

City of Madison, Georgia
Financial Statements
Fiscal Year Ended
June 30, 2017

City of Madison, Georgia
Financial Statements
For the Fiscal Year Ended June 30, 2017

TABLE OF CONTENTS

FINANCIAL SECTION	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		
Management's Discussion and Analysis		i-ix
Basic Financial Statements:		
Statement of Net Position	1	1
Statement of Activities	2	2
Balance Sheet - Governmental Funds	3	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	3.1	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	4	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Net Activities	4.1	6
Statement of Net Position - Proprietary Funds	5	7
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	6	8
Statement of Cash Flows - Proprietary Funds	7	9-10
Notes to the Financial Statements		11-37
Required Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund		38-39
Other Postemployment Benefits - Schedule of Funding Progress		40
Schedule of Changes in the Net Pension Liability and Related Ratios		41-42
Notes to Required Supplementary Information		43-44
	<u>Schedule</u>	<u>Page</u>
Supplementary Information:		
Governmental Funds:		
Nonmajor Governmental Funds:		
Nonmajor Governmental Funds - Combining Balance Sheet	1	45
All Nonmajor Governmental Funds - Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	2	46

City of Madison, Georgia
Financial Statements
For the Fiscal Year Ended June 30, 2017

TABLE OF CONTENTS

	Schedule	Page
Special Revenue Funds - Combining Balance Sheet	3	47
Special Revenue Funds - Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	4	48
Confiscated Asset Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual	5	49
Redevelopment Loan Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual	6	50
Local Development Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual	7	51
Hotel/Motel Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual	8	52
Capital Project Funds - Combining Balance Sheet	9	53
Capital Project Funds - Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	10	54
Permanent Funds - Combining Balance Sheet	11	55
Permanent Funds - Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	12	56
Other Schedules - Governmental Funds:		
General Fund - Schedule of Revenues and Other Financing Sources - Budget (GAAP Basis) and Actual	13	57
General Fund - Schedule of Expenditures and Other Financing Uses - Budget (GAAP Basis) and Actual	14	58-61

OTHER SUPPLEMENTARY INFORMATION SECTION

Bond Disclosures:

Water and Sewer Demand	15	62
Water and Sewer Customers	16	63
Ten Largest Water and Sewer Customers	17	64
Historic Water and Sewer Rates	18	65
Water and Sewer Rates and Tap Fees	19	66
Historic and Historic Pro-Forma Coverage of Debt Service	20	67

City of Madison, Georgia
Financial Statements
For the Fiscal Year Ended June 30, 2017

TABLE OF CONTENTS

	<u>Schedule</u>	<u>Page</u>
COMPLIANCE SECTION		
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 <i>Government Auditing Standards</i>		68-69
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance		70-71
Schedule of Expenditures of Federal Awards		72
Notes to the Schedule of Expenditures of Federal Awards		73
Schedule of Findings and Questioned Costs		74-75
Summary Schedule of Prior Audit Findings		76-77
Schedule of Special Purpose Local Option Sales Tax		78

Treadwell, Tamplin & Co.

Certified Public Accountants
A Limited Liability Partnership

157 West Jefferson Street
Madison, Georgia 30650

Ph: 706-342-1040
Fax: 706-342-1041

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Managements' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Madison, Georgia, as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, the Other Postemployment Benefits – Schedule of Funding Progress, and the Schedule of Changes in the Net Pension Liability and Related Ratios on page on pages i through viii, 38-39, 40 and 41-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018 on our consideration of the City of Madison, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Madison, Georgia's internal control over financial reporting and compliance.

Treadwell Tamplin + Co.

Madison, Georgia
June 27, 2018

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, 2017. 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 2017 by \$37,485,707 (total net position). Of this amount, \$4,825,137 (unrestricted net position) was available for use to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net position increased by \$930,244 during the most recent fiscal year, resulting from governmental and business-type activities.
- At the close of fiscal year 2017, the City's governmental funds reported combined ending fund balances of \$2,532,226. Of this amount, \$958,314 or 38% is available for spending at the government's discretion (General unassigned fund balance). The balance of this amount (\$1,573,912) 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 \$958,314.
- Beginning with fiscal year 2013, the Madison Downtown Development Authority is presented in the City's financial statements as a blended component unit. This is a result of the City implementing GASB 61.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the general fund, SPLOST Fund, Downtown Development Authority, and the Governmental Capital Project Fund, are considered major funds. The data from the six 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 45 through 56.

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

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

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

Proprietary funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its solid waste operations, water and sewer system operations, and its natural gas system operations.

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The assets exceeded the liabilities at the close of fiscal year 2017 by \$37,485,707.

The largest component of the City's net position is net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding, which comprises \$31,625,175 or 84%. 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	
	2016	2017	2016	2017	2016	2017
Assets:						
Current assets	\$ 2,289,828	\$ 2,529,973	\$ 4,650,295	\$ 4,673,543	\$ 6,940,123	\$ 7,203,516
Restricted assets	\$ 303,335	\$ 330,811	\$ 308,534	\$ 302,367	\$ 611,869	\$ 633,178
Other assets					\$ -	\$ -
Capital assets	\$ 15,687,133	\$ 16,933,972	\$ 25,207,530	\$ 25,651,365	\$ 40,894,663	\$ 42,585,337
Total assets	\$ 18,280,296	\$ 19,794,756	\$ 30,166,359	\$ 30,627,275	\$ 48,446,655	\$ 50,422,031
Deferred Outflows of Resources:						
Deferred amount of debt refunding	\$ -	\$ -	\$ 1,079,125	\$ 1,002,044	\$ 1,079,125	\$ 1,002,044
Deferred amount related to pensions	\$ 488,913	\$ 371,424	\$ 283,103	\$ 215,073	\$ 772,016	\$ 586,497
Total assets and deferred outflows	\$ 18,769,209	\$ 20,166,180	\$ 31,528,587	\$ 31,844,392	\$ 50,297,796	\$ 52,010,572
Liabilities:						
Current liabilities	\$ 345,766	\$ 226,787	\$ 703,818	\$ 556,463	\$ 1,049,584	\$ 783,250
Accrued Interest	\$ 7,443	\$ 4,053	\$ -	\$ -	\$ 7,443	\$ 4,053
Current liabilities payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
from restricted assets	\$ -	\$ -	\$ 510,795	\$ 533,172	\$ 510,795	\$ 533,172
Long-term liabilities	\$ 3,222,514	\$ 4,007,045	\$ 9,669,164	\$ 9,001,433	\$ 12,891,678	\$ 13,008,478
Deferred Inflows of Resources:						
Deferred amount related to pensions	\$ 179,117	\$ 124,070	\$ 103,716	\$ 71,842	\$ 282,833	\$ 195,912
Total liabilities and deferred inflows	\$ 3,754,840	\$ 4,361,955	\$ 10,987,493	\$ 10,162,910	\$ 14,742,333	\$ 14,524,865
Net position:						
Net investment in capital assets	\$ 13,503,118	\$ 13,939,335	\$ 18,386,882	\$ 17,685,840	\$ 31,890,000	\$ 31,625,175
Restricted for General Government	\$ -	\$ 47,143	\$ -	\$ -	\$ -	\$ 47,143
Restricted for Public Safety	\$ 29,138	\$ 34,529	\$ -	\$ -	\$ 29,138	\$ 34,529
Restricted for Public Works	\$ 282,311	\$ 521,092	\$ -	\$ -	\$ 282,311	\$ 521,092
Restricted for Health & Welfare	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for Culture and Recreation	\$ 25,000	\$ 37,456	\$ -	\$ -	\$ 25,000	\$ 37,456
Restricted for Housing & Development	\$ -	\$ 95,175	\$ -	\$ -	\$ -	\$ 95,175
Restricted for debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for Renewal/Extention	\$ -	\$ -	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Restricted for non expendable trust	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	\$ 1,174,802	\$ 1,129,495	\$ 2,854,212	\$ 3,695,642	\$ 4,029,014	\$ 4,825,137
Total net position	\$ 15,014,369	\$ 15,804,225	\$ 21,541,094	\$ 21,681,482	\$ 36,555,463	\$ 37,485,707

An additional portion of the City's net position, \$1,035,395 or 6.6% represents resources that are subject to external restrictions on how they may be used. Of this amount, \$47,143 is restricted for General Government, \$34,529 is restricted for Public Safety, \$216,361 is restricted for Public Works, \$12,456 is restricted for Culture and Recreation and \$95,175 is restricted for Housing and Development. Another category of this portion of the City's net position is restricted for water & sewer system renewal and extension in the amount of \$300,000. The last category is restricted for non-expendable trust in the amount \$329,731. 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 \$789,856. A transfer from the Natural Gas Fund of \$380,000, a transfer from the Water & Sewer Fund of \$380,000, and a transfer from the Solid Waste Fund for \$85,000 attributed to no further decreases in governmental activity net position.

	City of Madison Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Revenues:						
Program Revenues:						
Charges for service	\$ 703,207	\$ 563,280	\$ 6,303,047	\$ 6,725,634	\$ 7,006,254	\$ 7,288,914
Operating grants/contributions	\$ 72,442	\$ 164,968	\$ 9,019	\$ -	\$ 81,461	\$ 164,968
Capital grants/contributions	\$ 1,280,848	\$ 959,836	\$ 515,320	\$ 271,540	\$ 1,796,168	\$ 1,231,376
General revenues:						
Property taxes	\$ 1,420,963	\$ 1,428,406	\$ -	\$ -	\$ 1,420,963	\$ 1,428,406
Sales tax	\$ 1,395,253	\$ 1,368,626	\$ -	\$ -	\$ 1,395,253	\$ 1,368,626
Other Taxes	\$ 822,739	\$ 855,851	\$ -	\$ -	\$ 822,739	\$ 855,851
Intergovernmental rev	\$ 3,960	\$ 7,742	\$ -	\$ -	\$ 3,960	\$ 7,742
Investment earnings	\$ 3,230	\$ 8,327	\$ 6,306	\$ 11,589	\$ 9,536	\$ 19,916
Other	\$ 6,303	\$ 21,788	\$ 83,288	\$ -	\$ 89,591	\$ 21,788
Gain/(Loss) on sale of capital assets	\$ 26,562	\$ -	\$ 1,500	\$ 2,463	\$ 28,062	\$ 2,463
Contributions to perm. fund prin.	\$ 15,925	\$ 22,420	\$ -	\$ -	\$ 15,925	\$ 22,420
Total revenue	\$ 5,751,432	\$ 5,401,244	\$ 6,918,480	\$ 7,011,226	\$ 12,669,912	\$ 12,412,470
Expenses:						
General government	\$ 972,110	\$ 988,636	\$ -	\$ -	\$ 972,110	\$ 988,636
Judicial	\$ 84,337	\$ 112,212	\$ -	\$ -	\$ 84,337	\$ 112,212
Public safety	\$ 1,573,253	\$ 1,664,955	\$ -	\$ -	\$ 1,573,253	\$ 1,664,955
Public works	\$ 1,182,866	\$ 910,176	\$ -	\$ -	\$ 1,182,866	\$ 910,176
Health and Welfare	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	\$ 391,501	\$ 465,756	\$ -	\$ -	\$ 391,501	\$ 465,756
Housing and development	\$ 981,472	\$ 1,004,323	\$ -	\$ -	\$ 981,472	\$ 1,004,323
Payment to Component Unit	\$ 245,425	\$ 221,135	\$ -	\$ -	\$ 245,425	\$ 221,135
Interest and fiscal charges	\$ 65,254	\$ 89,195	\$ -	\$ -	\$ 65,254	\$ 89,195
Water and sewer	\$ -	\$ -	\$ 3,395,444	\$ 3,579,046	\$ 3,395,444	\$ 3,579,046
Natural gas	\$ -	\$ -	\$ 1,632,562	\$ 1,945,612	\$ 1,632,562	\$ 1,945,612
Solid waste	\$ -	\$ -	\$ 477,132	\$ 501,180	\$ 477,132	\$ 501,180
Total Expenses	\$ 5,496,218	\$ 5,456,388	\$ 5,505,138	\$ 6,025,838	\$ 11,001,356	\$ 11,482,226
Inc in net position before transfers	\$ 255,214	\$ (55,144)	\$ 1,413,342	\$ 985,388	\$ 1,668,556	\$ 930,244
Transfers	\$ 945,000	\$ 845,000	\$ (945,000)	\$ (845,000)	\$ -	\$ -
Change in net position	\$ 1,200,214	\$ 789,856	\$ 468,342	\$ 140,388	\$ 1,668,556	\$ 930,244
Net Position Beginning	\$ 13,814,155	\$ 15,014,369	\$ 21,072,752	\$ 21,541,094	\$ 34,886,907	\$ 36,555,463
Prior Period Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Position Beginning, as restated	\$ 13,814,155	\$ 15,014,369	\$ 21,072,752	\$ 21,541,094	\$ 34,886,907	\$ 36,555,463
Net Position Ending	\$ 15,014,369	\$ 15,804,225	\$ 21,541,094	\$ 21,681,482	\$ 36,555,463	\$ 37,485,707

Revenues. Property taxes of \$1,428,406 and sales tax of \$1,368,626 accounted for 52% of total governmental revenues.

Capital grants and contributions consisted of the following:

- Total SPLOST funds received from Morgan County were \$399,273. SPLOST funds were received from the 2012 Referendum.
- The City of Madison received a Department of Natural Resource trails grant for \$76,367
- The City of Madison received a Georgia Department of Community Affairs redevelopment grant for \$99,146.
- The City of Madison received a Georgia Department of Transportation grant for paving in the amount of \$61,113

Operating grants and contributions consisted of the following:

- Ricketts Environmental Excellence Trust (T.R.E.E.) program received donations of \$1,276.
- The City of Madison received a Georgia Municipal Association Safety grant for \$750

Expenses. The total expense for the governmental activities is \$5,456,388. 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 \$1,664,955 or 30.6% of total governmental activity expense.

Total program revenues and general revenues exceeded expenses by \$789,856.

Business-type activities. Business-type activities increased the City's net position by \$140,388.

Revenues. Water and sewer operating revenue was \$3,724,205. Natural gas operating revenue was \$2,389,516. Sanitation operating revenue was \$611,913. 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 \$3,579,046. Natural gas operating expense was \$1,945,612. Sanitation operating expense was \$501,180.

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 \$2,532,226. Approximately 38% of this amount (\$958,314) 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, 2017, unassigned fund balance of the general fund was \$958,314. 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 20% 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 \$45,554; the change in Natural Gas net position was \$66,148; and the change in Solid Waste net position was \$28,686.

