2,500	2,900	1,582	1,318
Total governing body	<u>75,950</u>	<u>81,950</u>	<u>79,445</u>	<u>2,505</u>
Historic Preservation Commission				
Purchased/contracted services	8,000	8,665	5,064	3,601
Supplies	2,000	2,000	1,363	637
Total Historic Preservation Commission	<u>10,000</u>	<u>10,665</u>	<u>6,427</u>	<u>4,238</u>
Corridor Design Commission				
Purchased/contracted services	2,900	2,900	60	2,840
Supplies	1,100	1,100	200	900
Capital outlay	-	65,000	52,639	12,361
Other costs	55,000	-	-	-
Total Corridor Design Commission	<u>59,000</u>	<u>69,000</u>	<u>52,899</u>	<u>16,101</u>
Tree Board				
Purchased/contracted services	6,100	6,100	2,349	3,751
Supplies	1,100	1,100	902	198
Total Tree Board	<u>7,200</u>	<u>7,200</u>	<u>3,251</u>	<u>3,949</u>
Cemetery Commission				
Purchased/contracted services	2,100	2,100	116	1,984
Supplies	2,100	2,100	1,797	303
Total Cemetery Commission	<u>4,200</u>	<u>4,200</u>	<u>1,913</u>	<u>2,287</u>
Bicentennial Committee				
Purchased/contracted services	-	32,000	31,917	83
Total Bicentennial Committee	<u>-</u>	<u>32,000</u>	<u>31,917</u>	<u>83</u>
City Manager				
Personal services	122,600	122,600	120,513	2,087
Purchased/contracted services	5,400	5,400	4,077	1,323
Supplies	2,900	2,900	3,661	(761)
Total City Manager	<u>130,900</u>	<u>130,900</u>	<u>128,251</u>	<u>2,649</u>
City Clerk				
Personal services	88,400	89,400	89,378	22
Purchased/contracted services	19,050	22,150	21,898	252
Supplies	1,350	1,350	1,336	14
Other costs	10,500	10,500	10,415	85
Total City Clerk	<u>119,300</u>	<u>123,400</u>	<u>123,027</u>	<u>373</u>
Financial Administration				
Other costs	-	10,100	10,036	64
Total Financial Administration	<u>-</u>	<u>10,100</u>	<u>10,036</u>	<u>64</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Law				
Purchased/contracted services	25,000	47,000	46,869	131
Total Law	<u>25,000</u>	<u>47,000</u>	<u>46,869</u>	<u>131</u>
Data Processing/MIS				
Purchased/contracted services	48,650	49,650	50,921	(1,271)
Supplies	8,400	8,400	5,320	3,080
Capital outlay	-	5,600	5,489	111
Total Data Processing/MIS	<u>57,050</u>	<u>63,650</u>	<u>61,730</u>	<u>1,920</u>
General Government Buildings				
Purchased/contracted services	22,000	57,500	59,546	(2,046)
Supplies	48,700	52,000	44,182	7,818
Capital outlay	-	88,800	88,754	46
Other costs	6,500	1,500	5,547	(4,047)
Total General Government Buildings	<u>77,200</u>	<u>199,800</u>	<u>198,029</u>	<u>1,771</u>
Total General Government	<u>565,800</u>	<u>779,865</u>	<u>743,794</u>	<u>36,071</u>
JUDICIAL				
Municipal Court				
Personal services	42,800	42,800	40,538	2,262
Purchased/contracted services	46,250	46,250	45,077	1,173
Supplies	1,200	1,200	1,036	164
Total municipal court	<u>90,250</u>	<u>90,250</u>	<u>86,651</u>	<u>3,599</u>
Total Judicial	<u>90,250</u>	<u>90,250</u>	<u>86,651</u>	<u>3,599</u>
PUBLIC SAFETY				
Police				
Personal services	889,500	894,500	844,294	50,206
Purchased/contracted services	56,100	56,100	52,020	4,080
Supplies	95,100	95,100	95,976	(876)
Capital outlay	61,000	61,000	50,962	10,038
Other costs	10,000	5,000	5,079	(79)
Total police department	<u>1,111,700</u>	<u>1,111,700</u>	<u>1,048,331</u>	<u>63,369</u>
Custody of Prisoners				
Purchased/contracted services	1,000	1,000	216	784
Supplies	1,000	1,000	-	1,000
Other costs	35,000	35,000	25,795	9,205
Total custody of prisoners	<u>37,000</u>	<u>37,000</u>	<u>26,011</u>	<u>10,989</u>
Fire				
Personal services	86,400	81,900	61,020	20,880
Purchased/contracted services	59,300	59,300	57,565	1,735
Supplies	33,450	37,950	36,152	1,798
Capital outlay	6,400	6,400	6,126	274
Other costs	1,000	1,000	-	1,000
Total fire department	<u>186,550</u>	<u>186,550</u>	<u>160,863</u>	<u>25,687</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
E-911				
Other costs	110,000	125,000	124,238	762
Total E-911	<u>110,000</u>	<u>125,000</u>	<u>124,238</u>	<u>762</u>
Animal Control				
Personal services	49,400	49,900	48,709	1,191
Purchased/contracted services	12,100	12,100	10,153	1,947
Supplies	8,200	12,700	7,835	4,865
Capital outlay	25,000	25,000	20,625	4,375
Other costs	7,500	2,500	2,409	91
Total animal control	<u>102,200</u>	<u>102,200</u>	<u>89,731</u>	<u>12,469</u>
Total Public Safety	<u>1,547,450</u>	<u>1,562,450</u>	<u>1,449,174</u>	<u>113,276</u>
PUBLIC WORKS				
Highways & Streets				
Personal services	358,000	353,000	332,602	20,398
Purchased/contracted services	63,850	51,250	48,469	2,781
Supplies	199,200	199,200	215,442	(16,242)
Capital outlay	5,000	76,250	73,706	2,544
Other costs	32,000	22,000	3	21,997
Total highways & streets	<u>658,050</u>	<u>701,700</u>	<u>670,222</u>	<u>31,478</u>
Maintenance and shop				
Personal services	66,400	68,200	66,540	1,660
Purchased/contracted services	2,100	2,100	2,036	64
Supplies	6,850	6,850	4,487	2,363
Total maintenance and shop	<u>75,350</u>	<u>77,150</u>	<u>73,063</u>	<u>4,087</u>
Cemetery				
Purchased/contracted services	3,000	3,500	3,208	292
Supplies	1,500	1,500	-	1,500
Capital outlay	12,000	12,600	12,528	72
Total cemetery	<u>16,500</u>	<u>17,600</u>	<u>15,736</u>	<u>1,864</u>
Total Public Works	<u>749,900</u>	<u>796,450</u>	<u>759,021</u>	<u>37,429</u>
CULTURE AND RECREATION				
Recreation				
Purchased/contracted services	1,400	1,400	1,191	209
Supplies	13,000	13,000	13,068	(68)
Other costs	30,000	30,000	30,000	-
Total recreation	<u>44,400</u>	<u>44,400</u>	<u>44,259</u>	<u>141</u>
Landscaping				
Personal services	279,600	279,600	257,929	21,671
Purchased/contracted services	19,950	19,950	29,502	(9,552)
Supplies	76,050	72,450	62,515	9,935
Total landscaping	<u>375,600</u>	<u>375,600</u>	<u>353,477</u>	<u>22,123</u>
Total Culture & Recreation	<u>420,000</u>	<u>420,000</u>	<u>397,736</u>	<u>22,264</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, 2013

