

**CITY OF MADISON, FLORIDA**  
**ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended September 30, 2017**

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## **FINANCIAL SECTION**



## **INDEPENDENT AUDITOR'S REPORT**

To the Mayor and the City Commission  
City of Madison, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major funds and the aggregate remaining fund information of the City of Madison, Florida as of and for the fiscal year ended September 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.

### **Management's 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 an opinion 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. The standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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 or 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 opinion.

### **Opinion**

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

September 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the fiscal year 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 and budgetary comparison information and pension information 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.

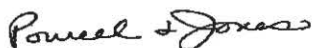
##### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Madison, Florida's basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018, on our consideration of the City of Madison, Florida's internal control over financial reporting and on our test 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 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, Florida's internal control over financial reporting and compliance.



**POWELL & JONES**

Certified Public Accountants

June 15, 2018

**CITY OF MADISON, FLORIDA**  
**Management's Discussion and Analysis**

This section of the City of Madison's (the City) Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. Please read it in conjunction with the City's financial statements and accompanying notes.

**FINANCIAL HIGHLIGHTS**

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$10,300,178 (net position). Of this amount, \$916,980 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net position decreased by \$95,240 during the fiscal year.

As of September 30, 2017, the City's governmental funds reported combined ending unassigned fund balance of \$642,350.

During fiscal year 2017, the City's total debt increased by \$123,967 primarily as a result of the addition of three new capital leases.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components:

- (1) Government-wide financial statements;
- (2) Fund financial statements; and
- (3) Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a matter similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net position may serve as a useful indicator of whether or not 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 most recent fiscal year. All changes to the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of relate cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish 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, fire, community development, police, and transportation. The business-type activities of the City include water and sewer, sanitation, gas, and inventory.

## **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 state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into one of the following three categories: governmental funds, proprietary funds, and fiduciary funds.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term and outflows of spendable resources as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

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 several individual governmental funds organized according to their type. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, law enforcement provision fund, special revenues fund, water & sewer impact fees fund and the community redevelopment fund, which are considered to be major funds.

### **Proprietary Funds**

Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or internal units or departments at the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. Proprietary funds are classified as one of the following two types:

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 the operations of the natural gas, water and sewer and sanitation departments. All enterprise funds are considered to be major funds of the City.

Internal Service funds are used to report activities that provide supplies and services for certain City programs and activities. The City uses its inventory fund to account for these activities.

#### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The city maintains two pension trust funds, which are reported under the fiduciary funds. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

#### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

#### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its public safety employees.

The City adopts an annual appropriated budget for its general fund and other governmental funds. A budgetary comparison statements has been provided for the general fund and for the other governmental funds to demonstrate compliance with this budget.

**Net Position**  
**September 30, 2017 and 2016**

	Governmental	Business-type	Total Government	
	Activities	Activities	2017	2016
<b>Assets</b>				
Cash and cash equivalents	\$ 699,406	\$1,913,465	\$ 2,612,871	\$ 2,573,906
Other assets	266,327	335,242	601,569	482,572
Investments	-	329,498	329,498	327,576
Capital assets	4,600,515	7,639,031	12,239,546	12,157,171
Total assets	<u>5,566,248</u>	<u>10,217,236</u>	<u>15,783,484</u>	<u>15,541,225</u>
 <b>Deferred outflows</b>	 830,855	 93,818	 924,673	 908,688
<b>Liabilities</b>				
Current liabilities	222,399	460,931	683,330	456,419
Long-term liabilities	<u>1,620,256</u>	<u>3,630,980</u>	<u>5,251,236</u>	<u>5,364,165</u>
Total liabilities	<u>1,842,655</u>	<u>4,091,911</u>	<u>5,934,566</u>	<u>5,820,584</u>
 <b>Deferred Inflows</b>	 473,413	 -	 473,413	 233,911
<b>Net position</b>				
Invested in capital assets, net of related debt	4,484,979	4,095,031	8,580,010	8,410,128
Restricted	172,937	630,251	803,188	797,618
Unrestricted	<u>(576,881)</u>	<u>1,493,861</u>	<u>916,980</u>	<u>1,187,672</u>
Total net position	<u>\$4,081,035</u>	<u>\$6,219,143</u>	<u>\$ 10,300,178</u>	<u>\$ 10,395,418</u>

**Analysis of Net Position**

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$10,300,178 (net position). Of this amount, \$916,980 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the City's net assets \$803,188 represents resources that are subject to external restrictions on how they may be used. The remaining balance of capital assets is reported net of any related debt.



**Statement of Changes in Net Position**  
For the Fiscal Year Ended September 30, 2017 and 2016

	Governmental Activities	Business-type Activities	Total Government	
			2017	2016
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 102,539	\$ 4,019,787	\$ 4,122,326	\$ 4,150,415
Grants and contributions	237,403	-	237,403	196,897
General revenues				
Taxes	1,602,056	-	1,602,056	1,551,076
Franchise fees	201,231	-	201,231	205,181
State shared revenues	202,770	-	202,770	197,192
Interest and other	97,165	2,312	99,477	47,569
Total revenues	<u>2,443,164</u>	<u>4,022,099</u>	<u>6,465,263</u>	<u>6,348,330</u>
<b>Expenses</b>				
General government	461,207	-	461,207	607,835
Public safety	2,024,910	-	2,024,910	1,970,096
Transportation	521,943	-	521,943	565,338
Physical environment	25,796	-	25,796	106,766
Economic environment	322,082	-	322,082	461,944
Interest on long-term debt	8,665	163,942	172,607	171,427
Water, sewer, and garbage services	-	3,031,958	3,031,958	2,753,203
Total expenses	<u>3,364,603</u>	<u>3,195,900</u>	<u>6,560,503</u>	<u>6,636,609</u>
Net Transfers	<u>1,294,567</u>	<u>(1,294,567)</u>	<u>-</u>	<u>-</u>
Change in net position	373,128	(468,368)	(95,240)	(288,279)
Beginning net position	3,707,907	6,687,511	10,395,418	10,683,697
Ending net position	<u>\$ 4,081,035</u>	<u>\$ 6,219,143</u>	<u>\$ 10,300,178</u>	<u>\$ 10,395,418</u>

**Analysis of Changes in Net Position**

The City's net position overall decreased by \$95,240 during the current fiscal year. This decrease is the result of an increase in governmental activities of \$373,128 and a decrease in business-type activities of \$468,368. Governmental activities increased primarily due to transfers from the business-type activities. The public safety department, which provides police and fire protection services for the City was the largest source of expense, totaling \$2,024,910 or 60% of total governmental expenses. Business-type activities decreased due to transfers which subsidize the operations of other funds, primarily general fund. Transfers totaled \$1,294,567, which lowered the reported net position from an increase of \$826,199 to a decrease of \$468,368.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City 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 resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund and Special Revenue Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined unassigned ending fund balance of \$642,350. Revenues for governmental functions overall totaled \$2,443,164 for the current fiscal year. Expenditures totaled \$3,391,137, which means that expenditures exceeded revenues by \$947,973 before net transfers in of \$1,294,567. The general fund is the chief operating fund of the City. At the close of the current fiscal year, the unassigned fund balance of the general fund was \$642,350. The fund balance of the City's general fund increased by \$424,234 during the current fiscal year.

### **Proprietary Funds**

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

At the end of the fiscal year, the unrestricted net position for the Enterprise Fund was \$1,634,864. The total change in net assets for the Enterprise Funds was a decrease of \$468,368. The Natural Gas Fund, the Water Fund, the Sewer Fund, the Sanitation Fund, and the Inventory Fund are consolidated into the Enterprise Fund.

### **Fiduciary Funds**

The City maintains Fiduciary Funds for the assets of the Police Officers' and Firefighters' Pension Funds. As of the end of the current fiscal year, the net position of the Police Officers' and Firefighters' Pension Funds totaled \$5,145,873, which represents an increase of \$299,878 over the prior fiscal year.

### **Capital Assets and Debt Administration**

The City's capital assets for its governmental and business-type activities as of September 30, 2017, amount to \$12,239,546 (net of accumulated depreciation). Capital assets include land, buildings, improvements, equipment, and infrastructure. Capital asset additions amounted to \$527,196 for governmental activities and \$279,696 for business-type activities.



### Capital Assets, Net of Depreciation at September 30, 2017

	Governmental Activities	Business- type Activities	Total
Land	\$ 941,456	\$ 444,584	\$ 1,386,040
Buidlings	2,420,462	372,480	2,792,942
Construction in progress	164,877	54,110	218,987
Equipment and Infrastructure	6,522,168	18,541,522	25,063,690
Total	10,048,963	19,412,696	29,461,659
Less accumulated depreciation	(5,448,448)	(11,773,665)	(17,222,113)
Net Capital Assets	<u>\$ 4,600,515</u>	<u>\$ 7,639,031</u>	<u>\$12,239,546</u>

#### Debt Administration

The table below illustrates the City's outstanding debt as of September 30, 2017. At the end of the current fiscal year, the City had total long-term obligations outstanding of approximately \$5,446,142. Of this amount, \$3,544,000 is revenue bonds that were issued for the purpose of water and sewer improvements. The remainder consists of capital leases in the amount of \$408,142, compensated absences of \$207,432, a USDA loan of \$115,536, and a net pension liability of \$1,171,032.

Additional information on the City's long-term liabilities can be found in the Notes to the Financial Statements.

### Outstanding Debt at September 30, 2017

	Governmental Activities	Business- type Activities	Total
Capital leases	\$ 267,139	\$ 141,003	\$ 408,142
Compensated absences	138,502	68,930	207,432
Bonds and loans payable	115,536	3,544,000	3,659,536
Net pension liability	1,171,032	-	1,171,032
Total	<u>\$ 1,692,209</u>	<u>\$ 3,753,933</u>	<u>\$ 5,446,142</u>

#### REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. If you have questions about this report or need additional information, contact:

City of Madison  
City Clerk  
321 S.W. Rutledge Street  
Madison, Florida 32340  
(850) 973-5081

## **BASIC FINANCIAL STATEMENTS**

# CITY OF MADISON, FLORIDA

## STATEMENT OF NET POSITION September 30, 2017

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 699,406	\$ 1,612,712	\$ 2,312,118
Accounts receivable - net	72,919	233,701	306,620
Internal balances	6,192	(6,192)	-
Due from other governmental units	184,925	-	184,925
Prepaid expense	2,291	2,291	4,582
Interest receivable	-	985	985
Inventory	-	104,457	104,457
Total current assets	<u>965,733</u>	<u>1,947,954</u>	<u>2,913,687</u>
NON-CURRENT ASSETS			
Restricted			
Cash and cash equivalents	-	300,753	300,753
Investments	-	329,498	329,498
Total restricted assets	<u>-</u>	<u>630,251</u>	<u>630,251</u>
Capital assets - net	4,600,515	7,639,031	12,239,546
TOTAL ASSETS	<u>5,566,248</u>	<u>10,217,236</u>	<u>15,783,484</u>
DEFERRED OUTFLOWS OF RESOURCES			
Charge on debt refunding	-	93,818	93,818
Pension related	830,855	-	830,855
Total deferred outflows of resources	<u>830,855</u>	<u>93,818</u>	<u>924,673</u>
<b>LIABILITIES AND NET POSITION</b>			
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 150,446	\$ 179,220	\$ 329,666
Accrued interest payable	-	12,288	12,288
Deposits	-	146,470	146,470
Current portion capital leases	52,725	26,681	79,406
Current portion bonds payable	-	88,000	88,000
Accrued compensated absences	16,620	8,272	24,892
Current portion note payable	2,607	-	2,607
Total current liabilities	<u>222,399</u>	<u>460,931</u>	<u>683,330</u>
Noncurrent liabilities			
Other liabilities			
Note payable	112,929	-	112,929
Noncurrent portion compensated absences	121,882	60,658	182,540
Noncurrent portion capital leases	214,414	114,322	328,736
Noncurrent portion bonds payable	-	3,456,000	3,456,000
Net pension liability	1,171,032	-	1,171,032
Total noncurrent liabilities	<u>1,620,256</u>	<u>3,630,980</u>	<u>5,251,236</u>
TOTAL LIABILITIES	<u>1,842,655</u>	<u>4,091,911</u>	<u>5,934,566</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	473,413	-	473,413
NET POSITION			
Invested in capital assets net of related debt	4,484,979	4,095,031	8,580,010
Restricted	172,937	630,251	803,188
Unrestricted	(576,881)	1,493,861	916,980
Total net position	<u>4,081,035</u>	<u>6,219,143</u>	<u>10,300,178</u>

See notes to financial statements.