General Fund Budgetary Highlights

Differences between the original budgeted expenditures and the final amended budgeted expenditures are approximately \$120,600 or 2% of the original budget. The increase in budgeted expenditures is attributable primarily to the increase in Police and Street departments. Budgeted revenue increased from the original budget in the amount of \$56,600. The increase is for Taxes and Intergovernmental revenues.

During the year, actual revenues were less than budgetary estimates by \$41,544, and actual expenditures were less than budgetary estimates by \$320,984.

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, 2017, amounts to \$42,585,337 (net of accumulated depreciation). This investment in capital assets includes land, historical treasures, construction in progress, land improvements, infrastructure, buildings, equipment, and vehicles.

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

Governmental-type activities:

- The Recreational Trails grant is underway with a total cost for FY2017 of \$61,517.
- A 2017 Ford Expedition was purchased for the City Manager in the amount of \$34,228.
- The Police department purchased four 2017 Dodge Chargers for a total cost of \$96,363.
- The Landscape department accepted a donation of a 1.841 Acres lot on E. Washington Street at Maple Street with a value of \$70,000.
- SPLOST funds paid for sidewalk improvements for US Hwy 441 corridor for an amount of \$120,946.
- SPLOST funds paid for road improvements on Park Street in the amount of \$30,270

Business-type activities:

- The Wastewater department made system improvements to the Northside Wastewater Treatment Plant for a cost of \$32,454.
- The Wastewater department also purchased a Aries Portable Pathfinder System in the amount of \$39,880.
- The Wastewater department also purchased McLaughlin VX30 Vac System for \$36,950.
- The Water department continued to make system improvements by upgrading MXUs to Flexnet for an amount of \$44,602.
- The Gas department had a system expansion on Greensboro Road in the amount of \$69,379.
- The Gas department continued to make system improvements by upgrading MXUs to Flexnet for an amount of \$30,300.
- The Gas department purchased a Ditch Witch with attachments for \$54,338.

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

	Government Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Land	\$ 4,421,464	\$ 5,691,924	\$ 261,782	\$ 261,782	\$ 4,683,246	\$ 5,953,706
Historical Treasures	\$ 24,318	\$ 24,318	\$ -	\$ -	\$ 24,318	\$ 24,318
Construction in progress	\$ 570,431	\$ 788,309	\$ 1,063,646	\$ 1,185,620	\$ 1,634,077	\$ 1,973,929
Land improvements	\$ 1,311,048	\$ 1,209,209	\$ 6,489	\$ 6,097	\$ 1,317,537	\$ 1,215,306
Infrastructure	\$ 3,365,639	\$ 3,257,149	\$ 13,933,841	\$ 13,686,828	\$ 17,299,480	\$ 16,943,977
Building	\$ 4,996,826	\$ 4,968,487	\$ 6,674,703	\$ 6,458,141	\$ 11,671,529	\$ 11,426,628
Equipment	\$ 522,702	\$ 465,943	\$ 4,013,882	\$ 3,763,978	\$ 4,536,584	\$ 4,229,921
Vehicles	\$ 474,705	\$ 528,633	\$ 253,187	\$ 288,919	\$ 727,892	\$ 817,552
Total	\$ 15,687,133	\$ 16,933,972	\$ 26,207,530	\$ 25,651,365	\$ 41,894,663	\$ 42,585,337

Long-term debt. At the end of the current fiscal year, the City had total outstanding revenue bond indebtedness in the amount of \$8,256,186. The water and sewerage revenue bonds represent bonds secured solely by a pledge of and a lien on the net revenues of the Water & Sewer System. In FY 2008, the City financed the new Public Works Facility through a capital lease with Georgia Municipal Association in the amount of \$2,100,000. This is a ten-year lease. In FY 2013, the City of Madison financed a new garbage truck through a capital lease with Georgia Municipal Association in the amount of \$106,648. This is a five year lease. In FY2017, the City of Madison financed an aerial fire truck through a capital lease with Georgia Municipal Association in the amount of \$300,000. This is a five year lease. The remainder of the capital lease obligations at FY 2017 is \$484,762. 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 \$2,165,422, which has the purpose of purchasing property. The Downtown Development Authority issued bonds in the amount of \$1,110,000. The bonds were issued to retire the outstanding note payable at Bank of Madison which was for the Town Park project. The bonds payable-DDA balance at the end of the year was \$344,454.

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

	Government Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Revenue Bonds	\$ -	\$ -	\$ 8,775,124	\$ 8,256,186	\$ 8,775,124	\$ 8,256,186
Bonds Payable - DDA	\$ 570,244	\$ 344,454	\$ -	\$ -	\$ 570,244	\$ 344,454
Notes Payable	\$ 836,599	\$ 2,165,422	\$ 689,652	\$ 630,500	\$ 1,526,251	\$ 2,795,922
Capital Lease Obligations	\$ 777,172	\$ 484,762	\$ 124,649	\$ 80,883	\$ 901,821	\$ 565,645
Total	\$ 2,184,015	\$ 2,994,638	\$ 9,589,425	\$ 8,967,569	\$ 11,773,440	\$ 11,962,207

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 \$191,108, a 8.7% increase from FY 2016.

Water and Wastewater operating revenues increased by \$228,805, a 6.5% increase from FY 2016.

Sanitation operating revenues increased by \$2,674, a .4% increase from FY 2016.

Sales tax revenues decreased by \$26,627, a 1.9% decrease from FY 2016.

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, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,501,030	\$ 1,574,438	\$ 3,075,468
Investments, plus accrued interest	465,405	2,192,116	2,657,521
Accounts receivable, net (Note 3)	29,156	818,052	847,208
Taxes receivable	37,562	-	37,562
Internal balances (Note 6)	(2,807)	2,807	-
Due from other governments	337,664	39,434	377,098
Loans Receivable	93,426	-	93,426
Prepaid expenses	68,537	46,696	115,233
Restricted assets:			
Cash	25,000	302,367	327,367
Investments	305,811	-	305,811
Capital assets (Note 5)			
Capital assets not being depreciated	6,504,551	1,447,403	7,951,954
Capital assets being depreciated, net	10,429,421	24,203,962	34,633,383
Total capital assets	<u>16,933,972</u>	<u>25,651,365</u>	<u>42,585,337</u>
Total assets	<u>19,794,756</u>	<u>30,627,275</u>	<u>50,422,031</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount of debt refunding	-	1,002,044	1,002,044
Deferred amount related to pensions (Note 10)	371,424	215,073	586,497
Total deferred outflows	<u>371,424</u>	<u>1,217,117</u>	<u>1,588,541</u>
Total assets and deferred outflows	<u>20,166,180</u>	<u>31,844,392</u>	<u>52,010,572</u>
LIABILITIES			
Accounts payable and accrued expenses	226,787	252,234	479,021
Accrued interest	4,053	-	4,053
Customer deposits	-	304,229	304,229
Long-term liabilities: (Note 7)			
Portion due or payable within one year:			
Bonds and notes payable, net	582,334	533,172	1,115,506
Capital lease obligation	300,775	27,912	328,687
Portion due or payable after one year:			
Bonds and notes payable, net	1,927,541	8,353,514	10,281,055
Capital lease obligation	183,987	52,971	236,958
Compensated absences	114,454	43,898	158,352
Net pension liability (Note 10)	882,518	511,015	1,393,533
OPEB obligation (Note 11)	15,436	12,123	27,559
Total liabilities	<u>4,237,885</u>	<u>10,091,068</u>	<u>14,328,953</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amount related to pensions (Note 10)	124,070	71,842	195,912
Total deferred inflows	<u>124,070</u>	<u>71,842</u>	<u>195,912</u>
Total liabilities and deferred inflows	<u>4,361,955</u>	<u>10,162,910</u>	<u>14,524,865</u>
NET POSITION			
Net investment in capital assets	13,939,335	17,685,840	31,625,175
Restricted for :			
General government	47,143	-	47,143
Public safety	34,529	-	34,529
Public works:			
Expendable	216,361	-	216,361
Nonexpendable	304,731	-	304,731
Culture & recreation:			
Expendable	12,456	-	12,456
Nonexpendable	25,000	-	25,000
Housing & development:			
Expendable	95,175	-	95,175
Renewal & extensions (Note 7)	-	300,000	300,000
Unrestricted	1,129,495	3,695,642	4,825,137
Total net position	<u>\$ 15,804,225</u>	<u>\$ 21,681,482</u>	<u>\$ 37,485,707</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, 2017

Activities:	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental:							
General government	\$ 988,636	\$ 82,734	\$ -	\$ 51,228	\$ (854,674)	\$ -	\$ (854,674)
Judicial	112,212	291,908	-	-	179,696	-	179,696
Public safety	1,664,955	28,175	1,956	70,438	(1,564,386)	-	(1,564,386)
Public works	910,176	200	11,825	280,840	(617,311)	-	(617,311)
Culture and recreation	465,756	28,426	77,643	180,152	(179,535)	-	(179,535)
Housing and development	1,225,458	131,837	73,544	377,178	(642,899)	-	(642,899)
Interest and fiscal charges	89,195	-	-	-	(89,195)	-	(89,195)
Total governmental activities	5,456,388	563,280	164,968	959,836	(3,768,304)		(3,768,304)
Business-type:							
Gas	1,945,612	2,389,516	-	-	\$ -	443,904	443,904
Water and sewer	3,579,046	3,724,205	-	271,540	-	416,699	416,699
Sanitation	501,180	611,913	-	-	-	110,733	110,733
Total business-type activities	6,025,838	6,725,634	-	271,540		971,336	971,336
General revenues:							
Taxes							
Property taxes, levied for general purposes					1,428,406	-	1,428,406
Sales tax					1,368,626	-	1,368,626
Intangible tax					16,129	-	16,129
Business taxes					355,030	-	355,030
Franchise fees					484,692	-	484,692
Intergovernmental revenues					7,742	-	7,742
Investment earnings					8,327	11,589	19,916
Miscellaneous					21,788	-	21,788
Gain on the sale of capital assets					-	2,463	2,463
Contributions to permanent fund principal					22,420	-	22,420
Transfers					845,000	(845,000)	-
Total general revenues and transfers					4,558,160	(830,948)	3,727,212
Change in net position					789,856	140,388	930,244
Net position - beginning					15,014,369	21,541,094	36,555,463
Net position - ending					\$ 15,804,225	\$ 21,681,482	\$ 37,485,707

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

City of Madison, Georgia
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Downtown Development Authority	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 1,016,308	\$ 185,527	\$ 299,194	\$ 1,501,029
Investments, plus accrued interest	393,492	50,000	21,913	465,405
Accounts receivable	15,618	100	13,438	29,156
Taxes receivable	37,562	-	-	37,562
Internal balances	173,258	-	92,746	266,004
Due from other governments	149,573	88,582	99,632	337,787
Loans Receivable	-	-	93,426	93,426
Prepaid items	68,537	-	-	68,537
Restricted cash	-	-	25,000	25,000
Restricted investments	-	-	305,811	305,811
Total assets	1,854,348	324,209	951,160	3,129,717
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	105,663	10,022	35,888	151,573
Accrued expenses	75,334	-	-	75,334
Internal balances	92,746	8,429	167,636	268,811
Total liabilities	273,743	18,451	203,524	495,718
Deferred inflows of resources:				
Unavailable property taxes	22,950	-	-	22,950
Unavailable grant reimbursements	-	60,103	-	60,103
Unavailable revenues	6,045	-	12,675	18,720
Total deferred inflows of resources	28,995	60,103	12,675	101,773
Fund balances (Note 9):				
Nonspendable	68,537	-	329,731	398,268
Restricted	23,426	-	382,237	405,663
Committed	-	-	22,993	22,993
Assigned	501,333	245,655	-	746,988
Unassigned	958,314	-	-	958,314
Total fund balances	1,551,610	245,655	734,961	2,532,226
Total liabilities, deferred inflows and fund balances	\$ 1,854,348	\$ 324,209	\$ 951,160	\$ 3,129,717

City of Madison, Georgia
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Total <i>fund</i> balances for governmental funds (Exhibit 3)	\$	2,532,226
<p>Total <i>net position</i> reported for governmental activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:</p>		
Capital assets not being depreciated		6,504,551
Capital assets being depreciated, net of \$6,991,674 of accumulated depreciation		<u>10,429,421</u>
Total capital assets		16,933,972
<p>Some of the City's taxes and other charges will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.</p>		
		41,668
<p>Grant reimbursements are recorded as revenue once the costs for the grant are incurred under the accrual basis of accounting used on the Statement of Net Position. The reimbursements must be received in time to liquidate current obligations to be considered available and reported in the funds. This adjustment represents revenue not received in time to be considered available.</p>		
		60,103
<p>Deferred outflows and inflows of resources related to pensions represent differences between actual and projected income that accounting standards require be amortized into income over future periods. These deferrals do not constitute current financial resources and are not reported in the funds.</p>		
		247,354
<p>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, 2017 are:</p>		
Capital leases payable		(484,762)
Notes payable		(2,509,875)
Interest payable		(4,053)
Compensated absences		(114,454)
Net pension obligation		(882,518)
OPEB obligation		<u>(15,436)</u>
Total long-term liabilities		<u>(4,011,098)</u>
Total net position of governmental activities (Exhibit 1)	\$	<u><u>15,804,225</u></u>

City of Madison, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	<u>General Fund</u>	<u>Downtown Development Authority</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 3,340,693	\$ -	\$ 301,594	\$ 3,642,287
Licenses and permits	58,030	-	-	58,030
Intergovernmental revenue	147,014	371,929	498,419	1,017,362
Charges for services	148,382	-	22,420	170,802
Fines and forfeitures	291,908	-	22,321	314,229
Investment income	6,390	353	2,356	9,099
Contributions and donations	11,989	46,000	6,276	64,265
Miscellaneous	66,090	73,544	-	139,634
Total revenues	<u>4,070,496</u>	<u>491,826</u>	<u>853,386</u>	<u>5,415,708</u>
EXPENDITURES				
Current:				
General government	907,677	-	-	907,677
Judicial	111,674	-	-	111,674
Public safety	1,634,751	-	23,179	1,657,930
Public works	698,869	-	6,514	705,383
Culture and recreation	453,240	-	2,125	455,365
Housing and development	636,396	1,541,013	217,525	2,394,934
Capital outlay:				
Public works	-	-	168,113	168,113
Culture and recreation	-	-	266,346	266,346
Debt service:				
Principal payments	292,410	744,744	-	1,037,154
Interest and fiscal charges	20,404	72,181	-	92,585
Total expenditures	<u>4,755,421</u>	<u>2,357,938</u>	<u>683,802</u>	<u>7,797,161</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(684,925)</u>	<u>(1,866,112)</u>	<u>169,584</u>	<u>(2,381,453)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	1,847,776	-	1,847,776
Proceeds of governmental asset dispositions	6,241	-	-	6,241
Transfers in	933,359	225,425	-	1,158,784
Transfers (out)	(225,425)	-	(88,359)	(313,784)
Total other financing sources (uses)	<u>714,175</u>	<u>2,073,201</u>	<u>(88,359)</u>	<u>2,699,017</u>
Net change in fund balances	29,250	207,089	81,225	317,564
Fund balances - beginning	1,522,360	38,566	653,736	2,214,662
Fund balances - ending	<u>\$ 1,551,610</u>	<u>\$ 245,655</u>	<u>734,961</u>	<u>\$ 2,532,226</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, 2017