	<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	142,500	146,500	145,344	1,156
Purchased/contracted services	61,200	54,200	47,783	6,417
Supplies	5,800	8,800	8,334	466
Total planning and zoning	<u>209,500</u>	<u>209,500</u>	<u>201,461</u>	<u>8,039</u>
Tourism				
Purchased/contracted services	6,200	6,300	6,234	66
Other costs	37,000	37,000	33,917	3,083
Total tourism	<u>43,200</u>	<u>43,300</u>	<u>40,151</u>	<u>3,149</u>
Main Street				
Personal services	127,300	127,300	111,342	15,958
Purchased/contracted services	88,000	88,000	78,024	9,976
Supplies	18,150	18,150	13,667	4,483
Capital outlay	10,000	-	-	-
Total main street program	<u>243,450</u>	<u>233,450</u>	<u>203,033</u>	<u>30,417</u>
Airport:				
Purchased/contracted services	36,600	26,900	22,738	4,162
Supplies	175,000	175,000	51,713	123,287
Capital outlay	-	9,700	9,653	47
Total airport	<u>211,600</u>	<u>211,600</u>	<u>84,104</u>	<u>127,496</u>
Total Housing & Development	<u>707,750</u>	<u>697,850</u>	<u>528,749</u>	<u>169,101</u>
Debt Service				
Principal payments:				
General government buildings department	206,000	206,000	205,738	262
Highway & streets department	21,000	21,000	20,591	409
Total principal payments	<u>227,000</u>	<u>227,000</u>	<u>226,329</u>	<u>671</u>
Interest and fiscal charges:				
General government buildings department	44,000	44,000	43,501	499
Highway & streets department	1,600	1,600	1,924	(324)
Total interest and fiscal charges	<u>45,600</u>	<u>45,600</u>	<u>45,425</u>	<u>175</u>
Total Debt Service	<u>272,600</u>	<u>272,600</u>	<u>271,754</u>	<u>846</u>
Other Financing Uses				
Transfers (out)	125,000	128,150	128,076	74
Total Other Financing Uses	<u>125,000</u>	<u>128,150</u>	<u>128,076</u>	<u>74</u>
Total Expenditures and Other Financing Uses	<u>\$ 4,478,750</u>	<u>\$ 4,747,615</u>	<u>\$ 4,364,955</u>	<u>\$ 382,660</u>