**CITY OF MADISON, FLORIDA**

**STATEMENT OF ACTIVITIES**

**For the Year Ended September 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - type Activities	Total
<b>Governmental activities</b>							
General government	\$ 461,207	\$ -	\$ 92,431	\$ -	\$ (368,776)	\$ -	\$ (368,776)
Public safety	2,024,910	61,460	-	1,764	(1,961,686)	-	(1,961,686)
Transportation	521,943	41,079	-	38,528	(442,336)	-	(442,336)
Physical environment	25,796	-	-	-	(25,796)	-	(25,796)
Economic environment	322,082	-	43,764	-	(278,318)	-	(278,318)
Culture/recreation	-	-	-	60,916	60,916	-	60,916
Interest	8,665	-	-	-	(8,665)	-	(8,665)
<b>Total governmental activities</b>	<b>3,364,603</b>	<b>102,539</b>	<b>136,195</b>	<b>101,208</b>	<b>(3,024,661)</b>	<b>-</b>	<b>(3,024,661)</b>
<b>Business-type activities</b>							
Utility services	3,031,958	4,019,787	-	-	-	987,829	987,829
Interest and amortization on long-term activities	163,942	-	-	-	-	(163,942)	(163,942)
<b>Total business-type activities</b>	<b>3,195,900</b>	<b>4,019,787</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>823,887</b>	<b>823,887</b>
<b>Total government</b>	<b>6,560,503</b>	<b>4,122,326</b>	<b>136,195</b>	<b>101,208</b>	<b>(3,024,661)</b>	<b>823,887</b>	<b>(2,200,774)</b>
<b>General revenues</b>							
					675,189	-	675,189
Ad valorem taxes					502,012	-	502,012
Sale and use taxes					201,231	-	201,231
Franchise fees					332,090	-	332,090
Utility services taxes						-	
Communications						-	
service taxes					92,765	-	92,765
State shared revenues					202,770	-	202,770
Interest					74	2,312	2,386
Miscellaneous					97,091	-	97,091
Transfers in (out )					1,294,567	(1,294,567)	-
<b>Total</b>					<b>3,397,789</b>	<b>(1,292,255)</b>	<b>2,105,534</b>
<b>Change in net position</b>					<b>373,128</b>	<b>(468,368)</b>	<b>(95,240)</b>
<b>Net position beginning</b>					<b>3,707,907</b>	<b>6,687,511</b>	<b>10,395,418</b>
<b>Net position ending</b>					<b>\$ 4,081,035</b>	<b>\$ 6,219,143</b>	<b>\$ 10,300,178</b>

See notes to financial statements.

**CITY OF MADISON, FLORIDA**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
September 30, 2017**

	General Fund	Law Enforcement Provision Fund	Special Revenues Fund	Water and Sewer Impact Fees Fund	Community Redevelopment Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 526,533	\$ 4,296	\$ -	\$ 24,572	\$ 144,005	\$ 699,406
Accounts receivable	72,855	64	-	-	-	72,919
Prepaid expense	2,291	-	-	-	-	2,291
Due from other funds	6,192	-	-	-	-	6,192
Due from other governmental units	184,925	-	-	-	-	184,925
<b>Total assets</b>	<b>\$ 792,796</b>	<b>\$ 4,360</b>	<b>\$ -</b>	<b>\$ 24,572</b>	<b>\$ 144,005</b>	<b>\$ 965,733</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	\$ 138,169	\$ -	\$ -	\$ -	\$ -	\$ 138,169
Accrued liabilities	12,277	-	-	-	-	12,277
<b>Total liabilities</b>	<b>150,446</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150,446</b>
<b>FUND BALANCES</b>						
Restricted	-	4,360	-	24,572	144,005	172,937
Unassigned	642,350	-	-	-	-	642,350
<b>Total fund balances</b>	<b>642,350</b>	<b>4,360</b>	<b>-</b>	<b>24,572</b>	<b>144,005</b>	<b>815,287</b>
<b>Total liabilities and fund balances</b>	<b>\$ 792,796</b>	<b>\$ 4,360</b>	<b>\$ -</b>	<b>\$ 24,572</b>	<b>\$ 144,005</b>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

Cost of capital assets	10,048,963
Accumulated depreciation	(5,448,448)
Deferred outflows of resources	830,855

Long-term liabilities are not due in the current period and, therefore, are not reported in the funds

Capital lease	(267,139)
Accrued compensated absences	(138,502)
Note payable	(115,536)
Net pension liability	(1,171,032)
Deferred inflows of resources	(473,413)
<b>Net position of governmental activities</b>	<b>\$ 4,081,035</b>

See notes to financial statements.

**CITY OF MADISON, FLORIDA**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
For the Year Ended September 30, 2017**

	General Fund	Law Enforcement Provision Fund	Special Revenues Fund	Water and Sewer Impact Fees Fund	Community Redevelopment Fund	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 1,690,045	\$ -	\$ -	\$ -	\$ 113,242	\$ 1,803,287
Licenses and permits	37,712	-	-	-	-	37,712
Intergovernmental	426,473	-	13,700	-	-	440,173
Charges for services	102,539	-	-	-	-	102,539
Fines and forfeitures	5,513	491	-	-	-	6,004
Miscellaneous	49,842	3,600	-	2	5	53,449
<b>Total revenues</b>	<b>2,312,124</b>	<b>4,091</b>	<b>13,700</b>	<b>2</b>	<b>113,247</b>	<b>2,443,164</b>
<b>EXPENDITURES</b>						
Current expenditures						
General government	370,237	-	-	-	-	370,237
Public safety	1,900,183	208	-	-	-	1,900,391
Physical environment	-	-	-	25,673	-	25,673
Transportation	501,091	-	-	-	-	501,091
Economic environment	205,507	-	14,121	-	102,687	322,315
Capital outlay						
General government	1,050	-	-	-	-	1,050
Public safety	101,615	-	-	-	-	101,615
Transportation	58,197	-	-	-	-	58,197
Community development	1,550	-	-	-	-	1,550
Culture/recreation	77,341	-	-	-	-	77,341
Debt service						
Principal	23,012	-	-	-	-	23,012
Interest	8,665	-	-	-	-	8,665
<b>Total expenditures</b>	<b>3,248,448</b>	<b>208</b>	<b>14,121</b>	<b>25,673</b>	<b>102,687</b>	<b>3,391,137</b>
<b>Excess of revenues (under) expenditures</b>	<b>(936,324)</b>	<b>3,883</b>	<b>(421)</b>	<b>(25,671)</b>	<b>10,560</b>	<b>(947,973)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Interfund transfers	1,360,558	-	(80,853)	12,022	2,840	1,294,567
<b>Total other financing sources (uses)</b>	<b>1,360,558</b>	<b>-</b>	<b>(80,853)</b>	<b>12,022</b>	<b>2,840</b>	<b>1,294,567</b>
<b>Net change in fund balances</b>	<b>424,234</b>	<b>3,883</b>	<b>(81,274)</b>	<b>(13,649)</b>	<b>13,400</b>	<b>346,594</b>
Fund balances at beginning of year	218,116	477	81,274	38,221	130,605	468,693
<b>Fund balances at end of year</b>	<b>\$ 642,350</b>	<b>\$ 4,360</b>	<b>\$ -</b>	<b>\$ 24,572</b>	<b>\$ 144,005</b>	<b>\$ 815,287</b>

See notes to financial statements.

**CITY OF MADISON, FLORIDA**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2017**

**Net change in fund balances - total governmental funds** **\$ 346,594**

**Governmental funds report capital outlay as expenditures.  
However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation expense.**

<b>Expenditures for capital assets</b>	<b>\$527,196</b>	
<b>Less current year depreciation</b>	<b>(232,354)</b>	<b>294,842</b>

**Some expenses reported in the statement of activities do not  
require the use of current financial resources, therefore, are  
not reported as expenditures in governmental funds.**

<b>Net (increase) decrease in superfund accrual</b>	<b>47,710</b>	
<b>Net (Increase) decrease in capital leases</b>	<b>(267,139)</b>	
<b>Net (Increase) decrease in compensated absences</b>	<b>(32,755)</b>	
<b>Net (Increase) decrease in note payable</b>	<b>2,507</b>	
<b>Net (Increase) in net pension liability</b>	<b>199,948</b>	
<b>Net (increase) in deferred pension inflows</b>	<b>(239,502)</b>	
<b>Net Increase (decrease) in deferred pension outflows</b>	<b>20,923</b>	<b>(268,308)</b>

**Change in net position of governmental activities** **\$ 373,128**

**See notes to financial statements.**

# CITY OF MADISON, FLORIDA

## PROPRIETARY FUND STATEMENT OF NET POSITION September 30, 2017

### ASSETS

Current assets	
Cash and cash equivalents	\$ 1,612,712
Accounts receivable, net	233,701
Prepaid expense	2,291
Interest receivable	985
Inventory	104,457
Total current assets	<u>1,954,146</u>

### NON-CURRENT ASSETS

Restricted assets	
Cash and cash equivalents	300,753
Investments	329,498
Total restricted assets	<u>630,251</u>

### Fixed assets

Land	444,584
Buildings	372,480
Infrastructure	16,601,885
Equipment	1,939,637
Construction in progress	54,110
Allowance for depreciation	<u>(11,773,665)</u>
Total fixed assets	<u>7,639,031</u>
Total Assets	<u>10,223,428</u>

### DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding	93,818
Total deferred outflows of resources	<u>93,818</u>

### LIABILITIES AND NET POSITION

#### LIABILITIES

Current liabilities	
Accounts payable and accrued expenses	179,220
Due to other funds	6,192
Deposits	146,470
Total current liabilities	<u>331,882</u>

#### Current liabilities payable from restricted assets

Capital leases current portion	26,681
Bonds payable current portion	88,000
Compensated absences current portion	8,272
Accrued interest payable	12,288
Total current liabilities payable from restricted assets	<u>135,241</u>

#### Long-term liabilities

Capital leases	114,322
Bonds payable	3,456,000
Compensated absences	60,658
Total noncurrent liabilities	<u>3,630,980</u>

Total liabilities	<u>4,098,103</u>
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### NET POSITION

Invested in capital assets net of related debt	3,954,028
Restricted for debt service	630,251
Unrestricted	1,634,864
Total net position	<u>6,219,143</u>
Total liabilities and net position	<u>\$ 10,317,246</u>

See notes to financial statements.



**CITY OF MADISON, FLORIDA**

**PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Year Ended September 30, 2017**

**OPERATING REVENUES**

<b>Charges for services</b>	
Natural gas	\$ 953,621
Sanitation	329,546
Warehouse	5,444
Water services	1,192,019
Sewer services	1,539,157
<b>Total operating revenues</b>	<b>4,019,787</b>

**OPERATING EXPENSES**

<b>Natural gas</b>	
Personnel services	197,076
Office and communications	8,986
Professional fees	6,446
Supplies	451,504
Repair and maintenance	8,041
Depreciation	24,700
Insurance	6,781
Utilities	1,427
Other	3,643
<b>Total natural gas</b>	<b>708,604</b>

**Sanitation**

Personnel services	105,482
Office and communications	3,518
Professional fees	4,266
Supplies	20,226
Repair and maintenance	20,615
Depreciation	2,022
Insurance	4,767
Utilities	167
Landfill	200,233
<b>Total sanitation</b>	<b>361,296</b>

**Purchasing**

Personnel services	56,599
Office and communications	2,387
Professional fees	2,806
Supplies	1,371
Repair and maintenance	2,880
Depreciation	821
Insurance	3,445
Utilities	3,727
Other	25
<b>Total purchasing</b>	<b>74,061</b>

(Continued)

See notes to financial statements.

**CITY OF MADISON, FLORIDA**

**PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Year Ended September 30, 2017**

**OPERATING EXPENSES (Continued)**

**Water**

Personnel services	335,245
Office and communications	3,501
Professional fees	78,999
Supplies	93,796
Repair and maintenance	17,786
Depreciation	57,854
Insurance	10,539
Utilities	57,389
Other	8,403
Total water	<u>663,512</u>

**Sewer**

Personnel services	\$ 323,215
Office and communications	7,120
Professional fees	117,859
Supplies	108,164
Repair and maintenance	121,199
Depreciation	406,766
Insurance	11,889
Utilities	122,154
Other	6,119
Total sewer	<u>1,224,485</u>
Total operating expenses	<u>3,031,958</u>
Operating income	<u>987,829</u>

**NONOPERATING REVENUES (EXPENSES)**

State grants	-
Interest revenue	2,312
Interest expense	(159,004)
Amortization of deferred charge on refunding	(4,938)
Interfund transfers	(1,294,567)
Total nonoperating revenues (expenses)	<u>(1,456,197)</u>

Change in net position	(468,368)
Net position, beginning of year	6,687,511
Net position, end of year	<u>\$ 6,219,143</u>

See notes to financial statements.