Net change in <i>fund</i> balances - total governmental funds (Exhibit 4)	\$	317,564
The change in <i>net position</i> reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,815,651) exceeded depreciation (\$670,259) in the current period.		1,145,422
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.		116,500
Governmental funds do not recognize certain other revenues not collected in time to liquidate current obligations. However, the Statement of Activities uses the accrual basis and, thus, the entire amount is recognized as revenue, regardless of the collection date. This is the net difference in revenue between the accrual basis used in the government-wide statements and the modified accrual basis used in the funds.		60,103
In governmental funds, capital assets are not recorded in the fund. Thus a disposal of an asset has no effect in the governmental fund, other than recording of the proceeds, if any, from the sale. However, the statement of activities recognizes a gain or loss related to the disposal of the assets.		(15,083)
Pension expenditures represent contributions to the pension plan made during the fiscal year and are reported in the funds. Pension expense represents the change in the net pension liability and any amortization of differences in projected and actual earnings, changes in assumptions, changes in benefits or differences between expected and actual experience. The statement of activities reports pension expense.		(23,768)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable, available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. The adjustment resulting from the different basis of accounting is as follows:		
Compensated absences		(13,318)
OPEB liability		735
Interest payable		3,390
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.		8,933
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.		(1,847,776)
Debt principal payments are reported as expenditures in the governmental funds, but reduce the liability in the statement of net position.		<u>1,037,154</u>
Change in net position of governmental activities (Exhibit 2)	\$	<u><u>789,856</u></u>

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

City of Madison, Georgia
Statement of Net Position
Proprietary Funds
June 30, 2017

	Enterprise Funds			Total
	Gas Fund	Water & Sewer Fund	Nonmajor Sanitation Fund	
ASSETS				
Current assets:				
Cash	\$ 350,630	\$ 1,146,729	\$ 77,079	\$ 1,574,438
Investments, plus accrued interest	587,527	1,414,037	190,552	2,192,116
Accounts receivable, net (Note 3)	195,320	518,251	104,481	818,052
Due from other governments	39,434	-	-	39,434
Due from other funds (Note 6)	221	2,586	-	2,807
Prepaid expenses	4,967	38,613	3,116	46,696
Total current assets	<u>1,178,099</u>	<u>3,120,216</u>	<u>375,228</u>	<u>4,673,543</u>
Noncurrent assets:				
Restricted assets - cash	-	302,367	-	302,367
Capital assets (Note 5)				
Capital assets not being depreciated	69,038	1,378,365	-	1,447,403
Capital assets being depreciated, net	2,073,509	21,995,624	134,829	24,203,962
Total capital assets	<u>2,142,547</u>	<u>23,373,989</u>	<u>134,829</u>	<u>25,651,365</u>
Total noncurrent assets	<u>2,142,547</u>	<u>23,676,356</u>	<u>134,829</u>	<u>25,953,732</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on debt refunding	-	1,002,044	-	1,002,044
Deferred amount related to pensions (Note 10)	54,821	144,142	16,110	215,073
Total deferred outflows	<u>54,821</u>	<u>1,146,186</u>	<u>16,110</u>	<u>1,217,117</u>
Total assets and deferred outflows	<u>3,375,467</u>	<u>27,942,758</u>	<u>526,167</u>	<u>31,844,392</u>
LIABILITIES				
Current liabilities:				
Accounts payable	95,091	56,855	25,280	177,226
Accrued expenses	19,073	48,049	7,886	75,008
Bonds payable, net (Note 7)	-	500,000	-	500,000
Capital leases (Note 7)	22,242	-	5,670	27,912
Note payable, net (Note 7)	-	33,172	-	33,172
Customer deposits	124,969	179,260	-	304,229
Total current liabilities	<u>261,375</u>	<u>817,336</u>	<u>38,836</u>	<u>1,117,547</u>
Noncurrent liabilities:				
Bonds payable, net (Note 7)	-	7,756,186	-	7,756,186
Capital leases (Note 7)	52,971	-	-	52,971
Note payable (Note 7)	-	597,328	-	597,328
Compensated absences	12,874	29,447	1,577	43,898
Net pension liability (Note 10)	130,253	342,485	38,277	511,015
OPEB obligation (Note 11)	3,306	7,439	1,378	12,123
Total noncurrent liabilities	<u>199,404</u>	<u>8,732,885</u>	<u>41,232</u>	<u>8,973,521</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amount on pension (Note 10)	18,311	48,149	5,382	71,842
Total deferred inflows	<u>18,311</u>	<u>48,149</u>	<u>5,382</u>	<u>71,842</u>
Total liabilities and deferred inflows	<u>479,090</u>	<u>9,598,370</u>	<u>85,450</u>	<u>10,162,910</u>
NET POSITION				
Net investment in capital assets	2,067,334	15,489,347	129,159	17,685,840
Restricted for renewal and extensions (Note 7)	-	300,000	-	300,000
Unrestricted	829,043	2,555,041	311,558	3,695,642
Total net position	<u>\$ 2,896,377</u>	<u>\$ 18,344,388</u>	<u>\$ 440,717</u>	<u>\$ 21,681,482</u>

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

City of Madison, Georgia
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Enterprise Funds			Total
	Gas Fund	Water & Sewer Fund	Nonmajor Sanitation Fund	
Operating Revenues:				
Charges for services	\$ 2,384,434	\$ 3,688,742	\$ 611,913	\$ 6,685,089
Tap fees	2,074	30,450	-	32,524
Other revenues	3,008	5,013	-	8,021
Total operating revenues	<u>2,389,516</u>	<u>3,724,205</u>	<u>611,913</u>	<u>6,725,634</u>
Operating Expenses:				
Cost of gas sold	1,130,121	-	-	1,130,121
Personal services	520,543	1,088,311	167,533	1,776,387
Purchased/contracted services	86,768	583,581	115,666	786,015
Supplies	107,490	608,637	69,721	785,848
Other costs	21,696	184	128,287	150,167
Depreciation	75,890	979,023	19,417	1,074,330
Total operating expenses	<u>1,942,508</u>	<u>3,259,736</u>	<u>500,624</u>	<u>5,702,868</u>
Operating income	447,008	464,469	111,289	1,022,766
Nonoperating revenues (expenses):				
Investment earnings	2,244	8,535	810	11,589
Gain on sale of asset	-	320	2,143	2,463
Interest expense	(3,104)	(319,310)	(556)	(322,970)
Total nonoperating revenues (expenses)	<u>(860)</u>	<u>(310,455)</u>	<u>2,397</u>	<u>(308,918)</u>
Income before contributions and transfers	446,148	154,014	113,686	713,848
Contributions and transfers:				
Capital contributions	-	271,540	-	271,540
Transfers (out)	(380,000)	(380,000)	(85,000)	(845,000)
Net contributions and transfers	<u>(380,000)</u>	<u>(108,460)</u>	<u>(85,000)</u>	<u>(573,460)</u>
Change in net position	66,148	45,554	28,686	140,388
Total net position - beginning	2,830,229	18,298,834	412,031	21,541,094
Total net position - ending	<u>\$ 2,896,377</u>	<u>\$ 18,344,388</u>	<u>\$ 440,717</u>	<u>\$ 21,681,482</u>

City of Madison, Georgia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	<u>Enterprise Funds</u>			<u>Total</u>
	<u>Gas Fund</u>	<u>Water & Sewer Fund</u>	<u>Nonmajor Sanitation Fund</u>	
Cash flows from operating activities:				
Receipts from customers	\$ 2,577,764	\$ 3,801,342	\$ 613,437	\$ 6,992,543
Payments to suppliers	(1,422,152)	(1,251,810)	(300,494)	(2,974,456)
Payments to employees	(512,120)	(1,124,931)	(163,854)	(1,800,905)
Net cash provided by operating activities	<u>643,492</u>	<u>1,424,601</u>	<u>149,089</u>	<u>2,217,182</u>
Cash flows from noncapital financing activities:				
Interfund balances	(5,026)	7,971	(27,738)	(24,793)
Transfers (out)	(380,000)	(380,000)	(85,000)	(845,000)
Net cash (used) by noncapital financing activities	<u>(385,026)</u>	<u>(372,029)</u>	<u>(112,738)</u>	<u>(869,793)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(198,968)	(319,196)	-	(518,164)
Capital contributions - connections	-	139,256	-	139,256
Proceeds from note payable	-	73,132	-	73,132
Proceeds from sale of assets	-	320	2,143	2,463
Principal payments on debt	(21,480)	(490,000)	(22,286)	(533,766)
Interest payments on debt	(3,104)	(271,168)	(556)	(274,828)
Net cash used by capital and related financing activities	<u>(223,552)</u>	<u>(858,637)</u>	<u>(20,699)</u>	<u>(1,102,888)</u>
Cash flows from investing activities:				
Interest	58	3,272	99	3,429
Net cash provided by investing activities	<u>58</u>	<u>3,272</u>	<u>99</u>	<u>3,429</u>
Net increase (decrease) in cash and cash equivalents	34,972	197,207	15,751	247,930
Balances - beginning	315,658	1,251,889	61,328	1,628,875
Balances - end	<u>\$ 350,630</u>	<u>\$ 1,449,096</u>	<u>\$ 77,079</u>	<u>\$ 1,876,805</u>
Displayed as:				
Unrestricted cash	350,630	1,146,729	77,079	1,574,438
Restricted cash	-	302,367	-	302,367
Total	<u>\$ 350,630</u>	<u>\$ 1,449,096</u>	<u>\$ 77,079</u>	<u>\$ 1,876,805</u>

City of Madison, Georgia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Enterprise Funds			Total
	Gas Fund	Water & Sewer Fund	Nonmajor Sanitation Fund	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 447,008	\$ 464,469	\$ 111,289	\$ 1,022,766
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	75,890	979,023	19,417	1,074,330
Changes in assets, deferred outflows, liabilities and deferred inflows:				
Receivables, net	190,084	63,974	1,524	255,582
Prepaid expenses	257	(1,405)	349	(799)
Accounts payable	(76,334)	(58,003)	12,831	(121,506)
Accrued expenses	4,916	2,205	2,648	9,769
Pension deferrals	9,215	24,233	2,708	36,156
Pension liability	(5,708)	(15,009)	(1,677)	(22,394)
Customer deposits	(1,836)	(34,886)	-	(36,722)
Net cash provided by operating activities	\$ 643,492	\$ 1,424,601	\$ 149,089	\$ 2,217,182
Noncash transactions affecting financial position:				
Discount on GEFA note	-	132,284	-	132,284
Net effect of noncash transactions	\$ -	\$ 132,284	\$ -	\$ 132,284

Notes to Financial Statements

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

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 14) 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, 2017

Note 1: Summary of Significant Accounting Policies, continued

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

The City reports the following nonmajor enterprise fund:

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

Measurement Focus, Basis of Accounting

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

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies, continued

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

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

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

C. Budgets and Budgetary Accounting

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

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

D. Encumbrances

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

E. Deposits and Investments

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

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

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

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies, continued

F. Receivables and Payables

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

G. Property Tax Calendar

Property taxes are administered based on the following calendar:

Property Tax Year	<u>2016</u>
Lien date	January 1, 2016
Levy date	July 21, 2016
Collection period	August 29, 2016 - November 15, 2016
Due date	November 15, 2016

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, 2017

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, 2017

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, 2017, 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, 2017.

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>Governmental</u>		<u>Gas</u>		<u>Water &</u>		<u>Nonmajor</u>		<u>Total</u>
	<u>Activities</u>		<u>Fund</u>		<u>Sewer Fund</u>		<u>Fund</u>		<u>Total</u>
Gross accounts receivable	29,156	\$	205,332	\$	565,073	\$	113,574	\$	913,135
Less: allowance for uncollectible	-		(10,012)		(46,822)		(9,093)		(65,927)
Net total receivables	<u>29,156</u>	<u>\$</u>	<u>195,320</u>	<u>\$</u>	<u>518,251</u>	<u>\$</u>	<u>104,481</u>	<u>\$</u>	<u>847,208</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 4: Tax Abatements

The City can enter into property tax abatement agreements with local businesses under the Georgia Development Authority Law, adopted in 1969, for the purpose of attracting or retaining businesses within the City. The abatements may be granted to any business located within or promising to relocate to the City and meeting the eligibility criteria to “develop and promote trade, commerce, industry, and employment opportunities for the public good and general welfare and to promote the general welfare of the state” (OCGA 36-62-9). The abatements are provided through a direct reduction of the business’ property tax bill. The Georgia law does not provide for the recapture of abated taxes in the event an abatement recipient does not fulfill its commitment, however, a memorandum of understanding is issued for each abatement outlining the terms in which a recapture would apply. The City has a tax abatement agreement with one entity as of June 30, 2017.

Purpose	Percentage of taxes abated during the fiscal year	Amount of taxes abated during the fiscal year	Abatement Ends
Facility Expansion	100% of personal property	\$ 65,401	2031
Facility Expansion	93.33% of personal property	\$ 7,099	2030
		\$ 72,500	

The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not currently subject to any tax abatement agreements entered into by other governmental entities.