Bond Disclosures

**City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Water and Sewer Demand
June 30, 2013**

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

Hard Labor Creek Plant

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Avg. Flow MGD	0.327	0.388	0.301	0.519	0.476
Max. Flow MGD	0.903	0.963	0.887	1.316	1.212

Lake Oconee Plant

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Avg. Flow MGD	0.807	0.807	0.866	0.854	0.656
Max. Flow MGD	1.561	1.816	1.715	1.957	1.730

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

Northside Plant

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Avg. Flow MGD	0.057	0.074	0.063	0.071	0.064
Max. Flow MGD	0.275	0.649	0.427	0.278	0.292

Southside Plant

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Avg. Flow MGD	0.344	0.382	0.351	0.300	0.248
Max. Flow MGD	1.292	1.605	1.818	0.371	1.110

Indian Creek

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Avg. Flow MGD	0.184	0.200	0.224	0.190	0.165
Max. Flow MGD	0.510	1.070	0.540	0.460	0.490

**City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Water and Sewer Customers
June 30, 2013**

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

TOTAL CUSTOMERS

Water Customers

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Inside City	2,066	2,059	2,060	2,079	2,098
Outside City	506	513	522	527	542
Total	<u>2,572</u>	<u>2,572</u>	<u>2,582</u>	<u>2,606</u>	<u>2,640</u>

Sewerage Customers

Inside City	1,778	1,777	1,780	1,802	1,818
Outside City	66	69	71	73	80
Total	<u>1,844</u>	<u>1,846</u>	<u>1,851</u>	<u>1,875</u>	<u>1,898</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>
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
2013	9,180,000	22,000	2,140,100	11,342,100
Total	<u>53,660,000</u>	<u>706,000</u>	<u>9,129,900</u>	<u>63,495,900</u>

**City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Ten Largest Water and Sewer Customers
June 30, 2013**

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	65,091,000	\$ 411,177	\$ -	\$ 411,177	13.41%
2. Morgan Co. Schools	9,191,000	66,540	51,209	117,749	3.84%
3. City of Rutledge	9,180,000	36,445	-	36,445	1.19%
4. Anthony	6,501,600	41,567	38,791	80,358	2.62%
5. Madison Lakes LLC	5,303,000	33,712	-	33,712	1.10%
6. Pilot Travel Centers LLC	4,405,500	28,362	26,301	54,663	1.78%
7. Morgan Co. Recreation	3,966,500	27,583	2,334	29,917	0.98%
8. Orchard Grove-Mercy Housing	3,428,700	28,390	21,610	50,000	1.63%
9. Madison Health & Rehab	3,399,000	22,076	21,469	43,545	1.42%
10. Mannington Mills dba: Amtico	2,948,800	19,875	15,081	34,956	1.14%

City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Historic Water and Sewer Rates
June 30, 2013

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

**City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Water and Sewer Rates and Tap Fees
June 30, 2013**

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

WATER AND SEWER RATES AND TAP FEES

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

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

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

Tap Fees

Water:

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

TBD - to be determined when requested

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

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

Wastewater:

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

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

** For multi-family complexes, the service establishment shall be the greater of the following:
a) scheduled wastewater connection fee based on meter size or
b) \$1,500 per unit for the total number of units in the complex.