**CITY OF MADISON, FLORIDA**

**PROPRIETARY FUND  
STATEMENT OF CASH FLOWS**

**For the Year Ended September 30, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers	\$ 4,076,518
Cash payments for goods and services	(1,457,448)
Cash payments to employees for services	(999,382)
Net cash provided by operating activities	<u>1,619,688</u>

**CASH FLOWS FROM NONCAPITAL AND RELATED  
FINANCING ACTIVITIES:**

Transfers in (out)	(1,344,189)
Net cash used for noncapital and related financing activities	<u>(1,344,189)</u>

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES:**

Acquisitions of property and equipment	(132,433)
Principal paid on capital leases	(7,852)
Principal paid on bonds payable	(85,000)
Interest paid	(160,000)
Net cash used for capital and related financing activities	<u>(385,285)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest received on investments	388
Net cash provided by investing activities	<u>388</u>

Net increase in cash and cash equivalents	(109,398)
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Cash and cash equivalents, beginning of year	2,022,863
Cash and cash equivalents, end of year	<u>\$ 1,913,465</u>

**CASH AND CASH EQUIVALENTS CLASSIFIED AS:**

Current assets	\$ 1,612,712
Restricted assets	300,753
Total cash and cash equivalents	<u>\$ 1,913,465</u>

**RECONCILIATION OF OPERATING INCOME TO  
TO NET CASH PROVIDED BY  
OPERATING ACTIVITIES:**

Operating Income	\$ 987,829
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	492,163
(Increase) decrease in:	
Accounts receivable	53,206
Inventory	(35,195)
Increase (decrease) in:	
Accounts payable and accrued expenses	99,925
Compensated absences	18,235
Deposits	3,525
Total adjustments	<u>631,859</u>
Net cash provided by operating activities	<u>\$ 1,619,688</u>

See notes to financial statements.

**CITY OF MADISON, FLORIDA**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION AVAILABLE FOR BENEFITS  
September 30, 2017**

	<b>Police Officers' and Firefighters' Pension Funds</b>
<b>Assets</b>	
<b>Cash and cash equivalents</b>	<b>101,998</b>
	<b>101,998</b>
<b>Receivables</b>	
<b>Member contributions</b>	<b>8,137</b>
<b>City contributions</b>	<b>85,583</b>
<b>State contributions</b>	<b>20,363</b>
<b>Securities sold</b>	<b>1,775</b>
<b>Accrued interest and dividends</b>	<b>10,777</b>
	<b>126,635</b>
<b>Investments</b>	
<b>U.S. bonds and bills</b>	<b>123,870</b>
<b>Federal agency guaranteed securities</b>	<b>72,324</b>
<b>Stocks</b>	<b>662,701</b>
<b>Equity mutual funds</b>	<b>2,849,010</b>
<b>Fixed Income mutual funds</b>	<b>1,020,841</b>
	<b>4,918,246</b>
<b>Total assets</b>	<b>\$ 5,146,879</b>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
<b>Benefits payable</b>	<b>\$ 258</b>
<b>Securities purchased</b>	<b>748</b>
<b>Total liabilities</b>	<b>1,006</b>
<b>NET POSITION AVAILABLE FOR BENEFITS</b>	
<b>Restricted</b>	<b>5,145,873</b>
<b>Total net position available for benefits</b>	<b>5,145,873</b>
<b>Total liabilities and net position</b>	<b>\$ 5,146,879</b>

**See notes to financial statements.**

**CITY OF MADISON, FLORIDA**

**FIDUCIARY FUNDS**

**STATEMENT OF CHANGES IN NET POSITION AVAILABLE FOR BENEFITS  
For the Year Ended September 30, 2017**

	<u><b>Police Officers' and Firefighters' Pension Funds</b></u>
<b>ADDITIONS TO NET ASSETS:</b>	
<b>Contributions:</b>	
Employer	\$ 262,790
State	20,363
Employees	57,571
<b>Total contributions</b>	<u><b>340,724</b></u>
<b>Investment Income:</b>	
Unrealized gain in fair market value of investments	331,536
Interest and dividend income	118,222
Less investment expense	(55,266)
Net investment income	<u>394,492</u>
<b>Total additions to net assets</b>	<u><b>735,216</b></u>
<b>DEDUCTIONS FROM NET ASSETS:</b>	
Benefits paid to participants	379,356
Termination payments	18,260
Administrative expenses	37,722
<b>Total deductions from net assets</b>	<u><b>435,338</b></u>
<b>Net increase in net position available for benefits</b>	<u><b>299,878</b></u>
<b>Net position available for benefits, beginning of year</b>	<u><b>4,845,995</b></u>
<b>Net position available for benefits, end of year</b>	<u><b>\$ 5,145,873</b></u>

**See notes to financial statements.**

**CITY OF MADISON, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of Significant Accounting Policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the City of Madison (the City) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The most significant of these accounting policies are described below.

Effective October 1, 2003, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

The City's financial statements have been prepared in accordance with the presentation requirements of these statements and interpretation.

**A. Reporting Entity** - The City of Madison, Florida is a political subdivision of the State of Florida, located in Madison County in the north central portion of the State. The City was incorporated in 1903 under the legal authorities of the laws of Florida 23390, 1945. It is governed by an elected City Commission and an appointed City Manager who are governed by State Statutes, regulations and a City Charter.

The City's major operations include police and fire protection, road and street facilities, certain social services and general administration services. In addition, the City owns and operates five major enterprise activities, a water system, a natural gas system, a sewer system, a solid waste system, and an inventory system.

As required by GAAP, the accompanying financial statements present the City as the primary government, and its component units, entities for which the government is considered to be financially accountable. Component units are included in the reporting entity because of the significance of their operational or financial relationships with the primary government.

A primary government is financially accountable for the organizations that make up its legal entity. Financial accountability or dependence upon the City was determined based on the existence of one or more of the following criteria: the basis of budget adoption, taxing authority, outstanding debt collateralized by revenues or general obligations of the City, and the City's legal responsibility to fund any deficits that may occur.

The City's Municipal Police Officer's Trust and Municipal Firefighter's Pension Trust are considered to be separate and distinct from the City since the City cannot (1) elect the Board of Trustees for those trusts; (2) designate management of the trusts; and (3) exercise any budgetary authority over the trusts. However, under Chapters 175 and 185 of the *Florida Statutes*, the City is liable for any actuarial deficiency in the Municipal Police Officers' Trust and Municipal Firefighters' Pension Trust. Therefore, the trusts are considered component units and are therefore included in the accompanying financial statements as Pension Trust fund types. Copies of the separate financial statements of each of these Pension Trusts can be obtained from the Board Secretary.

The Madison Community Redevelopment Agency Trust Fund (MCRATF), was established by ordinance on July 9, 1992. It has been determined that the MCRATF is a component unit of the City of Madison. The Trust is funded by increment taxes received by the City of Madison and Madison County. Monies are restricted for the redevelopment of a twenty-four block downtown area in Madison. This entity does not publish individual component unit financial statements. Because the component unit is in substance part of the City's operations, it has been reported on a blended basis in the City's financial statements as a special revenue fund.

The City did not participate in any joint ventures during fiscal year 2016-2017.

## **B. Government-Wide and Fund Financial Statements**

### **1. Government-wide Financial Statements**

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. The primary government financial statements focus on the primary government. Only individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues may include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenue are reported as general revenues.

### **2. Fund Financial Statements**

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns.

## **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resource*

*measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, utility taxes, interest revenue and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major funds:

**1. Government Funds:**

The measurement focus of the Government Funds (in the Fund Financial Statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the City:

- a. General Fund accounts for many of the City's primary services (Police, Fire, Transportation, Planning, etc.) and is the primary operating unit of the City.
- b. Special revenues funds account for the receipts and expenditures of other governmental revenues that are legally restricted to expenditures for specific purposes.

**2. Proprietary Fund:**

The focus of Proprietary Fund measurement is upon determination of operating income, changes in fund net position, financial position, and cash flows, which is similar to businesses. The following is a description of the activities accounted for in the Proprietary Fund at September 30, 2017:

- a. Operating activities of the natural gas system owned and operated by the City.
- b. Operating activities of the City's sewer utility system.
- c. Operating activities of the City's water utility system.
- d. Activities of the City's solid waste collection system.
- e. Activities of the City's warehouse system.



The City also reports the following fund types:

Police and Fire Pension Trust funds account for the activities of the police and fire department systems, which accumulate resources for pension benefit payments to qualified police and fire employees.

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

As a general rule the effect of interfund activity has been eliminated from the government wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally results from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for 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 non-operating revenues and expenses.

#### **D. Assets, Liabilities, and Net Position or Equity**

##### **1. Cash and Cash Equivalents:**

The City has defined Cash and Cash Equivalents to include cash on hand, demand deposits, and cash with fiscal agent.

##### **2. Investments:**

All investments, including Pension Funds, are stated at fair value, which is either a quoted market price or the best available estimate.

##### **3. Accounts Receivable:**

Accounts receivable are recorded in the governmental, business-type and fiduciary funds. Where appropriate, an associated allowance for doubtful accounts has been established.

##### **4. Inventories:**

Inventory held by the Proprietary Fund consists of materials and supplies. Inventories are valued at cost, which approximates market, using the average cost method.

**5. Restricted Assets:**

Restricted assets are liquid assets, which have been legally restricted for a certain use or have been set aside for capital projects. When the appropriate opportunities arise, the City uses these restricted assets first.

Certain proceeds of the City's enterprise funds, revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

**6. Capital Assets:**

Capital assets, which include land, buildings, equipment, improvements other than buildings, intangibles and public domain infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure, are defined as assets with a cost of \$500 or more and an estimated useful life greater than one year. Infrastructure assets are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most general capital assets. Examples of such assets are roads, bridges, sidewalks, paved paths, utility systems, stormwater drainage systems, traffic control and lighting systems. The capitalization threshold for infrastructure assets has been set at \$5,000.

Capital assets are recorded at historical cost when purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. The costs 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 completed. Interest is capitalized during the construction phase of capital assets of business-type activities acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund's financial statements. These general capital assets are included in the governmental activities column of the government-wide financial statements. Capital assets used in the Enterprise Funds are accounted for by the respective funds. Depreciation on all exhaustible capital assets used in the Enterprise Funds is charged as an expense against their operations. Accumulated depreciation is reported on the respective fund's balance sheet.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
<b>Buildings and improvements</b>	<b>20-30</b>
<b>Improvements other than buildings</b>	<b>15-50</b>
<b>Equipment and machinery</b>	<b>2-20</b>
<b>Vehicles</b>	<b>3-10</b>
<b>Infrastructure</b>	<b>10-40</b>

**7. Compensated Absences:**

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently remaining employees and are included in wages and benefits payable.

**8. Long-Term Obligations:**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt obligations are reported as liabilities in the applicable business-type activity or proprietary fund-type statement of net assets.

**9. Fund Balances – Governmental Funds**

As of September 30, 2017, fund balances of the governmental funds are classified as follows:

**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, charger requirements 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 the City Commission. The City Commission is the highest level of decision making authority for the Council. Commitments may be established, modified, or rescinded only through resolutions approved by the City Commission. There were no committed fund balances at year end.

**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. Under current practices, the assignment of amounts for specific purposes is approved by the City Commission.

**Unassigned** – all other spendable amounts.

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

Fund	Classification			Total
	Assigned	Restricted	Unassigned	
<b>Governmental Funds</b>				
General Fund	\$ -	\$ -	\$ 642,350	\$ 642,350
Law Enforcement Provision Fund	-	4,360	-	4,360
Special Revenues Fund	-	-	-	-
Water and Sewer Impact Fees Fund	-	24,572	-	24,572
Community Redevelopment Fund	-	144,005	-	144,005
	<u>\$ -</u>	<u>\$ 172,937</u>	<u>\$ 642,350</u>	<u>\$ 815,287</u>

### Proprietary Fund

Restrictions of equity show amounts that are not appropriated for expenditures or are legally restricted for specific uses.

At September 30, 2017, net position are composed of the following:

Fund	Classification			Total
	Invested in capital assets, net	Restricted for Debt Service	Unrestricted	
<b>Proprietary Fund</b>	<u>\$3,954,028</u>	<u>\$ 630,251</u>	<u>\$1,634,864</u>	<u>\$6,219,143</u>

10. **Estimates** –The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
11. **Interfund Transactions** – Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.  
  
All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.
12. **Encumbrances** – Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the City.
13. **Bond Costs** – In the proprietary funds, bond issuance costs are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method.

14. **Bond Discounts** – In the Proprietary Fund, bond discounts are amortized over the terms of the bonds using the straight-line method which, for the bond discounts is not materially different than the effective interest method. Unamortized bond discounts are presented in the financial statements.

**E. Deferred Outflows/Inflows of Resources**

In addition to assets, liabilities, and net position, the statement of financial position will sometimes report a separate section for deferred outflows and deferred inflows of resources. These separate financial statement elements represent an addition to or consumption of net position that applies to a future period(s) and so will not be recognized as a revenue or expense until that time. The City has two items that qualify for being reported in this category as follows:

- A. **Charge on debt refunding** – Bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which is not materially different from the effective-interest method. Bond issuance costs are presented on the financial statements under deferred inflows.

- B. **Pensions** – Deferred inflows and outflows on pensions are recorded for the following purposes:

When actual earnings on pension plan investments are greater than or less than projected earnings. These differences are amortized to pension expense using a systematic and rational method over a closed five-year period.