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

Primary Government	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,421,464	\$ 1,270,460	\$ -	\$ 5,691,924
Historical treasures	24,318	-	-	24,318
Construction in progress	570,431	217,878	-	788,309
Total capital assets not being depreciated	5,016,213	1,488,338	-	6,504,551
Capital assets being depreciated:				
Infrastructure	6,143,375	127,460	-	6,270,835
Land improvements	2,044,965	-	-	2,044,965
Buildings and improvements	5,956,349	137,493	-	6,093,842
Equipment	1,486,444	29,304	16,152	1,499,596
Vehicles	1,417,189	149,585	54,917	1,511,857
Total capital assets being depreciated	17,048,322	443,842	71,069	17,421,095
Less accumulated depreciation for:				
Infrastructure	2,777,736	235,950	-	3,013,686
Land improvements	733,917	101,839	-	835,756
Buildings and improvements	959,523	165,832	-	1,125,355
Equipment	963,742	85,779	15,868	1,033,653
Vehicles	942,484	80,859	40,119	983,224
Total accumulated depreciation	6,377,402	670,259	55,987	6,991,674
Total capital assets being depreciated, net	10,670,920	(226,417)	15,082	10,429,421
Governmental activity capital assets, net	\$ 15,687,133	\$ 1,261,921	\$ 15,082	\$ 16,933,972

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 5: Capital Assets, continued

Depreciation expense was charged to functions as follows:

General government	\$ 186,157
Public safety	90,537
Public works	206,175
Culture and recreation	10,929
Housing and development	176,461
Total governmental activities depreciation expense	<u>\$ 670,259</u>

Water & Sewer Fund:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 252,282	\$ -	\$ -	\$ 252,282
Construction in progress	1,038,993	87,090	-	1,126,083
Total capital assets not being depreciated	<u>1,291,275</u>	<u>87,090</u>	<u>-</u>	<u>1,378,365</u>
<i>Capital assets being depreciated:</i>				
Land improvements	51,348	-	-	51,348
Infrastructure	18,166,249	72,045	-	18,238,294
Buildings and improvements	9,248,083	-	-	9,248,083
Equipment	7,131,299	96,671	-	7,227,970
Vehicles	238,365	63,390	-	301,755
Total capital assets being depreciated	<u>34,835,344</u>	<u>232,106</u>	<u>-</u>	<u>35,067,450</u>
Less accumulated depreciation for:				
Land improvements	44,859	392	-	45,251
Infrastructure	6,070,434	348,480	-	6,418,914
Buildings and improvements	2,597,379	192,563	-	2,789,942
Equipment	3,213,001	415,592	-	3,628,593
Vehicles	167,130	21,996	-	189,126
Total accumulated depreciation	<u>12,092,803</u>	<u>979,023</u>	<u>-</u>	<u>13,071,826</u>
Capital assets being depreciated, net	<u>22,742,541</u>	<u>(746,917)</u>	<u>-</u>	<u>21,995,624</u>
Water and sewer capital assets, net	<u>\$ 24,033,816</u>	<u>\$ (659,827)</u>	<u>\$ -</u>	<u>\$ 23,373,989</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 5: Capital Assets, continued

Gas Fund:	Beginning			Ending
<i>Capital assets not being depreciated:</i>	Balance	Increases	Decreases	Balance
Land	\$ 9,500	\$ -	\$ -	\$ 9,500
Construction in progress	24,653	34,884	-	59,537
Total capital assets not being depreciated	<u>34,153</u>	<u>34,884</u>	<u>-</u>	<u>69,037</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	2,858,041	86,801	-	2,944,842
Equipment	384,332	58,588	-	442,920
Vehicles	107,490	18,695	-	126,185
Total capital assets being depreciated	<u>3,349,863</u>	<u>164,084</u>	<u>-</u>	<u>3,513,947</u>
Less accumulated depreciation for:				
Infrastructure	1,020,015	57,379	-	1,077,394
Equipment	267,846	12,460	-	280,306
Vehicles	76,686	6,051	-	82,737
Total accumulated depreciation	<u>1,364,547</u>	<u>75,890</u>	<u>-</u>	<u>1,440,437</u>
Capital assets being depreciated, net	<u>1,985,316</u>	<u>88,194</u>	<u>-</u>	<u>2,073,510</u>
Gas capital assets, net	<u>\$ 2,019,469</u>	<u>\$ 123,078</u>	<u>\$ -</u>	<u>\$ 2,142,547</u>

Nonmajor - Sanitation Fund:	Beginning			Ending
<i>Capital assets being depreciated:</i>	Balance	Increases	Decreases	Balance
Equipment	\$ 53,785	\$ -	\$ 14,840	\$ 38,945
Vehicles	477,814	-	-	477,814
Total capital assets being depreciated	<u>531,599</u>	<u>-</u>	<u>14,840</u>	<u>516,759</u>
Less accumulated depreciation for:				
Equipment	50,688	1,110	14,840	36,958
Vehicles	326,666	18,306	-	344,972
Total accumulated depreciation	<u>377,354</u>	<u>19,416</u>	<u>14,840</u>	<u>381,930</u>
Sanitation capital assets, net	<u>\$ 154,245</u>	<u>\$ (19,416)</u>	<u>\$ -</u>	<u>\$ 134,829</u>
Business-type activities capital assets, net	<u>\$ 26,207,530</u>	<u>\$ (556,165)</u>	<u>\$ -</u>	<u>\$ 25,651,365</u>

The Water and Sewer fund incurred total interest cost of \$329,345, of which \$10,035 was capitalized and \$319,310 was expensed.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 6: Interfund Balances and Activity

Interfund balances at June 30, 2017 consist of the following:

	Payable Fund:			
Receivable Fund:	General Fund	Downtown Dev. Ath.	Nonmajor Gov. Fund	Total
General Fund	\$ -	\$ 8,429	\$ 164,829	\$ 173,258
Nonmajor governmental	92,746			
Gas Fund	-	-	221	221
Water & Sewer Fund	-	-	2,586	2,586
	\$92,746	\$ 8,429	\$ 167,636	\$ 176,065

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

Transfers to/from Other Funds

	Transfers In:		
Transfers Out:	General Fund	Downtown Dev. Auth.	Total
General Fund	\$ -	\$ 225,425	\$ 225,425
Nonmajor governmental	88,359	-	88,359
Gas Fund	380,000	-	380,000
Water and Sewer Fund	380,000	-	380,000
Nonmajor enterprise	85,000	-	85,000
	\$ 933,359	\$ 225,425	\$1,158,784

The transfers to the General fund in the amount of \$933,359, were to assist in the daily operation of this fund. The General Fund transferred \$225,425 to the Downtown Development Authority Fund to assist with the operations of the Authority.

Note 7: Long-term Obligations

Governmental Activities

Categories of Debt

Notes Payable

On September 16, 2014, the Downtown Development Authority entered into a loan agreement with the Bank of Madison with a principal amount of \$192,000. The purpose of the loan is for the Depot project. The Authority shall make quarterly payments on the note for the period of its date until its maturity date at the rate of 3.58% per annum; beginning the date of execution until its maturity date. The principal outstanding at June 30, 2017 was \$172,955. All principal and unpaid interest on the note is due upon the maturity date of the note which is September 15, 2021.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 7: Long-term Obligations, continued

On October 11, 2014, the Downtown Development Authority entered into a loan agreement with the Bank of Madison with available amount of \$297,656. The purpose of the loan is for the Gilmore project. The Authority shall make monthly payments on the note for the period of its date until its maturity date at the rate of 3.58% per annum; beginning the date of execution until its maturity date. The principal outstanding at June 30, 2017 was \$269,572. All principal and unpaid interest on the note is due upon the maturity date of the note which is October 11, 2021.

On June 27, 2014, the Downtown Development Authority entered into a loan agreement with United Bank with a principal amount of \$307,416. The purpose of the loan is to purchase property. The Authority shall make monthly payments in the amount of \$5,611 on the note until its maturity date at the rate of 3.55% per annum; beginning the date of execution until its maturity date. The principal outstanding at June 30, 2017 was \$134,927. All principal and unpaid interest on the note is due upon the maturity date of the note which is July 5, 2019.

On December 23, 2014, the Downtown Development Authority entered into a loan agreement with Bank of Madison with an available amount of \$95,000. The purpose of the loan is to purchase property. The Authority shall make monthly payments in the amount of \$1,201 on the note until its maturity date at the rate of 3.55% per annum; beginning the date of execution until its maturity date. The principal outstanding at June 30, 2017 was \$60,345. All principal and unpaid interest on the note is due upon the maturity date of the note which is May 15, 2025.

On January 30, 2015, the Downtown Development Authority entered into a loan agreement with United Bank with a principal amount of \$166,773. The purpose of the loan is to purchase property. The Authority shall make monthly payments in the amount of \$1,201 on the note until its maturity date at the rate of 3.55% per annum; beginning the date of execution until its maturity date. The principal outstanding at June 30, 2017 was \$146,477. All principal and unpaid interest on the note is due upon the maturity date of the note which is January 5, 2018.

On July 29, 2016, the Downtown Development Authority entered into a loan agreement with United Bank with a principal amount of \$850,000. The purpose of the loan is to purchase property. The principal outstanding at June 30, 2017 was \$600,000. The Authority paid \$100,000 in principal after year end and renewed the loan. The Authority shall make eleven quarterly payments in the amount of \$10,758 on the note until its maturity date at the rate of 3.55% per annum; all unpaid principal and interest on the note is due upon the maturity date of the note which is November 8, 2020.

On September 17, 2015, the Downtown Development Authority entered into a loan agreement with the City of Madison with a principal amount of \$94,858 to help finance a portion of the demolition of the existing building and construction of a new commercial building. The note bears an interest rate of 1% per annum and will be amortized over a twenty year period with monthly principal and interest payments of \$436 and annual debt service of \$5,235. Payments commenced after loan funds were drawn down. The City will use funds from the Redevelopment Loan Program under the Community Development Block Program.

On October 5, 2016, the Downtown Development Authority entered into a note payable with the Georgia Environmental Finance Authority (GEFA) which allows for \$1,680,000 of borrowing. If all loan funds are drawn down, GEFA agrees to forgive \$336,000. The proceeds of this note were used to install storm water infrastructure, and acquire land for a storm water facility to capture drainage from downtown Madison. At year-end, the Authority had drawn \$859,647. \$687,718 was outstanding at year-end which includes \$171,929 forgiven. The note calls for accrued interest to be paid monthly on the first day of the month following the earlier of the project completion date or September 1, 2019. After the accrued interest payment, the City will make equal 179 monthly principal and interest payments of an amount sufficient to pay the interest accruing at 1.00% and principal outstanding at the completion of the project. Based on current borrowings, these monthly payments would be \$4,228.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 7: Long-term Obligations, continued

Bonds Payable

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

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

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

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

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

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

	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>
Municipal complex	\$ 2,100,000	\$ 829,831
Garbage Truck	106,648	32,587
Fire Truck	300,000	29,167
Boring Machine	112,319	13,728

Future minimum lease payments at June 30, 2017:

Fiscal Year Ending June 30,	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2018	\$ 312,812	30,295
2019	63,574	24,585
2020	63,574	24,585
2021	63,574	6,146
Minimum lease payments	503,534	85,611
Less: Interest	(18,772)	(4,728)
Net present value of minimum lease payments	<u>\$ 484,762</u>	<u>80,883</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 7: Long-term Obligations, continued

Business-type Activities

Revenue 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.

Note Payable - GEFA

The City entered into a note payable with the Georgia Environmental Finance Authority (GEFA) which allows for \$1,630,000 of borrowing. If all loan funds are drawn down, GEFA agrees to forgive \$163,000. The proceeds of this note were used to make improvements to the sewer system. At year-end, the City had drawn \$762,784. All of the money drawn during the year was still outstanding at year-end. The note calls for 1.40% of interest to be paid monthly during the construction period. Afterward, the City will make equal 239 monthly principal and interest payments of an amount sufficient to pay the interest accruing at 1.40% and principal outstanding at the completion of the project. Based on current borrowings, these monthly payments would be \$3,646.

Because the note bears interest at rates that differ substantially from the market rate of interest available to the City, the accounting standards require that the City discount the required debt service payments using the City’s market yield on debt with similar terms. The City estimated that the market yield that it would be required to pay would be 3.50% and used this rate to calculate the discount on this debt. The discounts will be amortized to interest expense over the life of the loan.

Long-term Obligation Activity

Changes in long-term obligations for the year ended June 30, 2017 are as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Due within</u> <u>One Year</u>
Governmental activities:					
Capital lease obligations	\$ 777,172	\$ -	\$ 292,410	\$ 484,762	\$ 300,775
Notes Payable - DDA	836,599	1,847,777	518,954	2,165,422	353,138
Bonds Payable - DDA	570,244	-	225,790	344,454	229,196
Net pension liability	921,192	786,579	825,253	882,518	-
OPEB obligation	16,171	25,231	25,966	15,436	-
Compensated absences	101,136	63,736	50,418	114,454	-
	<u>\$ 3,222,514</u>	<u>\$ 2,723,323</u>	<u>\$ 1,938,791</u>	<u>\$ 4,007,046</u>	<u>\$ 883,109</u>

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

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 7: Long-term Obligations, continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Business-type activities:					
Gas Fund:					
Net pension liability	135,961	116,094	121,802	130,253	-
OPEB obligation	3,465	5,405	5,564	3,306	-
Compensated absences	11,158	9,322	7,606	12,874	-
Capital leases	96,693	-	21,480	75,213	22,242
	<u>\$ 247,277</u>	<u>\$ 130,821</u>	<u>\$ 156,452</u>	<u>\$ 221,646</u>	<u>\$ 22,242</u>
Water and Sewer Fund:					
Revenue bonds	8,370,000	-	490,000	7,880,000	500,000
Deferred amounts:					
Issuance premiums	405,124	-	(28,938)	376,186	-
Total bonds payable	<u>8,775,124</u>	<u>-</u>	<u>461,062</u>	<u>8,256,186</u>	<u>500,000</u>
Note Payable	689,652	73,132	-	762,784	34,134
Less: discounts on GEFA notes	-	(132,284)	-	(132,284)	-
Total notes payable	<u>689,652</u>	<u>(59,152)</u>	<u>-</u>	<u>630,500</u>	<u>34,134</u>
Net pension liability	357,494	305,254	320,263	342,485	-
OPEB obligation	7,797	12,161	12,519	7,439	-
Compensated absences	32,350	26,898	29,801	29,447	-
	<u>\$ 9,854,620</u>	<u>\$ 273,000</u>	<u>\$ 811,126</u>	<u>\$ 9,258,618</u>	<u>\$ 534,134</u>
Nonmajor-Sanitation Fund:					
Net pension liability	39,954	34,115	35,792	38,277	-
Compensated absences	911	4,643	3,977	1,577	-
OPEB obligation	1,444	2,252	2,318	1,378	-
Capital leases	27,956	-	22,286	5,670	5,670
	<u>\$ 70,265</u>	<u>\$ 41,010</u>	<u>\$ 64,373</u>	<u>\$ 46,902</u>	<u>\$ 5,670</u>
Total Business-type	<u>\$ 10,172,162</u>	<u>\$ 444,831</u>	<u>\$ 1,031,952</u>	<u>\$ 9,527,165</u>	<u>\$ 562,046</u>