For mixed use, commercial, or industrial applications, the connection fee shall be the greater of
a) scheduled wastewater connection fee based on water meter size, or
b) the projected daily flow of wastewater (as determined by City Manager) in gallons multiplied by \$6.00. Rates do not include bores or line extensions.

City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Historic and Historic Pro-Forma Coverage of Debt Service
For the Fiscal Years Ended June 30, 2013, 2012, 2011, 2010, 2009

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>2009</u>		<u>2010</u>		<u>2011</u>		<u>2012</u>		<u>2013</u>
Net Income (Loss) (before transfers)	\$ 15,880	\$	(39,986)	\$	247,194	\$	266,882	\$	(427,360)
Plus Depreciation and Amortization	684,636		880,858		901,510		903,355		954,568
Plus Interest	<u>504,878</u>		<u>516,276</u>		<u>480,818</u>		<u>467,563</u>		<u>675,114</u>
Net Revenues Available for Debt Service	<u>\$ 1,205,394</u>	\$	<u>1,357,148</u>	\$	<u>1,629,522</u>	\$	<u>1,637,800</u>	\$	<u>1,202,322</u>
Actual Debt Service on Bonds	\$ 850,007	\$	847,933	\$	850,817	\$	852,563	\$	848,125
Coverage Ratio	1.42x		1.60x		1.92x		1.92x		1.42x

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>2009</u>		<u>2010</u>		<u>2011</u>		<u>2012</u>		<u>2013</u>
Net Revenues Available for Debt Service	\$ 1,205,394	\$	1,357,148	\$	1,629,522	\$	1,637,800	\$	1,202,322
Maximum Annual Debt Service on Bonds	\$ 852,563	\$	852,563	\$	852,563	\$	852,563	\$	852,563
Coverage Ratio	1.41x		1.59x		1.91x		1.92x		1.41x

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

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

Mayor and Council
City of Madison, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Madison, Georgia as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Madison, Georgia's basic financial statements and have issued our report thereon dated May 15, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

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

Madison, Georgia
May 15, 2014

Inglewood, Jayli 4/20

City of Madison, Georgia
Schedule of Special Purpose
Local Option Sales Tax
For the Fiscal Year Ended June 30, 2013

	<u>Original Estimated Cost</u>	<u>Revised Estimated Cost</u>	<u>Expenditures</u>			<u>Estimated Percentages of Completion</u>
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	
2007 Referendum						
Road and Bridge Improvement	\$ 600,000	\$ 600,000	\$ 551,096	\$ 48,904	\$ 600,000	100%
Public Works Building	\$ 400,000	\$ 400,000	\$ 263,286	\$ -	\$ 263,286	66%
Public Safety Building	\$ 350,000	\$ 350,000	\$ 149,638	\$ 21,369	\$ 171,007	49%
City Hall Renovation	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ -	0%
Park Improvements and Equipment	\$ 204,400	\$ 204,400	\$ -	\$ -	\$ -	0%
Total 2007 Referendum	\$ 1,804,400	\$ 1,804,400	\$ 964,020	\$ 70,273	\$ 1,034,293	
2012 Referendum						
Road Improvements	\$ 800,000	\$ 800,000	\$ -	\$ -	\$ -	0%
Hill Park Restrooms	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	0%
Public Safety Building	\$ 550,000	\$ 550,000	\$ -	\$ -	\$ -	0%
City Hall Renovations	\$ 400,000	\$ 400,000	\$ -	\$ -	\$ -	0%
Acquisition of Town Park	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -	0%
Park Improvements and Equipment	\$ 267,640	\$ 267,640	\$ -	\$ -	\$ -	0%
Total 2012 Referendum	\$ 3,117,640	\$ 3,117,640	\$ -	\$ -	\$ -	

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