When actuarial assumptions are changed about the expected remaining service lives of pension plan participants, future economic factors, employee demographics, or other valuation inputs.

Contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

## **NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### **A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position**

“Total fund balances” of the City’s governmental funds \$815,287 differs from “net position” of governmental activities \$4,081,035 reported in the statement of net position. The difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental funds balance sheet.

#### Capital related items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net assets included those capital assets among the assets of the City as a whole.

Cost of capital assets	\$10,048,963
Accumulated depreciation	(5,448,448)
	<u>\$ 4,600,515</u>

#### Long-term debt transactions

Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at September 30, 2017, were:

Capital leases	\$ (267,139)
Note Payable	(115,536)
Compensated absences	(138,502)
Net pension liability	(1,171,032)
	<u>\$ (1,692,209)</u>

#### Deferred outflows/inflows of resources

Deferred outflows of resources represent a consumption of net position in a future period while deferred inflows of resources represent an acquisition of net position in a future period and accordingly, are not reported in the governmental fund statements. However, the statement of net position includes the deferred outflows/inflows of resources.

Deferred pension inflows	\$ (473,413)
Deferred pension outflows	830,855
	<u>\$ 357,442</u>

# CITY OF MADISON, FLORIDA

## NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Deferred Inflows/ Outflows	Statement of Net Position
<b>ASSETS</b>					
Cash and cash equivalents	\$ 699,406	\$ -	\$ -	\$ -	\$ 699,406
Accounts receivable	72,919	-	-	-	72,919
Due from other funds	6,192	-	-	-	6,192
Due from other governmental units	184,925	-	-	-	184,925
Prepaid expense	2,291	-	-	-	2,291
Capital assets - net	-	4,600,515	-	-	4,600,515
Total assets	<u>\$ 965,733</u>	<u>\$ 4,600,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,566,248</u>
<b>DEFERRED PENSION OUTFLOWS</b>	\$ -	\$ -	\$ -	\$ 830,855	\$ 830,855
<b>LIABILITIES</b>					
Liabilities:					
Accounts payable	\$ 138,169	\$ -	\$ -	\$ -	\$ 138,169
Accrued liabilities	12,277	-	-	-	12,277
Due to other funds	-	-	-	-	-
Due to other funds	-	-	-	-	-
Capital leases	-	-	267,139	-	267,139
Accrued compensated absences	-	-	138,502	-	138,502
Note payable	-	-	115,536	-	115,536
Net pension liability	-	-	1,171,032	-	1,171,032
Total liabilities	<u>\$ 150,446</u>	<u>\$ -</u>	<u>\$ 1,692,209</u>	<u>\$ -</u>	<u>\$ 1,842,655</u>
<b>DEFERRED PENSION INFLOWS</b>	\$ -	\$ -	\$ -	\$ 473,413	\$ 473,413
<b>FUND BALANCES/NET POSITION</b>	<u>\$ 815,287</u>	<u>\$ 4,600,515</u>	<u>\$(1,692,209)</u>	<u>\$ 357,442</u>	<u>\$ 4,081,035</u>



## **2B. Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities**

The "net change in fund balances" for governmental funds \$346,594 differs from the "change in net assets" for governmental activities \$373,128 reported in the statement of activities. The differences are primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

### **Capital related items**

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charges for the year.

Capital Outlay	\$ 527,196
Depreciation expense	(232,354)
	<u>\$ 294,842</u>

Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net increase in capital leases	\$ (267,139)
Net decrease in note payable	2,507
Net decrease in superfund accrual	47,710
Net increase in compensated absences	(32,755)
Net decrease in net pension liability	199,948
	<u>\$ (49,729)</u>

### **Deferred outflows/inflows of resources**

Recognition of certain obligations related to prior and subsequent periods are not recognized in government funds.

Net (increase) in deferred pension inflows	\$ (239,502)
Net increase in deferred pension outflows	20,923
	<u>\$ (218,579)</u>



# CITY OF MADISON, FLORIDA

## NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### B. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Deferred Inflows/ Outflows	Statement of Activities
<b>REVENUES</b>					
Taxes	\$ 1,803,287	\$ -	\$ -	\$ -	\$ 1,803,287
Licenses and permits	37,712	-	-	-	37,712
Intergovernmental	440,173	-	-	-	440,173
Charges for services	102,539	-	-	-	102,539
Fines and forfeitures	6,004	-	-	-	6,004
Miscellaneous	53,449	-	-	-	53,449
Total revenues	<u>2,443,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,443,164</u>
<b>EXPENDITURES</b>					
Current expenditures:					
General government	370,237	136,107	(45,137)	-	461,207
Public safety	1,900,391	77,394	(171,454)	218,579	2,024,910
Physical environment	25,673	123	-	-	25,796
Transportation	501,091	17,463	3,389	-	521,943
Economic environment	322,315	1,468	(1,701)	-	322,082
Capital outlay					-
General government	1,050	(1,050)	-	-	-
Public safety	101,615	(101,615)	-	-	-
Transportation	58,197	(58,197)	-	-	-
Community development	1,550	(1,550)	-	-	-
Culture/recreation	77,341	(77,341)	-	-	-
Debt service					-
Principal	23,012	-	(23,012)	-	-
Interest	8,665	-	-	-	8,665
Total expenditures	<u>3,391,137</u>	<u>(7,198)</u>	<u>(237,915)</u>	<u>218,579</u>	<u>3,364,603</u>
Excess of revenues over (under) expenditures	(947,973)	7,198	237,915	(218,579)	(921,439)
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt proceeds	-	287,644	(287,644)	-	-
Interfund transfers	1,294,567	-	-	-	1,294,567
Total other financing sources (uses)	<u>1,294,567</u>	<u>287,644</u>	<u>(287,644)</u>	<u>-</u>	<u>1,294,567</u>
Net change in fund balance/net position	346,594	294,842	(49,729)	(218,579)	373,128
Fund balance at beginning of year	468,693	4,305,673	(1,642,480)	576,021	3,707,907
Fund balance at end of year	<u>\$ 815,287</u>	<u>\$ 4,600,515</u>	<u>\$ (1,692,209)</u>	<u>\$ 357,442</u>	<u>\$ 4,081,035</u>

### **NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **A. BUDGETARY INFORMATION**

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

1. Prior to September 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings and workshops are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of a resolution.
4. The Commission, by resolution, may provide that at any time during the fiscal year the City Manager may transfer part or all of any unencumbered appropriation balance between departments or within a fund. Upon written request by the City Manager, the Commission may, by resolution, transfer part or all of any unencumbered appropriation balance from one fund to another.
5. The Commission adopts the budget resolution for all governmental funds including special revenue funds of the City. Annual budgets are adopted on a basis consistent with GAAP. The City Manager may make transfers of appropriations within a department. Expenditures may not legally exceed appropriations for each individual department.
6. All budget amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budgets during the year. The effect of these revisions was to reallocate funds within the budget, which did not cause an overall increase in the total budget. Appropriations, except open project appropriations, lapse at the end of the fiscal year. The City does not use the encumbrance method.

#### **B. COMPLIANCE WITH FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS**

The City has no material violations of finance-related legal and contractual provisions.

### **NOTE 4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of restricted and unrestricted cash and investments with maturities, when purchased, of ninety days or less.

The City's cash and cash equivalents were from the following sources

#### **A. Deposits**

At year end, the book balance of the City's cash deposits was \$2,714,869. The Florida Security for Public Deposits Act, Chapter 280 of the *Florida Statutes*, provides that qualified public depositories must maintain eligible collateral having a market value equal to fifty percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held by the depository during the twelve-month period immediately preceding the date of and computation of the balance. As such, the depository is not required to hold collateral in the City's name nor

specify which collateral is held for the City's benefit. The Public Deposit Security Trust Fund, as created under the laws of the State of Florida, would be required to pay the City for any deposits not covered by depository insurance or collateral pledged by the depository as previously described.

#### **NOTE 5. INVESTMENTS**

As of September 30, 2017, the City held the following investments:

<u>Proprietary Fund</u>	<u>Fair Value</u>	<u>Cost</u>
Certificates of deposit	<u>\$ 329,498</u>	<u>\$ 329,498</u>
<u>Police Officers' Pension</u>	<u>Fair Value</u>	<u>Cost</u>
Equity mutual funds	\$2,550,361	\$1,869,817
Fixed income mutual funds	893,078	905,692
	<u>\$3,443,439</u>	<u>\$2,775,509</u>
<u>Firefighters' Pension</u>	<u>Fair Value</u>	<u>Cost</u>
U.S. bonds and bills	\$ 123,870	\$ 124,290
Federal agency guaranteed securities	72,324	72,439
Corporate bonds	189,500	189,409
Stocks	662,701	636,880
Equity mutual funds	298,649	288,816
Fixed income mutual funds	127,763	126,203
	<u>\$1,474,807</u>	<u>\$1,438,037</u>

Except for the pension trust funds, the City's investment activity for the year consisted solely of certificates of deposit with various long-term maturities over three months. All such investments were with public depositories and were insured as discussed in Note 4.

The investments in the Police Officers' Retirement Trust Fund and the Firefighters' Pension Trust Fund are held by Salem Trust and First Trust Company, and follow an investment policy prepared by the investment advisor and authorized by the board of trustees. The general investment objective is to obtain a reasonable total rate of return commensurate with the Prudent Investor Rule and any other applicable statute. Rate of return, by definition, is equal to interest and dividend income plus realized and unrealized capital gains or losses. On an absolute basis it is expected that total return of the combined equity, fixed income, and cash portfolio will equal or exceed the actuarial earnings assumption (8%), and earn a rate of return of the Consumer Price Index plus 4% over a three to five year time period.

## **Fair Value Measurements**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

**Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Administration has the ability to access.

**Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for asset measured at fair value. There have been no changes in the valuation methodologies used at September 30, 2017 and 2016.

*Certificates of deposit:* The fair value is recorded at cost which approximates fair value due to minimal interest rates.

*U.S. bonds and bills:* The fair value is based on yields currently available on identical securities being traded on the open market.

*Federal agency guaranteed securities:* The fair value is based on yields currently available on identical securities being traded on the open market.

*Corporate bonds:* The fair value is based on yields currently available on identical securities being traded on the open market.

*Stocks:* The fair value is based on identical securities being traded on the open market.

*Equity mutual funds:* The fair value is based on identical securities being traded on the open market.

*Fixed income mutual funds:* The fair value is based on identical securities being traded on the open market.

The following table sets forth by level, within the fair value hierarchy, the Administration's assets at fair value as of September 30:

Assets:	2017			Total
	Level 1	Level 2	Level 3	
Certificates of Deposit	\$ 329,498	\$ -	\$ -	\$ 329,498
U.S. bonds and bills	123,870	-	-	123,870
Federal agency guaranteed securities	72,324	-	-	72,324
Corporate bonds	189,500	-	-	189,500
Stocks	662,701	-	-	662,701
Equity mutual funds	2,849,010	-	-	2,849,010
Fixed income mutual funds	1,020,841	-	-	1,020,841
	<u>\$5,247,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,247,744</u>

#### NOTE 6 RECEIVABLES AND PAYABLES

Receivables at September 30, 2017 were as follows:

	Accounts	Due from Other Governmental Units	Total Receivables
<b>Governmental activities:</b>			
General Fund	\$ 72,855	\$ 184,925	\$ 257,780
Law Enforcement Provision Fund	64	-	64
	<u>\$ 72,919</u>	<u>\$ 184,925</u>	<u>\$ 257,844</u>
<b>Business activities:</b>			
Enterprise Fund	\$ 233,701	\$ -	\$ 233,701
	<u>\$ 233,701</u>	<u>\$ -</u>	<u>\$ 233,701</u>
<b>Fudiciary funds:</b>			
Police and Fire Pension	\$ 106,272	\$ 20,363	\$ 126,635
	<u>\$ 106,272</u>	<u>\$ 20,363</u>	<u>\$ 126,635</u>

Based upon collection history, the City has included a reserve for doubtful accounts for its Proprietary fund accounts receivable of \$9,500.