Debt service requirements:

Governmental activities

Year Ending June 30,	<u>Downtown Development Authority</u>			
	<u>Notes Payable</u>		<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 353,138	\$ 33,895	\$ 229,196	\$ 3,891
2019	128,354	35,787	115,258	653
2020	76,919	57,119	-	-
2021	511,847	28,353	-	-
2022	419,791	11,651	-	-
2023 - 2027	276,381	27,584	-	-
2028 - 2032	266,422	13,456	-	-
2033 - 2037	132,570	1,800	-	-
	<u>\$ 2,165,422</u>	<u>\$ 209,645</u>	<u>\$ 344,454</u>	<u>\$ 4,544</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 7: Long-term Obligations, continued

Business-type activities

Year Ending June 30,	Water & Sewer Fund			
	Revenue Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2018	\$ 500,000	\$ 263,188	\$ 33,172	\$ 10,585
2019	510,000	253,187	33,758	9,999
2020	520,000	242,987	34,233	9,523
2021	535,000	227,387	34,716	9,040
2022	555,000	205,988	35,205	8,551
2023 - 2027	3,125,000	687,636	183,607	35,175
2028 - 2032	2,135,000	149,164	196,912	21,870
2033 - 2037	-	-	211,181	7,601
	\$ 7,880,000	\$ 2,029,537	\$ 762,784	\$ 112,344

Note 8: Net Position Restricted by Enabling Legislation

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

Capital projects	\$ 168,060
Public safety	<u>23,825</u>
	<u>\$ 191,885</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 9: Fund Balance – Governmental Funds

As of June 30, 2017, fund balances are composed of the following:

	<u>General Fund</u>	<u>Downtown Development Authority</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Prepays	\$ 68,537	\$ -	\$ -	\$ 68,537
Permanent fund principal	-	-	329,731	329,731
Total nonspendable	<u>68,537</u>	<u>-</u>	<u>329,731</u>	<u>398,268</u>
Restricted				
General government	-	-	47,142	47,142
Public safety	10,704	-	23,825	34,529
Public works	12,075	-	204,286	216,361
Culture & recreation	647	-	11,809	12,456
Housing & development	-	-	95,175	95,175
Total restricted	<u>23,426</u>	<u>-</u>	<u>382,237</u>	<u>405,663</u>
Committed				
Public works	-	-	22,993	22,993
Total committed	<u>-</u>	<u>-</u>	<u>22,993</u>	<u>22,993</u>
Assigned				
Public works	252,095	-	-	252,095
Housing & development	-	245,655	-	245,655
Subsequent years' budget	249,238	-	-	249,238
Total assigned	<u>501,333</u>	<u>245,655</u>	<u>-</u>	<u>746,988</u>
Unassigned				
Total unassigned	<u>958,314</u>	<u>-</u>	<u>-</u>	<u>958,314</u>
Total fund balance	<u>\$ 1,551,610</u>	<u>\$ 245,655</u>	<u>\$ 734,961</u>	<u>\$ 2,532,226</u>

Note 10: Retirement Benefits

Defined Benefit Pension Plan

The City operates a defined benefit plan for full-time employees. Full-time city employees participate in the plan immediately upon employment. The City's defined benefit pension plan, the City of Madison Retirement Plan, provides retirement and disability benefits to plan members and beneficiaries.

The City has adopted September 30, 2016 as its measurement date for fiscal year ended June 30, 2017. The City's change in both total pension liability and net pension liability as reported in these financial statements represent the changes to those figures from October 1, 2015 to September 30, 2016.

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.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 10: Retirement Benefits, continued

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.

For the year ended December 31, 2016 (the most recent actuarial valuation date), the City's total covered payroll amounted to \$2,746,430. Covered payroll refers to all compensation paid by the City to active employees covered by the City of Madison Retirement Plan on which contributions to the pension are based.

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

Plan Asset Mix and Accounting Policies

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

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

Plan Membership

Retirees and beneficiaries receiving benefits	39
Terminated plan members entitled to, but not receiving benefits	14
Active plan members	76
 Total beneficiaries	 129
 Covered compensation for active participants	 \$ 2,746,430

Contributions

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The GMEBS Board of Trustees has adopted an actuarial funding policy which requires a different funding level than the estimated minimum annual contribution to minimize fluctuation in annual contribution amounts and to accumulate sufficient funds to secure benefits under the plan. Administrative expenses are based on total covered payroll of plan members and are added to the annual funding requirement. The estimated minimum annual contribution under the GMEBS actuarial funding policy is \$259,547, or 9.45% of covered payroll. The City paid the minimum annual contribution after the measurement date of September 30 but before the City's fiscal year-end. Accordingly, the City reported no current payable and the plan reported no receivable for amounts due for the current plan year. The GMEBS funding policy is to contribute an amount equal to the recommended contribution each year. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 10: Retirement Benefits, continued

The projected cash flows into the City's plan assume the City will continue to comply with the GMEBS funding policy. Ongoing plans in compliance with the GMEBS funding policy are projected to have no unfunded benefits. Plan members are not permitted to contribute to the City of Madison Retirement Plan.

Net Pension Liability

The City's *total pension liability* was determined based on an actuarial valuation as of January 1, 2017, which valued the *total pension liability* as of September 30, 2016. The *net pension liability* was measured as of September 30, 2016. The actuarial valuation determined the total pension liability using assumptions that were applied to all periods included in the measurement as follows:

Actuarial Methods and Assumptions

Investment return	7.75%
Salary increases	3.25% plus service based merit increases
Cost of living adjustments	3.25%
Mortality:	RP-2000, Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females
Mortality for disabled participants:	RP-2000 Disabled Mortality Table with sex-distinct rates

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

Discount Rate

The discount rate total pension liability and the expected rate of return on plan assets was determined using a building-block method in which expected arithmetic rates of future return for each asset class are weighted based on the expected asset allocation and then totaled to determine an expected real rate of return. The expected inflation is then added to the expected real rate of return to determine the discount rate. Differences between the long-term expected nominal return and the discount rate used by the City represent a margin for adverse deviation.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 10: Retirement Benefits, continued

The asset allocation, estimate of arithmetic rates of return, weighted averages and the expected inflation rate follow:

<u>Asset Class</u>	<u>Allocation</u>	<u>Long-term Expected Real Return</u>	<u>Long-term Expected Nominal Return</u>
Domestic equity	45%	6.75%	10.00%
International equity	20%	7.45%	10.70%
Real estate	10%	4.55%	7.80%
Global fixed income	5%	6.30%	9.55%
Domestic fixed income	20%	1.75%	5.00%
Cash	0%	0.00%	3.25%
	<u>100%</u>		
Weighted average expected return		5.65%	8.90%
Inflation expectation		<u>3.25%</u>	
Total expected return		<u>8.90%</u>	
Discount rate		7.75%	

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

Sensitivity Analysis

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

	Discount Rate Sensitivity Analysis	
	<u>6.75%</u>	<u>8.75%</u>
Total Pension Liability	\$ 12,983,740	\$ 10,427,681
Fiduciary Net Position	<u>10,197,644</u>	<u>10,197,644</u>
Net Pension Liability	<u>\$ 2,786,096</u>	<u>\$ 230,037</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 10: Retirement Benefits, continued

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

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

Summary of Changes	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Beginning of year	\$ 11,002,502	\$ 9,547,900	\$ 1,454,602
Service cost	179,113	-	179,113
Interest on total pension liability	827,856	-	827,856
Employer contributions	-	257,373	(257,373)
Net investment income	-	1,045,737	(1,045,737)
Benefit payments	(640,971)	(640,971)	-
Administrative expenses	-	(12,395)	12,395
Experience (gain) / loss	222,677	-	222,677
End of year	<u>\$ 11,591,177</u>	<u>\$ 10,197,644</u>	<u>\$ 1,393,533</u>

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

Calculation of Net Pension Liability

	Beginning	Ending
Total Pension Liability	\$ 11,002,502	\$ 11,591,177
Fiduciary Net Position	<u>9,547,900</u>	<u>10,197,644</u>
Net Pension Liability	<u>\$ 1,454,602</u>	<u>\$ 1,393,533</u>

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

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

Pension Expense and Deferred Outflows and Inflows

Pension contributions	\$ 257,373
Change in net pension liability	(61,069)
Deferred inflow related to investment results	256,896
Deferred outflow resulting from experience losses	(178,142)
Amortization of deferred outflows and inflows	<u>22,019</u>
Pension expense	<u>\$ 297,077</u>

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 10: Retirement Benefits, continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions paid after the measurement date and before year-end	\$ 259,547	\$ -
Differences between expected and actual experience	326,950	-
Change of assumptions	-	188,555
Net difference between projected and actual earnings on Plan investments	-	7,357
	<u>\$ 586,497</u>	<u>\$ 195,912</u>

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

Year ended June 30,	Experience Difference	Assumption Change	Investment Results Difference
2018	\$ 99,077	\$ (94,278)	\$ (2,469)
2019	99,077	(94,277)	(2,469)
2020	84,259	-	61,804
2021	44,537	-	(64,223)
2022	-	-	-
	<u>\$ 326,950</u>	<u>\$ (188,555)</u>	<u>\$ (7,357)</u>

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 and makes no contributions to the plan on behalf of employees.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 11: Other Postemployment Benefits

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

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

Currently there are six retirees that meet those eligibility requirements. The City provides health insurance coverage for its retirees and active employees through the Georgia Municipal Employees Benefit System. During the year, \$46,368 was recognized for postretirement healthcare. These postemployment benefits are on a pay-as-you-go basis and are not included as part of the City defined benefit pension plan.

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

Normal cost (current service cost)	\$ 13,986
Amortization of UAAL (share of past service cost)	31,010
Annual Required Contribution (ARC)	44,996
Adjustment for timing	44
OPEB costs paid during year	(46,368)
Change in net OPEB Obligation	(1,328)
Net OPEB Obligation, beginning	28,887
Net OPEB Obligation, ending	\$ 27,559

Percentage of ARC contributed 103%

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.

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

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

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 11: Other Postemployment Benefits, continued

Actuarial Assumptions and Methods

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

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

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

Trend Information

Year Ended	OPEB Cost	Contribution (ARC)	OPEB Cost Contributed	% of ARC Contributed	OPEB Obligation
6/30/2017	\$ 44,123	\$ 45,040	\$ 46,368	103%	\$ 27,559
6/30/2016	44,123	45,040	42,516	94%	28,877
6/30/2015	25,427	26,105	33,971	130%	26,356

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

Note 12: Risk Management

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

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

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

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 12: Risk Management, continued

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

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

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

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

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

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

The Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding compensation therefore, although such suits, other proceedings, allegations or demands may be wholly groundless, false or fraudulent. The Fund is to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

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

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 12: Risk Management, continued

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, 2017.

Note 13: Commitments and Contingencies

Construction and Commitments

At June 30, 2017, the City had the following active projects:

	Estimated Project Cost	Expended to Date
Governmental Funds-City		
Airport Improvement	\$ 400,000	\$ 232,097
Recreational Trails	116,470	103,559
Municipal Complex Storage Building	254,890	25,489
Governmental Funds-Development Authority		
Depot Project	292,650	285,483
Canaan/Gilmore Parking Lot	100,000	30,000
GEFA Stormwater Project	2,000,000	93,655
Gas Fund		
Southeast Gas Extension	1,200,000	4,453
MXU Upgrade	202,000	50,500
Water Fund		
MXU Upgrade	200,000	176,011
Northside Diversion Project	1,600,000	950,072

Intergovernmental contract

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

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

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 13: Commitments and Contingencies, continued

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

Concentration

Approximately 11% 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, 2017.

Note 14: Jointly Governed Entities

Madison-Morgan Airport Authority. The Madison-Morgan Airport Authority was established in March 1996. The Authority is governed by a seven-member board of which three members are appointed by Morgan County Commissioners, three members are appointed by the City of Madison Council, and one member is jointly appointed by the County and City. The Airport Authority has the power to adopt by-laws and rules and regulations for the proper conduct of an airport for the City of Madison and Morgan County. The City does not maintain an equity interest in the Airport Authority; therefore, the City does not recognize the Airport Authority as a component unit, but as a related jointly governed entity. The Airport Authority had no financial activity for the period ended June 30, 2017.

Note 15: Joint Ventures

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

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.

City of Madison, Georgia
Notes to the Financial Statements
June 30, 2017

Note 15: Joint Ventures, continued

- A minority representation, the percentage of which is at least equal to the minority population of the geographical region served by the Board, as established by the latest United States Census.

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

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

Note 16: Related Entity

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

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

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

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

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 this fiscal year, Payments in Lieu of Taxes paid to the City were \$7,742.

Note 17: Hotel/Motel Lodging Tax

The City of Madison, Georgia has levied a 5% lodging tax. The City entered into a contract with the Madison-Morgan Convention & Visitor's Bureau, Inc. (the CVB), a non-profit organization in Morgan County, Georgia. The funds received by the CVB shall be expended for the purposes of promoting tourism in the City of Madison, Georgia. A summary of transactions for the obligation to the CVB for the year ended June 30, 2017 follows:

	<u>CVB - 40%</u>	<u>City - 60%</u>	<u>Total</u>
Balance owed at 6/30/2016	\$ -	\$ -	\$ -
Lodging tax receipts FYE 6/30/2017	120,638	180,956	301,594
Disbursements to the CVB for promotion of tourism	(120,638)	-	(120,638)
Disbursements for downtown development activities	-	(180,956)	(180,956)
Balance owed at 6/30/2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Required Supplementary Information

City of Madison, Georgia
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual - General Fund
For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 3,382,300	\$ 3,422,300	\$ 3,340,693	\$ (81,607)
Licenses and permits	54,600	54,600	58,030	3,430
Intergovernmental	123,000	138,000	147,014	9,014
Charges for services	148,600	148,600	148,382	(218)
Fines and forfeitures	310,000	290,600	291,908	1,308
Investment income	2,000	2,000	6,390	4,390
Contributions and donations	-	-	11,989	11,989
Miscellaneous revenue	34,940	55,940	66,090	10,150
Total revenues	<u>4,055,440</u>	<u>4,112,040</u>	<u>4,070,496</u>	<u>(41,544)</u>
EXPENDITURES				
Current:				
General government:				
Governing body	82,900	82,900	78,640	4,260
Legislative committees and special bodies	132,050	145,750	91,444	54,306
City manager	175,950	175,950	173,423	2,527
City clerk	73,150	73,150	70,744	2,406
Financial administration	129,200	129,200	101,002	28,198
Law	50,000	78,000	76,964	1,036
Data processing/MIS	88,500	169,800	161,570	8,230
General government buildings	279,900	202,500	153,890	48,610
Judicial:				
Municipal court	87,550	111,750	111,674	76
Public safety:				
Police	1,203,930	1,256,930	1,249,843	7,087
Custody of prisoners	55,500	55,500	28,620	26,880
Fire	215,950	215,950	209,365	6,585
E-911	120,000	145,000	73,345	71,655
Animal control	76,550	76,550	73,578	2,972
Public works:				
Highways and streets	574,200	626,700	623,867	2,833
Maintenance and shop	56,900	62,100	60,003	2,097
Cemetery	3,500	15,100	14,999	101
Culture & recreation:				
Recreation	31,500	44,000	43,675	325
Landscaping	529,150	429,150	409,565	19,585
Housing & development:				
Planning and zoning	321,050	305,050	289,221	15,829
Tourism	47,500	47,500	47,300	200
Main Street	221,375	221,375	217,222	4,153
Airport	80,000	87,000	82,653	4,347
Debt service:				
Principal payments	298,700	298,700	292,410	6,290
Interest and fiscal charges	20,800	20,800	20,404	396
Total expenditures	<u>4,955,805</u>	<u>5,076,405</u>	<u>4,755,421</u>	<u>320,984</u>
Excess (deficiency) of revenues over (under) expenditures	(900,365)	(964,365)	(684,925)	279,440

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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Other financing sources:				
Proceeds of governmental asset dispositions	-	6,000	6,241	241
Transfers in	876,610	934,610	933,359	(1,251)
Transfers (out)	(225,500)	(225,500)	(225,425)	75
Total other financing sources	<u>651,110</u>	<u>715,110</u>	<u>714,175</u>	<u>(935)</u>
Net change in fund balance	(249,255)	(249,255)	29,250	278,505
Fund balance - beginning	1,522,360	1,522,360	1,522,360	-
Fund balance - ending	<u>\$ 1,273,105</u>	<u>\$ 1,273,105</u>	<u>\$ 1,551,610</u>	<u>\$ 278,505</u>

City of Madison, Georgia
Required Supplementary Information
Other Postemployment Benefits - Schedule of Funding Progress
June 30, 2017

OTHER POSTEMPLOYMENT BENEFITS

Schedule of Funding Progress

Actuarial Valuation Date	(a)	(b)		Funded Ratio (a / b)	(c) Covered Payroll	UAAL as a percentage of covered payroll (b - a) / c
	Actuarial Value of Assets	Actuarial Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL) (b - a)			
1/1/2016	\$ -	\$ 423,574	\$ 423,574	0.0%	\$ 2,724,546	15.5%
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

Fiscal Year Ended	Annual Required Contribution		Amount Contributed		Percentage Contributed
	Contribution	Contribution	Contribution	Contribution	
6/30/2017	\$ 45,040	\$ 45,040	\$ 46,368	\$ 46,368	102.95%
6/30/2016	45,040	45,040	42,516	42,516	94.40%
6/30/2015	26,105	26,105	33,972	33,972	130.14%
6/30/2014	26,105	26,105	25,680	25,680	98.37%
6/30/2013	26,105	26,105	16,560	16,560	63.44%
6/30/2012	23,479	23,479	15,624	15,624	66.54%
6/30/2011	23,479	23,479	16,626	16,626	70.81%
6/30/2010	23,479	23,479	13,935	13,935	59.35%

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

Changes in Total Pension Liability	Year Ended June 30,		
	2015	2016	2017
Total Pension Liability - beginning of year	\$ 10,258,250	\$ 10,357,761	\$ 11,002,501
Service cost	198,027	210,373	179,113
Interest on total pension liability	776,502	781,575	827,856
Assumption change	(471,391)	-	-
Benefit payments	(477,726)	(545,819)	(640,971)
Experience gain / loss	74,099	198,611	222,677
Total Pension Liability - end of year	10,357,761	11,002,501	11,591,176
Changes in Fiduciary Net Position			
Fiduciary Net Position - beginning of year	8,853,574	9,707,578	9,547,900
Employer contributions	341,381	289,053	257,373
Net investment income	1,001,791	111,680	1,045,737
Benefit payments	(477,726)	(545,819)	(640,971)
Administrative expense	(11,442)	(14,592)	(12,396)
Fiduciary Net Position - end of year	9,707,578	9,547,900	10,197,643
Net Pension Liability	\$ 650,183	\$ 1,454,601	\$ 1,393,533
Plan Fiduciary Net Position as a % of Total Pension Liability	93.72%	86.78%	87.98%
Covered payroll	\$ 2,593,151	\$ 2,577,221	\$ 2,746,430
Net Pension Liability as % of Covered Payroll	25.07%	56.44%	50.74%

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

Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as Percentage of Covered Employee Payroll
2015	\$ 289,053	\$ 289,053	\$ -	\$ 2,593,151	11.15%
2016	257,373	257,373	-	\$ 2,577,221	9.99%
2017	259,547	259,547	-	\$ 2,746,430	9.45%

Additional years will be presented as the information becomes available

City of Madison, Georgia
Notes to Required Supplementary Information
June 30, 2017

NOTE A: BASIS OF PRESENTATION

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

NOTE B: OTHER INFORMATION

The Downtown Development Authority (DDA) meets the criteria to be a blended component unit of the City. The DDA is a major special revenue fund of the City but is not legally required to adopt a budget thus eliminating the requirement to present budgetary comparison information.

Related to the Pension Data

NOTE C: VALUATION DATE

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

The changes in total pension liability and changes in fiduciary net position reported in RSI represent the changes during the measurement period in affect for each fiscal year reported. The measurement period runs from October 1st through the September 30th prior to each fiscal year-end. The Schedule of Contributions is reported on the City's fiscal year and represents contributions to the pension plan during each year presented.

NOTE D: METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

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

NOTE E: CHANGES IN ASSUMPTIONS

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

City of Madison, Georgia
Notes to Required Supplementary Information
June 30, 2017

NOTE E: CHANGES IN ASSUMPTIONS, CONTINUED

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

1. The mortality table for disabled participants was changed to remove the two year set forward for males and one year set forward for females.
2. The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover after age 55. Select period rates now have a floor of the ultimate rate.
3. Retirement rates where normal retirement is only available after age 65 were changed from the prior assumption of 100% at age 65 to 60% at ages 65 to 69 and 100% at age 70. Retirement rates where normal retirement is available prior to age 65 were changed from 100% at the earliest unreduced age, but not below age 60, to 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at age 65 to 69 and 100% at age 70.
4. Inflation and cost of living adjustment assumptions decreased from 3.50% to 3.25%.
5. Salary increases assumptions were changed from depending first on years of service and then age to a new assumption based on service-related rates. Salary increase rate assumptions were between 4% and 11% with an inflation assumption of 3.50%. Now salary increase rate assumptions range from 3.75% to 8.00% and include an inflation assumption of 3.25%.

NOTE F: BENEFIT CHANGES

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

NOTE G: HISTORICAL DATA

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

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

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

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

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

Redevelopment Loan Fund - This fund is used to account for grant funds received from Georgia Department of Community Affairs.

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

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

CAPITAL PROJECT FUNDS

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

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

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, 2017

	<u>Total Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Cash	\$ 25,574	\$ 258,306	\$ 15,314	\$ 299,194
Investments	-	-	21,913	21,913
Accounts receivables	-	-	13,438	13,438
Internal balances	92,746	-	-	92,746
Due from other governments	28,479	71,153	-	99,632
Loans Receivable	93,426	-	-	93,426
Restricted cash	-	-	25,000	25,000
Restricted investments	-	-	305,811	305,811
Total assets	<u>240,225</u>	<u>329,459</u>	<u>381,476</u>	<u>951,160</u>
Liabilities, Deferred inflows and Fund Balance				
Liabilities:				
Accounts payable	35,888	-	-	35,888
Internal balances	2,807	161,399	3,430	167,636
Total liabilities	<u>38,695</u>	<u>161,399</u>	<u>3,430</u>	<u>203,524</u>
Deferred Inflows of resources:				
Unavailable revenue	-	-	12,675	12,675
Total deferred inflows	<u>-</u>	<u>-</u>	<u>12,675</u>	<u>12,675</u>
Fund Balances:				
Nonspendable	-	-	329,731	329,731
Restricted	201,530	168,060	12,647	382,237
Committed	-	-	22,993	22,993
Total fund balances	<u>201,530</u>	<u>168,060</u>	<u>365,371</u>	<u>734,961</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 240,225</u>	<u>\$ 329,459</u>	<u>\$ 381,476</u>	<u>\$ 951,160</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, 2017

	<u>Total Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:				
Taxes	\$ 301,594	\$ -	\$ -	\$ 301,594
Intergovernmental	99,146	399,273	-	498,419
Charges for services	-	-	22,420	22,420
Forfeitures	22,321	-	-	22,321
Interest	396	772	1,188	2,356
Contributions and donations	-	5,000	1,276	6,276
Total Revenues	<u>423,457</u>	<u>405,045</u>	<u>24,884</u>	<u>853,386</u>
Expenditures:				
Current:				
Public safety	23,179	-	-	23,179
Public works	6,514	-	-	6,514
Culture and recreation	-	-	2,125	2,125
Housing and development	217,525	-	-	217,525
Capital Outlay:				
Public works	-	168,113	-	168,113
Culture and recreation	-	266,346	-	266,346
Total Expenditures	<u>247,218</u>	<u>434,459</u>	<u>2,125</u>	<u>683,802</u>
Excess of revenues over expenditures	176,239	(29,414)	22,759	169,584
Other financing sources (uses):				
Transfers (out)	(88,359)	-	-	(88,359)
Net change in fund balances	87,880	(29,414)	22,759	81,225
Fund balance - beginning	<u>113,650</u>	<u>197,474</u>	<u>342,612</u>	<u>653,736</u>
Fund balance - ending	<u><u>\$ 201,530</u></u>	<u><u>\$ 168,060</u></u>	<u><u>\$ 365,371</u></u>	<u><u>\$ 734,961</u></u>

City of Madison, Georgia
Special Revenue Funds
Combining Balance Sheet
June 30, 2017

	Confiscated Asset Fund	Redevelopment Loan Fund	Local Development Fund	Hotel/Motel Tax Fund	Total
Assets					
Cash	\$ 23,825	\$ 1,749	-	-	\$ 25,574
Internal balances	-	-	82,530	10,216	92,746
Due from other governments	-	28,479	-	-	28,479
Loans Receivable	-	93,426	-	-	93,426
Total assets	<u>23,825</u>	<u>123,654</u>	<u>82,530</u>	<u>10,216</u>	<u>240,225</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	-	28,479	-	7,409	35,888
Internal balances	-	-	-	2,807	2,807
Total liabilities	<u>-</u>	<u>28,479</u>	<u>-</u>	<u>10,216</u>	<u>38,695</u>
Fund balances:					
Restricted	<u>23,825</u>	<u>95,175</u>	<u>82,530</u>	<u>-</u>	<u>201,530</u>
Total fund balance	<u>23,825</u>	<u>95,175</u>	<u>82,530</u>	<u>-</u>	<u>201,530</u>
Total liabilities and fund equity	<u>\$ 23,825</u>	<u>\$ 123,654</u>	<u>82,530</u>	<u>\$ 10,216</u>	<u>\$ 240,225</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, 2017

	<u>Confiscated Asset Fund</u>	<u>Redevelopment Loan Fund</u>	<u>Local Development Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Total</u>
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ 301,594	\$ 301,594
Intergovernmental	-	99,146	-	-	99,146
Forfeitures	22,321	-	-	-	22,321
Interest	77	319	-	-	396
Total revenue	<u>22,398</u>	<u>99,465</u>	<u>-</u>	<u>301,594</u>	<u>423,457</u>
Expenditures:					
Current:					
Public safety	23,179	-	-	-	23,179
Public works	-	-	6,514	-	6,514
Housing and development	-	4,290	-	213,235	217,525
Total expenditures	<u>23,179</u>	<u>4,290</u>	<u>6,514</u>	<u>213,235</u>	<u>247,218</u>
Excess (deficiency) of revenues over (under) expenditures	(781)	95,175	(6,514)	88,359	176,239
Other financing sources (uses):					
Transfers (out)	-	-	-	(88,359)	(88,359)
Total other financing sources (uses)	-	-	-	(88,359)	(88,359)
Net change in fund balances	(781)	95,175	(6,514)	-	87,880
Fund balance - beginning	24,606	-	89,044	-	113,650
Fund balance - ending	<u>\$ 23,825</u>	<u>\$ 95,175</u>	<u>\$ 82,530</u>	<u>\$ -</u>	<u>\$ 201,530</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Forfeitures	\$ 4,300	\$ 22,300	\$ 22,321	\$ 21
Interest	200	200	77	(123)
Total revenue	<u>4,500</u>	<u>22,500</u>	<u>22,398</u>	<u>(102)</u>
Expenditures:				
Current:				
Public safety	7,000	25,000	23,179	1,821
Total expenditures	<u>7,000</u>	<u>25,000</u>	<u>23,179</u>	<u>1,821</u>
Net change in fund balances	(2,500)	(2,500)	(781)	1,719
Fund balance - beginning	24,606	24,606	24,606	-
Fund balance - ending	<u>\$ 22,106</u>	<u>\$ 22,106</u>	<u>\$ 23,825</u>	<u>\$ 1,719</u>

City of Madison, Georgia
Redevelopment Loan Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget (GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 99,146	\$ 99,146
Interest	-	-	319	319
Total revenue	<u>-</u>	<u>-</u>	<u>99,465</u>	<u>99,465</u>
Expenditures:				
Current:				
Housing and development	-	-	4,290	(4,290)
Total expenditures	<u>-</u>	<u>-</u>	<u>4,290</u>	<u>(4,290)</u>
Excess of revenues over expenditures	-	-	95,175	95,175
Net change in fund balances	-	-	95,175	95,175
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,175</u>	<u>\$ 95,175</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
Public works	-	7,000	6,514	486
Total expenditures	<u>-</u>	<u>7,000</u>	<u>6,514</u>	<u>486</u>
Net change in fund balances	-	(7,000)	(6,514)	486
Fund balance - beginning	89,044	89,044	89,044	-
Fund balance - ending	<u>\$ 89,044</u>	<u>\$ 82,044</u>	<u>\$ 82,530</u>	<u>\$ 486</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes	\$ 270,000	\$ 302,000	\$ 301,594	\$ (406)
Total revenue	<u>270,000</u>	<u>302,000</u>	<u>301,594</u>	<u>(406)</u>
Expenditures:				
Current:				
Housing and development	<u>238,390</u>	<u>213,290</u>	<u>213,235</u>	<u>55</u>
Total expenditures	<u>238,390</u>	<u>213,290</u>	<u>213,235</u>	<u>55</u>
Excess of revenues over expenditures	31,610	88,710	88,359	(351)
Other financing (uses):				
Transfers (out)	<u>(31,610)</u>	<u>(88,710)</u>	<u>(88,359)</u>	<u>351</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, 2017