#### Payables and Accrued Liabilities

Payables and accrued liabilities at September 30, 2017, were as follows:

	Vendors	Accrued Liabilities	Total
<b>Governmental activities:</b>			
General Fund	\$ 138,169	\$ 12,277	\$ 150,446
	<u>\$ 138,169</u>	<u>\$ 12,277</u>	<u>\$ 150,446</u>
<b>Business activities:</b>			
Enterprise Fund	\$ 173,400	\$ 5,820	\$ 179,220
	<u>\$ 173,400</u>	<u>\$ 5,820</u>	<u>\$ 179,220</u>
<b>Fudiciary funds:</b>			
Police and Fire Pension	\$ 1,006	\$ -	\$ 1,006
	<u>\$ 1,006</u>	<u>\$ -</u>	<u>\$ 1,006</u>

## NOTE 7 CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental activities:</b>				
Capital assets:				
Land	\$ 941,456	\$ -	\$ -	\$ 941,456
Buildings	2,395,720	24,742	-	2,420,462
Construction in Progress	49,008	115,869	-	164,877
Equipment	3,067,943	386,585	-	3,454,528
Infrastructure	3,067,640	-	-	3,067,640
Total capital assets	<u>9,521,767</u>	<u>527,196</u>	<u>-</u>	<u>10,048,963</u>
Less accumulated depreciation	<u>(5,216,094)</u>	<u>(232,354)</u>	<u>-</u>	<u>(5,448,448)</u>
Governmental activities capital assets, net	<u>\$ 4,305,673</u>	<u>\$ 294,842</u>	<u>\$ -</u>	<u>\$ 4,600,515</u>
<b>Business-type activities:</b>				
Land	\$ 444,584	\$ -	\$ -	\$ 444,584
Buildings	372,480	-	-	372,480
Construction in Progress	-	54,110	-	54,110
Equipment	1,773,703	174,995	(9,061)	1,939,637
Infrastructure	16,551,294	50,591	-	16,601,885
Total capital assets	<u>19,142,061</u>	<u>279,696</u>	<u>(9,061)</u>	<u>19,412,696</u>
Less accumulated depreciation	<u>(11,290,563)</u>	<u>(492,163)</u>	<u>9,061</u>	<u>(11,773,665)</u>
Business-type activities capital assets, net	<u>\$ 7,851,498</u>	<u>\$ (212,467)</u>	<u>\$ -</u>	<u>\$ 7,639,031</u>

Depreciation expense was charged to functions/programs of the City as follows:

<b>Governmental activities:</b>	
General government	\$ 135,906
Public safety	77,394
Physical environment	123
Transportation	17,463
Economic development	1,468
Total depreciation expense - governmental activities	<u>\$ 232,354</u>
<b>Business -type activities:</b>	
Water	57,854
Sewer	406,766
Natural Gas	24,700
Sanitation	2,022
Inventory	821
Total depreciation expense - business activities	<u>\$ 492,163</u>

## **NOTE 8 PROPERTY TAXES**

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City for tax year 2016 and received in fiscal year ended September 30, 2017 was 7 mills.

The tax levy of the City is established by the City Commission prior to October 1 of each year and the Madison County Property Appraiser incorporates the City millage into the total tax levy, which includes Madison County and Madison County School Board tax requirements.

All property is reassessed by the County according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes. All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed and are subject to interest and penalties. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount.

Delinquent taxes on real property bear interest of 18% per year. On or before June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Delinquent taxes on personal property bear interest at a maximum rate of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

## **NOTE 9 CAPITALIZATION OF INTEREST**

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. For fiscal year ended September 30, 2017 no interest was capitalized.

## **NOTE 10 INTERFUND TRANSFERS**

Transfers are indicative of funding for capital projects or subsidies to various funds as needed to provide the budgeted level of service.

At September 30, 2017, interfund transfers were as follows:



	Transfers In (Out)
General Fund	\$1,360,558
Special Revenues Fund	(80,853)
Water & Sewer Impact Fees Fund	12,022
Community Redevelopment Fund	2,840
Enterprise Fund	(1,294,567)
	<u>\$ -</u>

#### **NOTE 11. OTHER INFORMATION**

##### **A. 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; and natural disasters for which the City carries commercial insurance. Through the Florida League of Cities, Inc., insurance against losses are provided for the following types of risk:

- Workers' Compensation and Employer's Liability
- General and Automobile Liability
- Real and Personal Property Damage
- Public Officials Liability

The City's coverage for Workers' Compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to date of the City's experience for this type of risk.

#### **NOTE 12. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

##### **A. Litigation**

During the ordinary course of its operation, the City is a party to various claims, legal actions and complaints. These matters are generally covered by the City's Risk Management Program.

In the opinion of the City's management and legal counsel, these matters are not anticipated to have a material financial impact on the City.

##### **B. Federally Assisted Programs - Compliance Audits**

The City participates in a number of federally assisted programs and State of Florida programs. These programs are not subject to audit under the requirements of the Single Audit Act of 1984 and the Single Audit Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200 (Uniform Guidance) for the year ended September 30, 2017.

##### **C. Long-Term Debt**

Revenue bonds and other long-term liabilities directly related to and intended to be paid from Proprietary Funds are included in the accounts of such funds.



The following is a summary of the Long-term Debt transactions of the City for the year ended September 30, 2017:

The following summarizes the changes in the City's governmental long-term liabilities during the year ended September 30, 2017:

	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017	Due Within One Year
Superfund accrual	\$ 47,710	\$ -	\$ 47,710	\$ -	\$ -
Capital leases	-	287,644	20,505	267,139	52,725
Compensated absences	105,747	32,755	-	138,502	16,620
Note payable	118,043	-	2,507	115,536	2,607
Net pension liability	1,370,980	-	199,948	1,171,032	-
	<u>\$1,642,480</u>	<u>\$ 320,399</u>	<u>\$ 270,670</u>	<u>\$1,692,209</u>	<u>\$ 71,953</u>

The following summarizes the changes in the City's business-type fund long-term liabilities during the year ended September 30, 2017:

	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017	Due Within One Year
Capital leases	\$ -	\$ 147,063	\$ 6,060	\$ 141,003	\$ 26,681
Compensated absences	50,695	18,235	-	68,930	8,272
1997 Water and sewer revenue bonds	1,664,000	-	49,000	1,615,000	51,000
2005 Water and sewer revenue bonds	1,965,000	-	36,000	1,929,000	37,000
	<u>\$3,679,695</u>	<u>\$ 165,298</u>	<u>\$ 91,060</u>	<u>\$3,753,933</u>	<u>\$ 122,953</u>

#### GOVERNMENTAL DEBT

- USDA Loan

The City has secured a loan from the United States Department of Agriculture in the amount of \$125,000. The loan is secured by the City's Guaranteed Entitlement portion of its State Revenue Sharing funds as well as future budgeted non-advalorem revenues. The loan was utilized to partially fund renovations in the City Police Department building. The loan is repayable in annual payments of \$7,229 including interest of 4.0%. Payments are to be budgeted and paid from the General Fund. The annual requirements to pay this loan are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Annual Interest</u>	<u>Payment</u>
2018	\$ 2,607	\$ 4,622	\$ 7,229
2019	2,712	4,517	7,229
2020	2,820	4,409	7,229
2021	2,933	4,296	7,229
2022	3,050	4,179	7,229
2023-2027	17,181	18,964	36,145
2028-2032	20,905	15,240	36,145
2033-2037	25,433	10,712	36,145
2038-2042	30,943	5,202	36,145
2043	6,952	278	7,230
	<u>\$ 115,536</u>	<u>\$ 72,419</u>	<u>\$ 187,955</u>

- Superfund Accrual

The City has an outstanding long term credit balance payable to ITT LLC as a part of a settlement agreement regarding the contamination of the Madison County Landfill. ITT incurred significant costs after the initial discovery of the contamination, a portion of which the City and County have agreed to reimburse in the settlement agreement. The City's remaining long term portion of credit balance at September 30, 2017 is \$0.

The City also has an ongoing commitment for the monitoring, investigation, and remediation of the contamination. It shares these costs with ITT and Madison County. ITT's portion of these costs is 60% while the City and County of Madison portion is 20% each. The City and County have negotiated a cap on these expenses with ITT LLC of \$150,000 per year. For September 30, 2017, reimbursable expenses did not exceed the cap, the city was required to pay \$85,326 towards these expenses which is recorded in accounts payable.

#### PROPRIETARY DEBT

- Revenue Bonds

Water and Sewer Revenue Bonds, Series 1997 A and 1997 B (\$2,240,000). Principal due each September 1 commencing in the year 2000 through 2037, dated September 4, 1997, Interest of 4.50% collateralized by water and sewer revenues and certain state entitlement funds and excise taxes.

\$1,615,000

Water and Sewer Revenue Bond, Series 2005 (\$2,229,900), interest of 4.25%. Principal due on September 1, commencing in the year 2008 through 2045, collateralized by water and sewer revenues and certain excise taxes.

1,929,000

Total

\$3,544,000

The annual requirements to amortize the Series 1997 A and 1997 B Water and Sewer Revenue Bonds are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Annual Interest</u>	<u>Payment</u>
2018	\$ 51,000	\$ 72,675	123,675
2019	54,000	70,380	124,380
2020	57,000	67,950	124,950
2021	59,000	65,385	124,385
2022	62,000	62,730	124,730
2023-2027	353,000	269,325	622,325
2028-2032	436,000	182,745	618,745
2033-2037	543,000	75,240	618,240
	<u>\$1,615,000</u>	<u>\$ 866,430</u>	<u>\$2,481,430</u>

The annual requirements to amortize the Series 2005 Water and Sewer Revenue Bonds are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Annual Interest</u>	<u>Payment</u>
2018	\$ 37,000	\$ 81,983	\$ 118,983
2019	39,000	80,410	119,410
2020	41,000	78,753	119,753
2021	42,000	77,010	119,010
2022	44,000	75,225	119,225
2023-2027	250,000	346,375	596,375
2028-2032	308,000	288,533	596,533
2033-2037	380,000	217,175	597,175
2038-2042	466,000	129,456	595,456
2043-2045	322,000	27,370	349,370
	<u>\$1,929,000</u>	<u>\$1,402,290</u>	<u>\$3,331,290</u>

There are a number of limitations and restrictions contained in the bond resolutions. The City is in compliance with all significant limitations and restrictions.

#### CAPITAL LEASES

The City has entered into three separate leasing agreements Ford Credit Company, with each lease providing for multiple vehicles.

The City entered into a lease agreement with Ford Credit Company for five Ford Police Interceptor vehicles for it police department. The lease has a monthly service requirement of \$2,156 and has a 4.84% interest rate. The liability and service requirements for this lease have been entirely allocated to the police department (Governmental Debt). The title to the vehicles is in the City's

name with a lien on the title by Ford Credit Company. After all the payments in the lease agreement have been made the lien will be removed and the City will gain full title to the vehicles with no additional payment. This bargain purchase option qualifies this as a capital lease. The annual requirements for the service this lease is as follows:

<b>Year Ended September 30,</b>	<b>Principal</b>	<b>Annual Interest</b>	<b>Payment</b>
<b>2018</b>	<b>\$ 21,371</b>	<b>\$ 4,500</b>	<b>\$ 25,871</b>
<b>2019</b>	<b>22,429</b>	<b>3,443</b>	<b>25,872</b>
<b>2020</b>	<b>23,539</b>	<b>2,333</b>	<b>25,872</b>
<b>2021</b>	<b>24,704</b>	<b>1,168</b>	<b>25,872</b>
<b>2022</b>	<b>10,646</b>	<b>132</b>	<b>10,778</b>
	<b><u>\$ 102,689</u></b>	<b><u>\$ 11,576</u></b>	<b><u>\$ 114,265</u></b>

The City entered into a lease agreement with Ford Credit Company for two Ford F-150 4x2 crew cab pickup trucks for its public works department and one Ford F-250 pickup truck for its sewer department. The lease has a monthly service requirement of \$1,432 and has a 4.95% interest rate. The liability and service requirements for this lease have been allocated two thirds to the public works department (Governmental Debt) and one third to the sewer department (Proprietary Debt). The title to the vehicles is in the City's name with a lien on the title by Ford Credit Company. After all the payments in the lease agreement have been made the lien will be removed and the City will gain full title to the vehicles with no additional payment. This bargain purchase option qualifies this as a capital lease. The annual requirements to service this lease have been allocated two thirds to the public works department and one third to the sewer department. The annual requirements to service this lease is as follows:

**Governmental Debt:**

<b>Year Ended September 30,</b>	<b>Principal</b>	<b>Annual Interest</b>	<b>Payment</b>
<b>2018</b>	<b>\$ 9,345</b>	<b>\$ 2,111</b>	<b>\$ 11,456</b>
<b>2019</b>	<b>9,819</b>	<b>1,638</b>	<b>11,457</b>
<b>2020</b>	<b>10,316</b>	<b>1,141</b>	<b>11,457</b>
<b>2021</b>	<b>10,838</b>	<b>618</b>	<b>11,456</b>
<b>2022</b>	<b>6,574</b>	<b>109</b>	<b>6,683</b>
	<b><u>\$ 46,892</u></b>	<b><u>\$ 5,617</u></b>	<b><u>\$ 52,509</u></b>

**Proprietary Debt:**

<b>Year Ended September 30,</b>	<b>Principal</b>	<b>Annual Interest</b>	<b>Payment</b>
2018	\$ 4,673	\$ 1,056	\$ 5,729
2019	4,909	819	5,728
2020	5,158	570	5,728
2021	5,419	309	5,728
2022	3,287	54	3,341
	<u>\$ 23,446</u>	<u>\$ 2,808</u>	<u>\$ 26,254</u>

The City entered into a lease agreement with Ford Credit Company for two Ford F-750 trucks. One of the vehicles has been equipped with a grapple hook for the City's public works department and the other with a rear garbage truck for the City's sanitation department. The lease has a monthly service requirement of \$4,582 and has a 5.10% interest rate. The liability and service requirements for this lease have been allocated one half to the public works department (Governmental Debt) and one half to the sanitation department (Proprietary Debt). The title to the vehicles is in the City's name with a lien on the title by Ford Credit Company. After all the payments in the lease agreement have been made the lien will be removed and the City will gain full title to the vehicles with no additional payment. This bargain purchase option qualifies this as a capital lease. The annual requirements to service this lease is as follows:

**Governmental Debt:**

<b>Year Ended September 30,</b>	<b>Principal</b>	<b>Annual Interest</b>	<b>Payment</b>
2018	\$ 22,009	\$ 5,485	\$ 27,494
2019	23,157	4,337	27,494
2020	24,367	3,127	27,494
2021	25,639	1,856	27,495
2022	22,386	527	22,913
	<u>\$ 117,558</u>	<u>\$ 15,332</u>	<u>\$ 132,890</u>

**Proprietary Debt:**

<b>Year Ended September 30,</b>	<b>Principal</b>	<b>Annual Interest</b>	<b>Payment</b>
2018	\$ 22,008	\$ 5,486	\$ 27,494
2019	23,158	4,336	27,494
2020	24,366	3,128	27,494
2021	25,639	1,855	27,494
2022	22,386	527	22,913
	<u>\$ 117,557</u>	<u>\$ 15,332</u>	<u>\$ 132,889</u>

## NOTE 13. PENSIONS

The City provides pension or deferred compensation benefits for most of its full-time employees through three separate plans - the ICMA Deferred Compensation Plan, the Municipal Police Officers' Retirement Trust Fund and the Municipal Firefighter's Pension Trust.