	<u>SPLOST</u>	<u>Total</u>
Assets		
Cash	\$ 258,306	\$ 258,306
Due from other governments	71,153	71,153
Total assets	<u>329,459</u>	<u>329,459</u>
 Liabilities and Fund Balance		
Liabilities:		
Interfund payables	<u>161,399</u>	<u>161,399</u>
Total liabilities	<u>161,399</u>	<u>161,399</u>
 Fund Balances:		
Restricted	<u>168,060</u>	<u>168,060</u>
Total fund balances	<u>168,060</u>	<u>168,060</u>
Total liabilities and fund balances	<u>\$ 329,459</u>	<u>\$ 329,459</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, 2017

	<u>SPLOST</u>	<u>Total</u>
Revenues:		
Intergovernmental	\$ 399,273	\$ 399,273
Interest	772	772
Contributions and donations	5,000	5,000
Total revenue	<u>405,045</u>	<u>405,045</u>
Expenditures:		
Capital outlay:		
Public works	168,113	168,113
Culture and recreation	266,346	266,346
Total expenditures	<u>434,459</u>	<u>434,459</u>
Excess of revenues over expenditures	(29,414)	(29,414)
Other financing sources (uses):		
Transfers in	<u>-</u>	<u>-</u>
Net change in fund balances	(29,414)	(29,414)
Fund balance - beginning	197,474	-
Fund balance - ending	<u>\$ 168,060</u>	<u>\$ 168,060</u>

City of Madison, Georgia
Permanent Funds
Combining Balance Sheet
For the Fiscal Year Ended June 30, 2017

	Ricketts		
	<u>Environmental Trust</u>	<u>Cemetery</u>	<u>Total</u>
Assets			
Cash	\$ 15,314	\$ -	\$ 15,314
Investments	-	21,913	21,913
Accounts receivables	763	12,675	13,438
Restricted cash	25,000	-	25,000
Restricted investments	-	305,811	305,811
Total assets	<u>41,077</u>	<u>340,399</u>	<u>381,476</u>
Liabilities, Deferred Inflows and Fund Balance			
Liabilities:			
Internal balances	3,430	-	3,430
Total liabilities	<u>3,430</u>	<u>-</u>	<u>3,430</u>
Deferred inflows of resources:			
Unavailable revenue	-	12,675	12,675
Total deferred inflows	<u>-</u>	<u>12,675</u>	<u>12,675</u>
Fund Balances:			
Nonspendable	25,000	304,731	329,731
Restricted	12,647	-	12,647
Committed	-	22,993	22,993
Total fund balances	<u>37,647</u>	<u>327,724</u>	<u>365,371</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 41,077</u>	<u>\$ 340,399</u>	<u>\$ 381,476</u>

**City of Madison, Georgia
Permanent Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance
For the Fiscal Year Ended June 30, 2017**

	<u>Ricketts</u>		
	<u>Environmental Trust</u>	<u>Cemetery</u>	<u>Total</u>
Revenues:			
Charges for services	\$ -	\$ 22,420	\$ 22,420
Interest	108	1,080	1,188
Contributions and donations	1,276	-	1,276
Total revenue	<u>1,384</u>	<u>23,500</u>	<u>24,884</u>
Expenditures:			
Culture and recreation	2,125	-	2,125
Total expenditures	<u>2,125</u>	<u>-</u>	<u>2,125</u>
Net change in fund balances	(741)	23,500	22,759
Fund balance - beginning	38,388	304,224	342,612
Fund balance - ending	<u>\$ 37,647</u>	<u>\$ 327,724</u>	<u>\$ 365,371</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes				
General property taxes	\$ 2,069,500	\$ 2,084,500	\$ 2,033,753	\$ (50,747)
General sales and use taxes	768,000	768,000	732,536	(35,464)
Selective sales and use taxes	225,000	225,000	217,479	(7,521)
Business taxes	315,300	340,300	353,952	13,652
Penalties and interest on delinquent taxes	4,500	4,500	2,973	(1,527)
Total taxes	<u>3,382,300</u>	<u>3,422,300</u>	<u>3,340,693</u>	<u>(81,607)</u>
Licenses and Permits				
Business licenses	47,000	47,000	51,000	4,000
Non-business licenses and permits	7,100	7,100	6,905	(195)
Regulatory fees	-	-	5	5
Penalties and interest on licenses	500	500	120	(380)
Total licenses and permits	<u>54,600</u>	<u>54,600</u>	<u>58,030</u>	<u>3,430</u>
Intergovernmental Revenues				
Federal governmental grants	1,500	1,500	1,042	(458)
State governmental grants	121,000	136,000	138,230	2,230
Local government unit grants	500	500	7,742	7,242
Total intergovernmental revenue	<u>123,000</u>	<u>138,000</u>	<u>147,014</u>	<u>9,014</u>
Charges for services				
General government	72,500	72,500	66,819	(5,681)
Other fees	37,000	37,000	36,144	(856)
Other charges for services	39,100	39,100	45,419	6,319
Total charges for services	<u>148,600</u>	<u>148,600</u>	<u>148,382</u>	<u>(218)</u>
Fines & forfeitures				
Fines & forfeitures	309,000	289,600	290,582	982
Parking tickets	1,000	1,000	1,326	326
Total fines & forfeitures	<u>310,000</u>	<u>290,600</u>	<u>291,908</u>	<u>1,308</u>
Investment income				
Interest	2,000	2,000	6,390	4,390
Total investment income	<u>2,000</u>	<u>2,000</u>	<u>6,390</u>	<u>4,390</u>
Contributions and donations from private sources				
Contributions & donations	-	-	11,989	11,989
Total contributions and donations from private sources	<u>-</u>	<u>-</u>	<u>11,989</u>	<u>11,989</u>
Miscellaneous Revenue				
Rents and royalties	32,940	32,940	34,618	1,678
Other	2,000	23,000	31,472	8,472
Total miscellaneous revenue	<u>34,940</u>	<u>55,940</u>	<u>66,090</u>	<u>10,150</u>
Other Financing Sources				
Transfers in	876,610	934,610	933,359	(1,251)
Proceeds of governmental asset dispositions	-	6,000	6,241	241
Total other financing sources	<u>876,610</u>	<u>940,610</u>	<u>939,600</u>	<u>(1,010)</u>
Total Revenues and Other Financing Sources	<u>\$ 4,932,050</u>	<u>\$ 5,052,650</u>	<u>\$ 5,010,096</u>	<u>\$ (42,554)</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Governing body				
Personal services	\$ 36,600	\$ 36,600	\$ 35,518	\$ 1,082
Purchased/contracted services	43,800	43,800	36,119	7,681
Supplies	2,500	2,500	7,003	(4,503)
Total governing body	<u>82,900</u>	<u>82,900</u>	<u>78,640</u>	<u>4,260</u>
Historic Preservation Commission				
Purchased/contracted services	6,250	6,250	4,391	1,859
Supplies	1,250	1,250	1,054	196
Total Historic Preservation Commission	<u>7,500</u>	<u>7,500</u>	<u>5,445</u>	<u>2,055</u>
Corridor Design Commission				
Purchased/contracted services	3,500	3,500	150	3,350
Supplies	1,000	1,000	160	840
Total Corridor Design Commission	<u>4,500</u>	<u>4,500</u>	<u>310</u>	<u>4,190</u>
Tree Board				
Purchased/contracted services	4,100	4,100	4,082	18
Supplies	1,100	1,100	883	217
Capital	100,000	100,000	61,517	38,483
Total Tree Board	<u>105,200</u>	<u>105,200</u>	<u>66,482</u>	<u>38,718</u>
Cemetery Commission				
Purchased/contracted services	3,350	3,350	238	3,112
Supplies	1,500	1,500	120	1,380
Total Cemetery Commission	<u>4,850</u>	<u>4,850</u>	<u>358</u>	<u>4,492</u>
Bicentennial Committee				
Purchased/contracted services	-	13,700	13,634	66
Total Bicentennial Committee	<u>-</u>	<u>13,700</u>	<u>13,634</u>	<u>66</u>
Affordable Home Ownership Committee				
Purchased/contracted services	9,400	9,400	4,868	4,532
Supplies	600	600	347	253
Total Affordable Home Ownership Committee	<u>10,000</u>	<u>10,000</u>	<u>5,215</u>	<u>4,785</u>
City Manager				
Personal services	133,500	133,500	129,536	3,964
Purchased/contracted services	4,200	4,200	5,802	(1,602)
Supplies	3,250	3,250	3,836	(586)
Capital outlay	35,000	35,000	34,228	772
Other costs	-	-	21	(21)
Total City Manager	<u>175,950</u>	<u>175,950</u>	<u>173,423</u>	<u>2,527</u>
City Clerk				
Personal services	59,200	59,200	56,905	2,295
Purchased/contracted services	12,200	12,200	11,517	683
Supplies	1,750	1,750	2,322	(572)
Total City Clerk	<u>73,150</u>	<u>73,150</u>	<u>70,744</u>	<u>2,406</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
Financial Administration				
Personal services	67,900	67,900	73,132	(5,232)
Purchased/contracted services	49,300	49,300	16,814	32,486
Supplies	1,800	1,800	1,108	692
Other costs	10,200	10,200	9,948	252
Total Financial Administration	<u>129,200</u>	<u>129,200</u>	<u>101,002</u>	<u>28,198</u>
Law				
Purchased/contracted services	50,000	78,000	76,964	1,036
Total Law	<u>50,000</u>	<u>78,000</u>	<u>76,964</u>	<u>1,036</u>
Data Processing/MIS				
Personal services	-	75,300	74,595	705
Purchased/contracted services	78,500	89,500	86,693	2,807
Supplies	10,000	5,000	282	4,718
Total Data Processing/MIS	<u>88,500</u>	<u>169,800</u>	<u>161,570</u>	<u>8,230</u>
General Government Buildings				
Personal services	77,400	-	-	-
Purchased/contracted services	51,500	51,500	77,153	(25,653)
Supplies	51,000	51,000	51,248	(248)
Capital outlay	100,000	100,000	25,489	74,511
Total General Government Buildings	<u>279,900</u>	<u>202,500</u>	<u>153,890</u>	<u>48,610</u>
Total General Government	<u>1,011,650</u>	<u>1,057,250</u>	<u>907,677</u>	<u>149,573</u>
JUDICIAL				
Municipal Court				
Personal services	47,400	47,400	46,147	1,253
Purchased/contracted services	38,950	39,150	41,109	(1,959)
Supplies	1,200	1,200	767	433
Other costs	-	24,000	23,651	349
Total municipal court	<u>87,550</u>	<u>111,750</u>	<u>111,674</u>	<u>76</u>
Total Judicial	<u>87,550</u>	<u>111,750</u>	<u>111,674</u>	<u>76</u>
PUBLIC SAFETY				
Police				
Personal services	959,600	989,600	988,477	1,123
Purchased/contracted services	64,950	70,950	61,749	9,201
Supplies	107,160	107,160	111,182	(4,022)
Capital outlay	67,100	89,100	88,294	806
Other costs	5,120	120	141	(21)
Total police department	<u>1,203,930</u>	<u>1,256,930</u>	<u>1,249,843</u>	<u>7,087</u>
Custody of Prisoners				
Purchased/contracted services	5,000	5,000	8,215	(3,215)
Supplies	500	500	-	500
Other costs	50,000	50,000	20,405	29,595
Total custody of prisoners	<u>55,500</u>	<u>55,500</u>	<u>28,620</u>	<u>26,880</u>
Fire				
Personal services	81,500	81,500	76,219	5,281
Purchased/contracted services	63,500	63,500	78,224	(14,724)
Supplies	52,450	52,450	54,922	(2,472)
Capital outlay	17,500	17,500	-	17,500
Other costs	1,000	1,000	-	1,000
Total fire department	<u>215,950</u>	<u>215,950</u>	<u>209,365</u>	<u>6,585</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
E-911				
Other costs	120,000	145,000	73,345	71,655
Total E-911	<u>120,000</u>	<u>145,000</u>	<u>73,345</u>	<u>71,655</u>
Animal Control				
Personal services	55,000	55,000	54,908	92
Purchased/contracted services	12,500	12,500	11,753	747
Supplies	6,250	6,250	4,724	1,526
Other costs	2,800	2,800	2,193	607
Total animal control	<u>76,550</u>	<u>76,550</u>	<u>73,578</u>	<u>2,972</u>
Total Public Safety	<u>1,671,930</u>	<u>1,749,930</u>	<u>1,634,751</u>	<u>115,179</u>
PUBLIC WORKS				
Highways & Streets				
Personal services	222,700	257,200	253,064	4,136
Purchased/contracted services	68,100	150,100	134,064	16,036
Supplies	210,900	192,900	203,509	(10,609)
Capital outlay	72,500	26,500	33,189	(6,689)
Other costs	-	-	41	(41)
Total highways & streets	<u>574,200</u>	<u>626,700</u>	<u>623,867</u>	<u>2,833</u>
Maintenance and shop				
Personal services	48,400	48,400	44,713	3,687
Purchased/contracted services	2,600	2,600	3,210	(610)
Supplies	5,900	11,100	12,080	(980)
Total maintenance and shop	<u>56,900</u>	<u>62,100</u>	<u>60,003</u>	<u>2,097</u>
Cemetery				
Purchased/contracted services	3,000	5,500	5,446	54
Supplies	500	9,600	9,553	47
Total cemetery	<u>3,500</u>	<u>15,100</u>	<u>14,999</u>	<u>101</u>
Total Public Works	<u>634,600</u>	<u>703,900</u>	<u>698,869</u>	<u>5,031</u>
CULTURE AND RECREATION				
Recreation				
Purchased/contracted services	1,500	2,000	1,675	325
Other costs	30,000	42,000	42,000	-
Total recreation	<u>31,500</u>	<u>44,000</u>	<u>43,675</u>	<u>325</u>
Landscaping				
Personal services	256,900	256,900	304,627	(47,727)
Purchased/contracted services	56,550	56,550	31,643	24,907
Supplies	100,700	100,700	69,205	31,495
Capital outlay	-	-	4,090	(4,090)
Other costs	115,000	15,000	-	15,000
Total landscaping	<u>529,150</u>	<u>429,150</u>	<u>409,565</u>	<u>19,585</u>
Total Culture & Recreation	<u>560,650</u>	<u>473,150</u>	<u>453,240</u>	<u>19,910</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, 2017