### Defined Contribution Pension Plan

#### **ICMA Deferred Compensation Plan**

The City contributes 9.1 percent to the ICMA plan. Employees in the ICMA plan are vested immediately. City contributions for, and interest forfeited by, employees who leave employment before three years of service are allocated to those employees remaining in the plans. The compensation plan for the City Clerk provides for a 15% contribution on her behalf into the ICMA deferred compensation plan.

### Defined Benefit Pension Plans

The Municipal Police Officers' Retirement Trust Fund and the Municipal Firefighters' Pension Trust are defined benefit pension plans. GASB 68 requires the City to report an actuarially determined net pension liability or surplus for its defined benefit pension plans in its government wide financial statements. The City is also required to delay reporting of differences caused by the calculation of the net pension liability to the future periods they affect. These differences result from variances in expected and actual member experience, changes in assumptions, and the differences between projected and actual earnings on pension plan investments. The total net pension liability, deferred inflows of resources, and deferred outflows of resources pertaining to pensions are as follows:

	Police Officers' Pension	Firefighters' Pension	Total
Net Pension Liability (Asset)	\$ (61,754)	\$ 1,232,786	\$ 1,171,032
Deferred Inflows of Resources	411,025	62,388	473,413
Deferred Outflows of Resources	439,984	390,871	830,855

### **Municipal Police Officers' Retirement Trust Fund:**

#### General Information about the pension plan:

The following is a brief description of the City of Madison's Municipal Police Officers' Retirement Trust Fund Plan. It is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

**Plan Membership** - The plan is a single-employer defined benefit pension plan that covers substantially all full-time police officers. Government plans are not subject to the provisions of the Employees' Retirement Income Security Act of 1974 (ERISA). Employees currently covered by the

Plan as of the October 1, 2015 actuarial valuation date are as follows:

Inactive plan members or beneficiaries currently receiving benefits	6
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	13
	<u>20</u>

***Plan Benefits:***

**Pension Benefits** - The Plan is a defined benefit pension plan covering substantially all police officers of the City of Madison, Florida. A member police officer may retire after completing ten years credited service and attaining the normal retirement age of 55 or after completing 25 years of service, regardless of age. The amount of the monthly retirement income payable to a police officer who retires on or after his normal retirement date will equal 3% multiplied by the number of years of credited service, multiplied by the average final compensation. Benefits generally terminate upon the police officer's death. If the police officer dies after retirement but prior to receiving benefits for a period of ten years, the same monthly payment will be paid to the beneficiary designated by the police officer for the balance of the ten-year period.

A police officer may elect a reduced early retirement benefit after completing ten years credited service and attaining age 50, with consent of the City.

**Disability Benefits** - An officer with ten years credited service who becomes totally and permanently disabled may retire from service, with benefits actuarially reduced, payable on 10 year certain and life basis, after approval by the Board of Trustees.

**Termination Benefits** - An officer separating from municipal employment before attaining early retirement age but after completing ten years of credited service becomes eligible for deferred benefits, payable at age 50 or later, but on a reduced basis if it is to commence prior to age 60. Officers separating from municipal employment prior to attaining ten years of service, receive no benefits, but receive a refund of member contributions.

**Death Benefits** - Upon the death of a member who was eligible for early or normal retirement, the beneficiary receives the accrued benefit, actuarially reduced if death occurs prior to age 60. Otherwise, the beneficiary receives a refund of member contributions.

The plan does not provide any postemployment benefits except as listed above.

***Funding Requirements:***

**Member Contributions** - Police officers contribute 5% of their earnings to the fund. Any police officer whose employment is terminated is entitled to a refund of these contributions.

**State Contributions** - The City deposits the income received from the state excise tax on casualty insurance premiums of 0.85%, per Chapter 185.08, *Florida Statutes*, in the Municipal Police Officers' Retirement Trust Fund.

**City Contributions** - The City's contribution requirements are actuarially determined. The October 1, 2015 actuarial valuation states that the required contribution by the City and State is 7.5% of covered payroll for the fiscal year ending September 30, 2017. The City has a minimum contribution floor of 4% of the members' salary to the fund.

Contributions to the Pension Plan for the fiscal year ended September 30, 2017 totaled \$124,851, \$91,995 from the City, \$0 from the State and \$32,856 from members' salary withholdings.



**Payables to the Pension Plan -** On September 30, 2017, the City reported \$12,828 for outstanding amounts of contributions of the pension plan required for the year ended September 30, 2017.

**Termination of Plan -** Should the plan terminate at some future time, its net assets generally will not be available on a pro-rata basis to provide participants' benefits. Some benefits may be fully or partially provided for by the then existing plan assets while others may not be provided for at all, depending upon the priority of those benefits and availability of plan assets.

**Net Pension Asset:**

The measurement date is September 30, 2016. The measurement period for the pension expense was October 1, 2015 to September 30, 2016. The reporting period is October 1, 2016 through September 30, 2017. The City's net pension asset was measured as of September 30, 2016. The total pension liability used to calculate the net pension asset was determined as of that date.

**Actuarial Assumptions -** The total pension liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions:

Inflation	3.00 %
Salary increases	6.00%
Discount rate	8.00%
Investment rate of return	8.00%

**Mortality Rate Healthy Lives:**

**Female:**RP2000 Generational, 100% Annuitant White Collar, Scale BB.

**Male:** RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB

**Mortality Rate Disabled Lives:**

**Female:** 60% RP 2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

**Male:** 60% RP 2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The date of the most recent experience study for which significant assumptions are based is not available.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September, 30 2016 are summarized in the following table:



Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	45.00%	6.60%
International Equity	15.00%	7.25%
Fixed Income/Alternatives	40.00%	4.00%
Total	100.00%	

**Discount Rate** – The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability:**

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2016	\$ 3,349,148	\$ 3,166,645	\$ 182,503
Changes for a Year:			
Service Cost	104,196	-	104,196
Interest	265,650	-	265,650
Share Plan Allocation	779	-	779
Differences between Expected and Actual Experience	(327,332)	-	(327,332)
Changes of assumptions	105,476	-	105,476
Changes of benefit terms	-	-	-
Contributions- Employer	-	99,468	(99,468)
Contributions - State	-	27,452	(27,452)
Contributions - Employee	-	32,529	(32,529)
Net Investment Income	-	253,812	(253,812)
Benefit Payments, including Refunds of Employee Contributions	(265,433)	(265,433)	-
Administrative Expense	-	(20,235)	20,235
Net Changes	(116,664)	127,593	(244,257)
Balances at September 30, 2017	3,232,484	3,294,238	\$ (61,754)

**Sensitivity of the City's Net Position Liability to Changes in the Discount Rate** - The following represents the City's net pension liability calculated using the discount rate of 8.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (9.00%) or one percentage point higher (7.00%) than the current rate:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
City's net pension liability	\$ 344,529	\$ (61,754)	\$ (400,280)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in a separately issued plan financial report.

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions:**

At September 30, 2017, the City reported a net pension asset of \$61,754 for its pension plan. The net pension asset was measured as of September 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016.

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$168,424. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 406,601
Changes in assumptions	84,380	-
Net difference between projected and actual earnings on Pension Plan investments	263,609	4,424
City and State contributions subsequent to the measurement date	91,995	-
Total	<u>\$ 439,984</u>	<u>\$ 411,025</u>

The deferred outflows of resources related to the Pension Plan, totaling \$91,995 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2018	\$ 8,843
2019	8,844
2020	938
2021	(81,661)
2022	-
Thereafter	-
	<u>\$ (63,036)</u>

**Final Components of Pension Expense:**

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 182,503	\$ 180,920	\$ 481,034	\$ -
Employer Contributions made after September 30, 2016	-	-	91,995	-
Total Pension Liability Factors:				
Service Cost	104,196	-	-	104,196
Interest	265,650	-	-	265,650
Share Plan Allocation	779	-	-	779
Changes in Benefit Terms	-	-	-	-
Differences between expected and actual experience with regard to economic or demographic assumptions	(327,332)	327,332	-	-
Current year amortization of experience difference	-	(101,651)	-	(101,651)
Change in assumptions about future economic or demographic factors or other inputs	105,476	-	105,476	-
Current year amortization of change in assumptions	-	-	(21,096)	21,096
Benefit Payments, including refunds of employee contributions	(265,433)	-	-	-
Net Change	(116,664)	225,681	176,375	290,070
Plan Fiduciary Net Position:				
Contributions - Employer	99,468	-	(99,468)	-
Contributions - State	27,452	-	(27,452)	-
Contributions - Employee	32,529	-	-	(32,529)
Net Investment Income	248,283	-	-	(248,283)
Difference Between Projected and Actual Earnings on Pension Plan Investments	5,529	5,529	-	-
Current Year Amortization	-	(1,105)	(90,505)	89,400
Benefit Payments, including refunds of employee contributions	(265,433)	-	-	-
Administrative Expenses	(20,235)	-	-	20,235
Net Change	127,593	4,424	(217,425)	(171,177)
Ending Balance	\$ (61,754)	\$ 411,025	\$ 439,984	\$ 118,893

## **Municipal Firefighter's Pension Trust Fund:**

### General Information about the pension plan:

The following is a brief description of the City of Madison's Municipal Firefighters' Pension Trust Fund Plan. It is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

**Plan Membership** - The plan is a single-employer defined benefit pension plan that covers substantially all full-time firemen. Government plans are not subject to the provisions of the Employees' Retirement Income Security Act of 1974 (ERISA).

Employees covered by the Plan as of the October 1, 2015 actuarial valuation are as follows:

Inactive plan members or beneficiaries currently receiving benefits	6
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	7
	<hr/>
	13
	<hr/>

### **Plan Benefits:**

**Pension Benefits** - The Plan is a defined benefit pension plan covering substantially all firefighters of the City of Madison, Florida. A member fireman may retire after completing ten years credited service and attaining the normal retirement age of 55. The amount of the monthly retirement income payable to a fireman who retires on or after his normal retirement date will equal 3% multiplied by the number of years of credited service, multiplied by the average final compensation earned as a full-time firefighter. A retiree may choose one of several options for receiving payments. Among these options are the following: life of retiree only, joint and survivor options, and life and 10 years certain. A fireman may retire at age 52 with 25 years of service.

**Disability Benefits** - A fireman with ten years credited service who becomes totally and permanently disabled may retire from service, with benefits computed at the greater of 42% of the average highest compensation or the normal retirement benefit.

**Termination Benefits** - A fireman separating from municipal employment before attaining early retirement age but after completing ten years of credited service, becomes eligible for deferred benefits, computed and paid in the same manner as normal retirement upon attaining the nominal retirement age. Firemen separating from municipal employment prior to attaining ten years of service, receive no benefits, but receive a refund of employee contributions.

**Pre-Retirement Death** - If a firefighter dies before being eligible to retire, the firefighter's beneficiary will receive a refund of employee contributions. If a firefighter dies prior to retirement, but has at least 10 years service, his beneficiary is entitled to the benefits otherwise payable to the firefighter at early or normal retirement age. The plan does not provide any postemployment benefits except as listed above.

### **Funding Requirements:**

**Member Contributions** - To participate in the plan, the employees are required to contribute 7.1% of their gross pay.

**State Contributions** - The City deposits the income received from the state excise tax on property insurance premiums of 1.85%, per Chapter 175.101, *Florida Statutes*, in the Municipal Firefighters' Pension Trust Fund.