	<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	213,800	213,800	206,508	7,292
Purchased/contracted services	95,450	81,950	74,690	7,260
Supplies	9,300	9,300	8,023	1,277
Total planning and zoning	<u>321,050</u>	<u>305,050</u>	<u>289,221</u>	<u>15,829</u>
Tourism				
Purchased/contracted services	7,500	7,500	7,410	90
Other costs	40,000	40,000	39,890	110
Total tourism	<u>47,500</u>	<u>47,500</u>	<u>47,300</u>	<u>200</u>
Main Street				
Personal services	127,400	127,400	124,580	2,820
Purchased/contracted services	87,975	87,975	79,535	8,440
Supplies	6,000	6,000	13,107	(7,107)
Total main street program	<u>221,375</u>	<u>221,375</u>	<u>217,222</u>	<u>4,153</u>
Airport:				
Purchased/contracted services	32,500	32,500	33,238	(738)
Supplies	32,500	39,500	46,288	(6,788)
Capital outlay	-	-	3,127	(3,127)
Other costs	15,000	15,000	-	15,000
Total airport	<u>80,000</u>	<u>87,000</u>	<u>82,653</u>	<u>4,347</u>
Total Housing & Development	<u>669,925</u>	<u>660,925</u>	<u>636,396</u>	<u>24,529</u>
DEBT SERVICE				
Principal payments:				
General government buildings department	235,000	235,000	235,048	(48)
Fire department	63,700	63,700	57,362	6,338
Total principal payments	<u>298,700</u>	<u>298,700</u>	<u>292,410</u>	<u>6,290</u>
Interest and fiscal charges:				
General government buildings department	14,500	14,500	14,191	309
Fire department	6,300	6,300	6,213	87
Total interest and fiscal charges	<u>20,800</u>	<u>20,800</u>	<u>20,404</u>	<u>396</u>
Total Debt Service	<u>319,500</u>	<u>319,500</u>	<u>312,814</u>	<u>6,686</u>
Other Financing Uses				
Transfers (out)	225,500	225,500	225,425	75
Total Other Financing Uses	<u>225,500</u>	<u>225,500</u>	<u>225,425</u>	<u>75</u>
Total Expenditures and Other Financing Uses	<u>\$ 5,181,305</u>	<u>\$ 5,301,905</u>	<u>\$ 4,980,846</u>	<u>\$ 321,059</u>

Bond Disclosures

**City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Water and Sewer Demand
June 30, 2017**

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

Hard Labor Creek Plant

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Avg. Flow MGD	0.476	0.527	0.568	0.472	0.544
Max. Flow MGD	1.212	1.351	1.240	1.130	1.137

Lake Oconee Plant

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Avg. Flow MGD	0.656	0.632	0.585	0.705	0.746
Max. Flow MGD	1.730	1.409	1.233	1.629	1.654

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

Northside Plant

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Avg. Flow MGD	0.064	0.071	0.071	0.083	0.064
Max. Flow MGD	0.292	0.556	0.350	0.660	0.300

Southside Plant

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Avg. Flow MGD	0.248	0.314	0.299	0.380	0.310
Max. Flow MGD	1.110	1.537	1.200	2.101	1.591

Indian Creek

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Avg. Flow MGD	0.165	0.233	0.186	0.214	0.200
Max. Flow MGD	0.490	0.58	0.390	0.820	0.520

**City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Water and Sewer Customers
June 30, 2017**

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

TOTAL CUSTOMERS

Water Customers

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Inside City	2,098	2,130	2,177	2,174	2,193
Outside City	542	562	628	721	755
Total	<u>2,640</u>	<u>2,692</u>	<u>2,805</u>	<u>2,895</u>	<u>2,948</u>

Sewerage Customers

Inside City	1,818	1,844	1,873	1,874	1,886
Outside City	80	89	95	106	106
Total	<u>1,898</u>	<u>1,933</u>	<u>1,968</u>	<u>1,980</u>	<u>1,992</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>
2013	9,180,000	22,000	2,140,100	11,342,100
2014	9,190,000	-	1,615,600	10,805,600
2015	6,620,000	-	1,734,000	8,354,000
2016	14,601,000	-	1,637,700	16,238,700
2017	16,254,000	376,000	1,625,600	18,255,600
Total	55,845,000	398,000	8,753,000	64,996,000

**City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Ten Largest Water and Sewer Customers
June 30, 2017**

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	60,883,000	\$ \$ 384,667	\$ \$ 13,379	\$ 398,046	10.79%
2. Morgan Co. Schools	19,010,000	\$ 130,326	\$ 46,558	176,884	4.80%
3. City of Rutledge	16,254,000	\$ 64,528	\$ -	64,528	1.75%
4. City of Madison	12,439,400	\$ 49,471	\$ 1,383	50,854	1.38%
5. Mannington/Amtico	10,158,100	\$ 65,983	\$ 38,619	104,602	2.84%
6. Pilot Travel Center, LLC	5,839,000	\$ 37,393	\$ 36,841	74,234	2.01%
7. Anthony	5,559,200	\$ 35,630	\$ 35,078	70,708	1.92%
8. Madison Health and Rehab	3,331,500	\$ 21,651	\$ 21,044	42,695	1.16%
9. Orchard Grove - Mercy Housing	3,235,100	\$ 23,586	\$ 20,277	43,863	1.19%
10. Red Roof Inn	3,045,000	\$ 19,487	\$ 19,239	38,726	1.05%

**City of Madison, Georgia
Water and Sewer Fund
Bond Disclosure Schedule
Historic Water and Sewer Rates
June 30, 2017**

<u>Effective Date of Rate</u>	<u>Water</u>		<u>Sewer</u>	
	<u>Inside City</u>	<u>Outside City</u>	<u>Inside City</u>	<u>Outside City</u>
12/11/1995	2.00	2.65	1.50	2.05
7/1/1996	2.50	3.15	2.50	3.05
12/9/1996	3.00	3.65	2.50	3.05
9/14/1998	3.00	3.65	3.00	3.05
1/1/2003	3.30	3.65	3.30	3.65
1/1/2004	3.80	3.80	3.80	3.80
1/1/2005	4.18	4.18	4.18	4.18
1/1/2006	4.60	4.60	4.60	4.60
1/1/2007	5.06	5.06	5.06	5.06
1/1/2008	5.56	5.56	5.56	5.56
1/1/2009	6.00	6.00	6.00	6.00
1/1/2010	6.30	6.30	6.30	6.30
1/1/2011	6.30	6.30	6.30	6.30
1/1/2012	6.30	6.30	6.30	6.30
1/1/2013	6.30	6.30	6.30	6.30
1/1/2014	6.30	6.30	6.30	6.30
1/1/2015	6.30	6.30	6.30	6.30
1/1/2016	6.30	6.30	6.30	6.30
1/1/2017	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, 2017

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 \$6.30. 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, 2017, 2016, 2015, 2014, 2013

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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Net Income (Loss) (before transfers)	\$ (427,360)	\$ 73,716	\$ 179,162	\$ 713,142	425,554
Plus Depreciation and Amortization	954,568	992,273	955,726	1,001,081	1,027,165
Plus Interest	<u>675,114</u>	<u>293,913</u>	<u>284,783</u>	<u>279,781</u>	<u>271,168</u>
Net Revenues Available for Debt Service	<u>\$ 1,202,322</u>	<u>\$ 1,359,902</u>	<u>\$ 1,419,671</u>	<u>\$ 1,994,004</u>	<u>\$ 1,723,887</u>
Actual Debt Service on Bonds	\$ 848,125	\$ 763,913	\$ 759,783	\$ 763,343	\$ 761,168
Coverage Ratio	1.42x	1.78x	1.87x	2.61x	2.26x

The following table sets forth the historic pro-forma debt service coverage ratio for the last five years assuming the issuance of the Series 2013 Bonds, and the payment of the outstanding debt on the System.

HISTORIC PRO-FORMA COVERAGE OF MAXIMUM ANNUAL DEBT SERVICE

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Net Revenues Available for Debt Service	\$ 1,202,322	\$ 1,359,902	\$ 1,419,671	\$ 1,994,004	\$ 1,723,887
Maximum Annual Debt Service on Bonds	\$ 852,563	\$ 763,913	\$ 763,343	\$ 763,343	\$ 763,788
Coverage Ratio	1.41x	1.78x	1.86x	2.61x	2.26x

COMPLIANCE SECTION

Treadwell, Tamplin & Co.

Certified Public Accountants
A Limited Liability Partnership

157 West Jefferson Street
Madison, Georgia 30650

Ph: 706-342-1040
Fax: 706-342-1041

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, 2017, 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 June 27, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Treadwell Kamplin + Co.

Madison, Georgia
June 27, 2018

Treadwell, Tamplin & Co.

Certified Public Accountants
A Limited Liability Partnership

157 West Jefferson Street
Madison, Georgia 30650

Ph: 706-342-1040
Fax: 706-342-1041

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

Mayor and Council
City of Madison, Georgia

Report on Compliance for Each Major Federal Program

We have audited the City of Madison, Georgia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Madison, Georgia's major federal programs for the year ended June 30, 2017. City of Madison, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Madison, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Treadwell Tamplin + Co.

Madison, Georgia
June 27, 2018

City of Madison, Georgia
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
Highway Planning and Construction - Cluster			
Department of Transportation			
<i>Passed through:</i>			
<i>Georgia Department of Natural Resources</i>	20.219	NRT-12(16)	76,367
Recreational Trails Program			<u>76,367</u>
Total Highway Planning and Construction - Cluster			
Department of Housing and Urban Development			
<i>Passed through:</i>			
<i>Georgia Department of Community Affairs</i>	14.228	14rd-x-104-2-5732	99,146
Community Block Development Grants Program			<u>99,146</u>
Total Department of Housing and Urban Development			
Clean Water State Revolving Fund - Cluster			
Environmental Protection Agency -			
<i>Passed through:</i>			
<i>Georgia Environmental Finance Authority</i>	66.458	CWSRF 13-007	20,410
Capitalization Grants for Clean Water State Revolving Funds			<u>20,410</u>
Total Clean Water State Revolving Fund - Cluster			
Drinking Water State Revolving Fund - Cluster			
Environmental Protection Agency -			
<i>Passed through:</i>			
<i>Georgia Environmental Finance Authority</i>	66.468	CWSRF 15012	716,344
Capitalization Grants for Drinking Water State Revolving Funds			<u>716,344</u>
Total Drinking Water State Revolving Fund - Cluster			
Total Environmental Protection Agency			<u>736,754</u>
Department of Justice			
Bulletproof Vest Partnership Program	16.607		1,042
Total Department of Justice			<u>1,042</u>
Department of Agriculture			
Rural Business Development Grant	10.351		60,103
Total Department of Agriculture			<u>60,103</u>
Total Expenditures of Federal Awards			<u>\$ 973,412</u>

The accompanying notes are an integral part of this schedule

City of Madison, Georgia
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2017

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of the City of Madison, Georgia under programs of the federal government for the year ended June 30, 2017. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Madison, Georgia, it is not intended to and does not present the net position, changes in net position, or cash flows of the City of Madison, Georgia

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C: SUBRECIPIENTS

The City of Madison, Georgia did not provide any funding to subrecipients during the year ended June 30, 2017.

NOTE D: DE MINIMIS INDIRECT COST RATE

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

City of Madison, Georgia
Schedule of Findings and Questioned Costs
June 30, 2017

Section I—Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA Number(s)</u> 66.468	<u>Name of Federal Program or Cluster</u> Capitalization Grants for Drinking Water State Revolving Funds
---------------------------------	--

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
--	-----------

Auditee qualified as low-risk auditee?	yes	X	no
--	-----	---	----

City of Madison, Georgia
Schedule of Findings and Questioned Costs
June 30, 2017

Section II – Findings and Questioned Costs – Financial Statement Findings

None reported.

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

None reported.

City of Madison, Georgia
Summary Schedule of Prior Audit Findings
June 30, 2017

Financial Statements

Material Weaknesses:

2016-001

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

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

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

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

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

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

2016-002

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

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

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

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

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

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

City of Madison, Georgia
Summary Schedule of Prior Audit Findings
June 30, 2017

Federal Awards

No findings for fiscal year ended June 30, 2016.

City of Madison, Georgia
Schedule of Special Purpose
Local Option Sales Tax
For the Fiscal Year Ended June 30, 2017

	Original Estimated Cost	Revised Estimated Cost	Expenditures			Estimated Percentages of Completion
			Prior Years	Current Year	Total	
2007 Referendum						
Road and Bridge Improvement	\$ 600,000	\$ 600,000	\$ 600,000	\$ -	\$ 600,000	100%
Public Works Building	\$ 400,000	\$ 263,286	\$ 263,286	\$ -	\$ 263,286	100%
Public Safety Building	\$ 350,000	\$ 360,345	\$ 360,345	\$ -	\$ 360,345	100%
City Hall Renovation	\$ 250,000	\$ 149,932	\$ -	\$ -	\$ -	0%
Park Improvements and Equipment	\$ 204,400	\$ 122,584	\$ 122,584	\$ -	\$ 122,584	100%
Total 2007 Referendum	\$ 1,804,400	\$ 1,496,147	\$ 1,346,215	\$ -	\$ 1,346,215	
2012 Referendum						
Road Improvements	\$ 800,000	\$ 800,000	\$ 264,171	\$ 168,113	\$ 432,284	54%
Hill Park Restrooms	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	0%
Public Safety Building	\$ 550,000	\$ 550,000	\$ 536,400	\$ -	\$ 536,400	98%
City Hall Renovations	\$ 400,000	\$ 400,000	\$ -	\$ -	\$ -	0%
Acquisition of Town Park	\$ 1,000,000	\$ 1,000,000	\$ 496,617	\$ 200,000	\$ 696,617	70%
Park Improvements and Equipment	\$ 267,640	\$ 267,640	\$ 2,898	\$ 66,346	\$ 69,244	26%
Total 2012 Referendum	\$ 3,117,640	\$ 3,117,640	\$ 1,300,086	\$ 434,459	\$ 1,734,545	