**City Contributions** - The City's contribution requirements are actuarially determined. The October 1, 2015 actuarial valuation states that the required contribution by the City and State is \$191,158. The City has a minimum contribution floor of 4% of members' payroll.

Contributions to the pension plan for the fiscal year ended September 30, 2017 totaled \$191,158, \$170,795 from the City, \$20,363 from the State, and \$24,715 from members' salary withholdings. Contributions from the City included \$53,157 in additional contributions receivable from the City to meet the actuarially-determined contribution.

**Payables to the Pension Plan** - At September 30, 2017, the City reported \$72,755 payable for outstanding amounts of contributions to the Pension Plan required for the fiscal year ended September 30, 2017.

**Termination of Plan** - Should the plan terminate at some future time, its net assets generally will not be available on a pro rata basis to provide participants' benefits. Some benefits may be fully or partially provided for by the then existing plan assets while others may not be provided for at all, depending upon the priority of those benefits and availability of plan assets.

**Net Pension Liability:**

The measurement date is September 30, 2016. The measurement period for the pension expense was October 1, 2015 to September 30, 2016. The reporting period is October 1, 2016 through September 30, 2017. The City's net pension liability was measured as of September 30, 2016. The total pension liability used to calculate the net pension liability was determined as of that date.

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions, applied to all measurement periods:

Inflation	2.30 %
Salary increases	6.00%
Discount rate	8.00%
Investment rate of return	8.00%

**Mortality Rate Healthy Lives:**

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB

**Mortality Rate Disabled Lives:**

Female: 60% RP 2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP 2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

For 2016 the inflation rate assumption of the investment advisor was 2.30%

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September, 30 2016 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	45.00%	8.00%
International Equity	15.00%	7.60%
Fixed Income	40.00%	2.70%
Total	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 8.00%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

Changes in Net Pension Liability:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2016	\$ 2,692,166	\$ 1,503,689	\$ 1,188,477
Changes for a Year:			
Service Cost	47,779	-	47,779
Interest	209,855	-	209,855
Share Plan Allocation	-	-	-
Differences between Expected and Actual Experience	(19,796)	-	(19,796)
Changes of assumptions	88,059	-	88,059
Changes of benefit terms	-	-	-
Contributions- Employer	-	148,153	(148,153)
Contributions - State	-	20,207	(20,207)
Contributions - Employee	-	24,936	(24,936)
Net Investment Income	-	112,275	(112,275)
Benefit Payments, including Refunds of Employee Contributions	(233,520)	(233,520)	-
Administrative Expense	-	(23,983)	23,983
Net Changes	92,377	48,068	44,309
Balances at September 30, 2017	2,784,543	1,551,757	\$ 1,232,786

Sensitivity of the Net Position Liability to Changes in the Discount Rate - The following represents the City's net pension liability calculated using the discount rate of 8.00%, as well as what the

City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current rate:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
City's net pension liability	\$ 1,539,047	\$ 1,232,786	\$ 975,898

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in a separately issued plan financial report.

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions:**

At September 30, 2017, the City reported a net pension liability of \$1,232,786 for its pension plan. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016.

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$182,891. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	75,480	62,388
Net difference between projected and actual earnings on Pension Plan investments	124,233	-
City and State Pension Plan contributions subsequent to the measurement date	191,158	-
Total	\$ 390,871	\$ 62,388

The deferred outflows of resources related to the Pension Plan, totaling \$168,360 resulting from City and State contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<b>Fiscal Year Ending September 30</b>	<b>Amount</b>
2018	\$ 43,939
2019	43,938
2020	41,812
2021	3,272
2022	2,182
Thereafter	2,182
	<u>\$ 137,325</u>

### Final Components of Pension Expense:

	<b>Net Pension Liability</b>	<b>Deferred Inflows</b>	<b>Deferred Outflows</b>	<b>Pension Expense</b>
Beginning balance	\$ 1,188,477	\$ 52,991	\$ 328,898	\$
Contributions made after September 30, 2016			191,158	
Total Pension Liability Factors:				
Service Cost	47,779			47,779
Interest	209,855			209,855
Share Plan Allocation				
Changes in Benefit Terms				
Differences Between Expected and Actual Experience				
with regard to economic or demographic assumptions	(19,796)	19,796		
Current year amortization of experience difference		(10,399)		(10,399)
Change in assumptions about future economic or demographic factors or other inputs	88,059		88,059	
Current year amortization of change in assumptions			(12,579)	12,579
Benefit Payments, including refunds of employee contributions	(233,520)			
Net Change	<u>92,377</u>	<u>9,397</u>	<u>266,638</u>	<u>259,814</u>
Plan Fiduciary Net Position:				
Contributions - Employer	148,153		(148,153)	
Contributions - State	20,207		(20,207)	
Contributions - Employee	24,936			(24,936)
Net Investment Income	117,727			(117,727)
Difference Between Projected and Actual Earnings on Pension Plan Investments	(5,452)	-	5,452	
Current Year Amortization		-	(41,757)	41,757
Benefit Payments, Including refunds of employee contributions	(233,520)	-		
Administrative Expenses	(23,983)	-	-	23,983
Net Change	<u>48,068</u>	<u>-</u>	<u>(204,665)</u>	<u>(76,923)</u>
Ending Balance	<u>\$ 1,232,786</u>	<u>\$ 62,388</u>	<u>\$ 390,871</u>	<u>\$ 182,891</u>



**NOTE 14. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB)**

The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the City or the retiree. Participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retirees are receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the city's younger and statistically healthier active employees. GASB Statement 45 requires governments to report cost and related liability in its financial statements.

Due to the fact that no retirees participated in the plan during the year, management determined that OPEB obligation at year end would be of a de minimis amount. Management will monitor this situation in the future and take appropriate steps to comply with this GASB Statement.

**NOTE 15. SUBSEQUENT EVENTS**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 15, 2018, the date the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MADISON, FLORIDA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2017**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
<b>REVENUES</b>				
<b>Taxes</b>				
Ad valorem taxes	\$ 582,765	\$ 553,200	\$ 561,947	\$ 8,747
Sales and use taxes				
Local option gas tax	476,700	502,015	502,012	(3)
Franchise fees	192,005	201,080	201,231	151
Utility service taxes	297,890	333,100	332,090	(1,010)
Communications services tax	91,645	92,770	92,765	(5)
<b>Total taxes</b>	<b>1,641,005</b>	<b>1,682,165</b>	<b>1,690,045</b>	<b>7,880</b>
<b>Licenses and permits</b>				
Professional and occupational	13,985	21,220	21,966	746
Building and zoning	20,055	15,745	15,746	1
<b>Total licenses and permits</b>	<b>34,040</b>	<b>36,965</b>	<b>37,712</b>	<b>747</b>
<b>Intergovernmental</b>				
<b>Grants</b>				
Public safety		1,765	1,764	(1)
Transportation		41,030	38,528	(2,502)
Public assistance			92,431	92,431
Economic environment			30,064	30,064
Culture/recreation	95,000	95,000	60,916	(34,084)
<b>State shared revenues</b>				
General government				
State revenue sharing	105,000	109,105	109,107	2
Mobile home licenses	1,460	1,090	1,091	1
Alcoholic beverage licenses	1,000	1,235	3,266	2,031
Fuel tax rebate	4,000	1,310	1,310	-
One-half cent sales tax	82,845	81,900	87,996	6,096
<b>Total intergovernmental</b>	<b>289,305</b>	<b>332,435</b>	<b>426,473</b>	<b>94,038</b>
<b>Charges for services</b>				
Public safety fire protection county	50,515	66,670	61,460	(5,210)
Transportation	41,080	41,080	41,079	(1)
<b>Total charges for services</b>	<b>91,595</b>	<b>107,750</b>	<b>102,539</b>	<b>(5,211)</b>
<b>Miscellaneous</b>				
Interest		65	67	2
Local grants			13,800	13,800
Sales of cemetery lots and fees	10,630	10,670	10,669	(1)
Fines and forfeitures	8,345	5,165	5,513	348
Other miscellaneous	8,560	25,025	25,306	281
<b>Total miscellaneous</b>	<b>27,535</b>	<b>40,925</b>	<b>55,355</b>	<b>14,430</b>
<b>Total revenues</b>	<b>2,083,480</b>	<b>2,200,240</b>	<b>2,312,124</b>	<b>111,884</b>
<b>EXPENDITURES</b>				
<b>General government</b>				
Legislative personnel services	47,450	47,450	47,449	1
<b>Executive personnel services</b>	<b>181,455</b>	<b>179,850</b>	<b>174,586</b>	<b>5,264</b>
<b>Financial and administrative</b>				
Operating expenses	137,465	175,465	148,202	27,263
Capital outlay	-	-	1,050	(1,050)
<b>Total financial and administrative</b>	<b>137,465</b>	<b>175,465</b>	<b>149,252</b>	<b>26,213</b>
<b>Total general government</b>	<b>366,370</b>	<b>402,765</b>	<b>371,287</b>	<b>31,478</b>

Continued on next page.  
See notes to financial statements.

**CITY OF MADISON, FLORIDA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2017**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
<b>Public safety</b>				
<b>Law enforcement</b>				
Personnel services	\$ 874,920	\$ 991,760	\$ 984,333	7,427
Operating expenses	176,010	267,335	214,694	52,641
Capital outlay	31,290	86,485	76,873	9,612
Debt service	-	-	22,321	(22,321)
<b>Total law enforcement</b>	<u>1,082,220</u>	<u>1,345,580</u>	<u>1,298,221</u>	<u>47,359</u>
<b>Fire control</b>				
Personnel services	623,270	624,865	648,598	(23,733)
Operating expenses	67,530	89,045	52,558	36,487
Capital outlay	34,000	28,340	24,742	3,598
<b>Total fire control</b>	<u>724,800</u>	<u>742,250</u>	<u>725,898</u>	<u>16,352</u>
<b>Total public safety</b>	<u>1,807,020</u>	<u>2,087,830</u>	<u>2,024,119</u>	<u>63,711</u>
<b>Transportation</b>				
<b>Roads and streets</b>				
Personnel services	190,770	220,115	214,721	5,394
Operating expenses	182,160	333,800	286,370	47,430
Capital outlay	24,255	70,430	58,197	12,233
Debt service	-	-	9,356	(9,356)
<b>Total transportation</b>	<u>397,185</u>	<u>624,345</u>	<u>568,644</u>	<u>55,701</u>
<b>Community development</b>				
Personnel services	142,245	141,910	138,476	3,434
Operating expenses	33,510	76,475	67,031	9,444
Capital outlay	1,500	1,970	1,550	420
<b>Total community development</b>	<u>177,255</u>	<u>220,355</u>	<u>207,057</u>	<u>13,298</u>
<b>Culture/recreation</b>				
Capital outlay	95,000	95,000	77,341	17,659
<b>Total community development</b>	<u>95,000</u>	<u>95,000</u>	<u>77,341</u>	<u>17,659</u>
<b>Total expenditures</b>	<u>2,842,830</u>	<u>3,430,295</u>	<u>3,248,448</u>	<u>181,847</u>
<b>Excess of revenues over (under)   expenditures</b>	<u>(759,350)</u>	<u>(1,230,055)</u>	<u>(936,324)</u>	<u>293,731</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers	674,235	1,230,055	1,360,558	130,503
<b>Total other financing sources (uses)</b>	<u>674,235</u>	<u>1,230,055</u>	<u>1,360,558</u>	<u>130,503</u>
<b>Net change in fund balance</b>	<u>(85,115)</u>	<u>-</u>	<u>424,234</u>	<u>424,234</u>
<b>Fund balance at beginning of year</b>	<u>218,116</u>	<u>218,116</u>	<u>218,116</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 133,001</u>	<u>\$ 218,116</u>	<u>\$ 642,350</u>	<u>\$ 424,234</u>

See notes to financial statements.

**CITY OF MADISON, FLORIDA**

**WATER AND SEWER IMPACT FEES FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2017**

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Budget Positive (Negative)</u>
<b>REVENUES</b>			
Miscellaneous			
Interest	\$ -	\$ 2	\$ 2
Total revenues	-	2	2
<b>EXPENDITURES</b>			
Physical Environment			
Water project development expense	23,015	-	23,015
Sewer project development expense	27,225	25,673	1,552
Total expenditures	50,240	25,673	24,567
<b>Excess of revenues over (under)     expenditures</b>	<u>(50,240)</u>	<u>(25,671)</u>	<u>24,569</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers	-	12,022	12,022
<b>Net change in fund balance</b>	<b>(50,240)</b>	<b>(13,649)</b>	<b>36,591</b>
<b>Fund balance at beginning of year</b>	<b>38,221</b>	<b>38,221</b>	<b>-</b>
<b>Fund balance at end of year</b>	<u><b>\$ (12,019)</b></u>	<u><b>\$ 24,572</b></u>	<u><b>\$ 36,591</b></u>

**See notes to financial statements.**

**CITY OF MADISON, FLORIDA**

**LAW ENFORCEMENT PROVISION FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**For the Year Ended September 30, 2017**

	<b>Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Budget Positive (Negative)</b>
<b>REVENUES</b>			
Fines and forfeitures			
Law enforcement education surcharge	\$ 300	\$ 491	\$ 191
Miscellaneous	-	3,600	3,600
<b>Total revenues</b>	<b>300</b>	<b>4,091</b>	<b>3,791</b>
<b>EXPENDITURES</b>			
Public safety			
Law enforcement education	725	208	517
Miscellaneous	-	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>725</b>	<b>208</b>	<b>517</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(425)</b>	<b>3,883</b>	<b>4,308</b>
<b>Net change in fund balance</b>	<b>(425)</b>	<b>3,883</b>	<b>4,308</b>
<b>Fund balance at beginning of year</b>	<b>477</b>	<b>477</b>	<b>-</b>
<b>Fund balance at end of year</b>	<b>\$ 52</b>	<b>\$ 4,360</b>	<b>\$ 4,308</b>

**See notes to financial statements.**

**CITY OF MADISON, FLORIDA**

**SPECIAL REVENUES FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**For the Year Ended September 30, 2017**

	<b>Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Budget Positive Negative</b>
<b>REVENUES</b>			
Intergovernment			
Economic environment grants	<u>\$ 205,395</u>	<u>\$ 13,700</u>	<u>\$(191,695)</u>
<b>Total revenues</b>	<u>205,395</u>	<u>13,700</u>	<u>(191,695)</u>
<b>EXPENDITURES</b>			
Economic environment			
Administration	<u>16,065</u>	<u>14,121</u>	<u>1,944</u>
Rehabilitation	<u>189,330</u>	<u>-</u>	<u>189,330</u>
<b>Total expenditures</b>	<u>205,395</u>	<u>14,121</u>	<u>191,274</u>
<b>Excess of revenues over (under) expenditures</b>	<u>-</u>	<u>(421)</u>	<u>(421)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers		<u>(80,853)</u>	<u>(80,853)</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>(81,274)</u>	<u>(81,274)</u>
<b>Fund balance at beginning of year</b>	<u>81,274</u>	<u>81,274</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 81,274</u>	<u>\$ -</u>	<u>\$ (81,274)</u>

**See notes to financial statements.**

**CITY OF MADISON, FLORIDA**

**COMMUNITY REDEVELOPMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2017**

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Budget Positive (Negative)</u>
<b>REVENUES</b>			
<b>Taxes</b>			
Ad valorem taxes	\$ 121,735	\$ 113,242	\$ (8,493)
<b>Miscellaneous</b>			
Interest	-	5	5
<b>Total revenues</b>	<u>121,735</u>	<u>113,247</u>	<u>(8,488)</u>
<b>EXPENDITURES</b>			
<b>Economic environment</b>			
Other administrative expense	-	496	(496)
Other physical environment expense	272,735	102,191	170,544
<b>Total expenditures</b>	<u>272,735</u>	<u>102,687</u>	<u>170,048</u>
<b>Excess of revenues over (under)   expenditures</b>	<u>(151,000)</u>	<u>10,560</u>	<u>161,560</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers	-	2,840	2,840
<b>Net change in fund balance</b>	<u>(151,000)</u>	<u>13,400</u>	<u>164,400</u>
<b>Fund balance at beginning of year</b>	<u>130,605</u>	<u>130,605</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ (20,395)</u>	<u>\$ 144,005</u>	<u>\$ 164,400</u>

**See notes to financial statements.**



**CITY OF MADISON, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
SEPTEMBER 30, 2017**

**I. Stewardship, Compliance, and Accountability**

- A. Budgetary information.** The City, in establishing its budgetary data reflected in the financial statements follows the procedures set out in Chapters 166 and 200, *Florida Statutes*. The City prepares a tentative budget, which is used by the City at a public workshop to prepare the budgets for the coming year. Public hearings are conducted to obtain taxpayer comments. Subsequently, these budgets are legally adopted through the passage of a resolution at an advertised public session. Such actions are recorded in the City's minutes.

The budget is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America (GAAP). The only exception to the GAAP basis is the Enterprise Fund, where depreciation is not budgeted for capital assets, while capital outlay expenditures are budgeted and are reclassified into fixed assets. These are then eliminated from the results of operations for financial reporting purposes in the Enterprise Fund. Estimated beginning fund balances are considered in the budgetary process, but are not included in the financial statements as budgeted revenues.

The annual budget serves as the legal authorization for expenditures. All budget amendments, which change the legally adopted total appropriation for a fund, are approved by the City Commission.

If during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the City Commission, by resolution, may make supplemental appropriations for the year up to the amount of such excess.

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

1. Prior to September 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in August and September to obtain taxpayer comments.
3. Prior to November 1, the budget is legally enacted through passage of an ordinance.
4. The legal level of budgetary control is the department level; however, the City Commission may, by formal motion, transfer appropriations between departments and may use surplus revenues not appropriated in the budget for any municipal purpose.
5. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America for governmental fund types.

# CITY OF MADISON, FLORIDA

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS – POLICE OFFICERS' PENSION

	Reporting Date Measurement Date	9/30/2018 9/30/2017	9/30/2017 9/30/2016	9/30/2016 9/30/2015	9/30/2015 9/30/2014
<b>Total Pension Liability</b>					
Service Cost		\$ 141,321	\$ 104,196	\$ 109,319	\$ 120,818
Interest		262,998	265,650	271,204	254,716
Share Plan Allocation			779		
Changes of Benefit Terms					
Differences Between Expected and Actual Experience		(29,606)	(327,332)	(217,104)	
Changes of Assumptions			105,476		
Benefit Payments, Including Refunds of Employee Contributions		(172,648)	(265,433)	(190,012)	(125,848)
Net Change in Total Pension Liability		202,065	(116,664)	(26,593)	249,686
Total Pension Liability - Beginning		3,232,484	3,349,148	3,375,741	3,126,055
Total Pension Liability - Ending (a)		\$ 3,434,549	\$ 3,232,484	\$ 3,349,148	\$ 3,375,741
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer		\$ 91,995	\$ 99,468	\$ 54,637	\$ 92,263
Contributions - State			27,452	25,298	22,737
Contributions - Employee		32,856	32,529	26,123	29,337
Net Investment Income		269,574	253,812	(143,651)	216,786
Benefit Payments, Including Refunds of Employee Contributions		(172,648)	(265,433)	(190,012)	(125,848)
Administrative Expense		(19,358)	(20,235)	(29,047)	(13,350)
Net Change in Plan Fiduciary Net Position		202,419	127,593	(256,652)	221,925
Plan Fiduciary Net Position - Beginning		3,294,238	3,166,645	3,423,297	3,201,372
Plan Fiduciary Net Position - Ending (b)		\$ 3,496,657	\$ 3,294,238	\$ 3,166,645	\$ 3,423,297
<b>Net Pension Liability - Ending (a) - (b)</b>		\$ (62,108)	\$ (61,754)	\$ 182,503	\$ (47,556)
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>		101.81%	101.91%	94.55%	101.41%
<b>Covered Employee Payroll*</b>		\$ 657,109	\$ 650,578	\$ 522,451	\$ 586,732
<b>Net Pension Liability as a percentage of Covered Employee Payroll</b>		-9.45%	-9.49%	34.93%	-8.11%

**Notes to Schedule:**

\*The Covered Employee Payroll numbers shown are in compliance with GASB 82

**Changes of assumptions:**

For measurement date 9/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

**Presentation:**

GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled only those years for which information is available is presented.

**CITY OF MADISON, FLORIDA  
SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS - POLICE OFFICERS' PENSION**

	2017	2016	2015	2014
<b>Municipal Police Officers' Retirement Trust Fund</b>				
Contractually required contributions	\$ 49,283	\$ 65,058	\$ 79,935	\$ 115,000
Contributions in relation to the contractually required contribution	91,995	126,142	79,935	115,000
Contribution deficiency (excess)	<u>\$ (42,712)</u>	<u>\$ (61,084)</u>	<u>\$ -</u>	<u>\$ -</u>
Administration's covered-employee payroll	\$ 657,109	\$ 650,578	\$ 522,451	\$ 586,732
Contributions as a percentage of covered-employee payroll	14.00%	19.39%	15.30%	19.60%

**Notes to schedule**

**Valuation date:**

**10/1/2015**

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

**Methods and assumption used to determine contribution rates:**

**Funding method:**

Aggregate actuarial cost method

**Mortality rate:**

RP-2000 table with no projection. We believe this sufficiently accounts for future mortality improvements.

**Interest rate:**

8.0% per year compounded annually, net of investment related expenses. This is supported by the target asset class allocation of the trust and the expected long-term return by asset class.

**Retirement age:**

Earlier of age 55 and 10 years of service or 25 years of service regardless of age. Also any member who has reached normal retirement is assumed to continue employment for one additional year. We feel this assumption is reasonable based on the plan provisions.

**Early retirement:**

Commencing with the earliest early retirement age (50), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year. We feel this assumption is reasonable based on plan provisions. See table below. 75% of disablements are assumed to be service related. This assumption was developed from those used by other plans containing Florida municipal Police Officers.

**Disability rate:**

**Termination rate:**

See table below. This assumption was developed from those used by other plans containing Florida municipal Police Officers.

**Salary increases:**

6.0% per year until the assumed retirement age. Projected salary at retirement is increased individually to account for non-regular compensation.

**Asset valuation method:**

Each year, the prior actuarial value of assets is brought forward utilizing the historical geometric 4-year average market value return. It is possible that over time this technique will produce an insignificant bias above or below market value.

**Termination and disability rate table:**

Age	% Terminating during the year	% Becoming disabled during the year
20	12.40%	0.03%
30	10.50%	0.04%
40	5.70%	0.07%
50	1.50%	0.18%

**Presentation:**

GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled only those years for which information is available is presented.

# CITY OF MADISON, FLORIDA

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS – FIREFIGHTERS’ PENSION

	Reporting Date Measurement Date	9/30/2018 9/30/2017	9/30/2017 9/30/2016	9/30/2016 9/30/2015	9/30/2015 9/30/2014
<b>Total Pension Liability</b>					
Service Cost	\$	64,147	\$ 47,779	\$ 57,716	\$ 62,949
Interest		218,896	209,855	212,358	210,174
Share Plan Allocation					
Changes of Benefit Terms					
Differences Between Expected and Actual Experience		(25,763)	(19,796)	(60,562)	
Changes of Assumptions		-	88,059		
Benefit Payments, Including Refunds of Employee Contributions		(224,968)	(233,520)	(228,213)	(252,965)
Net Change in Total Pension Liability		32,312	92,377	(18,701)	20,158
Total Pension Liability - Beginning		2,784,543	2,692,166	2,710,867	2,690,709
Total Pension Liability - Ending (a)	\$	2,816,855	\$ 2,784,543	\$ 2,692,166	\$ 2,710,867
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$	170,795	\$ 148,153	\$ 128,150	\$ 129,868
Contributions - State		20,363	20,207	22,536	23,708
Contributions - Employee		24,715	24,936	21,527	21,808
Net Investment Income		124,918	112,275	(64,164)	115,493
Benefit Payments, Including Refunds of Employee Contributions		(224,968)	(233,520)	(228,213)	(252,965)
Administrative Expense		(18,364)	(23,983)	(21,689)	(15,335)
Net Change in Plan Fiduciary Net Position		97,459	48,068	(141,853)	22,576
Plan Fiduciary Net Position - Beginning		1,551,757	1,503,689	1,645,542	1,622,966
Plan Fiduciary Net Position - Ending (b)	\$	1,649,216	\$ 1,551,757	\$ 1,503,689	\$ 1,645,542
<b>Net Pension Liability - Ending (a) - (b)</b>	\$	1,167,639	\$ 1,232,786	\$ 1,188,477	\$ 1,065,325
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>		58.55%	55.73%	55.85%	60.70%
<b>Covered Employee Payroll*</b>	\$	348,104	\$ 351,226	\$ 303,194	\$ 307,150
<b>Net Pension Liability as a percentage of Covered Employee Payroll</b>		335.43%	351.00%	391.99%	346.84%

**Notes to Schedule:**

\*The Covered Employee Payroll numbers shown are in compliance with GASB 82

**Changes of assumptions:**

For measurement date 9/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

Additionally, the funding method was changed from the Entry Age Normal to the Aggregate actuarial cost method.

Finally, the inflation assumption rate was lowered from 3.00% to 2.30%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

**Presentation:**

GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled only those years for which information is available is presented.

**CITY OF MADISON, FLORIDA  
SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS - FIREFIGHTERS' PENSION**

	2017	2016	2015	2014
<b>Municipal Firefighters' Pension Trust Fund</b>				
Contractually required contributions	\$ 191,158	\$ 168,360	\$ 150,686	\$ 153,575
Contributions in relation to the contractually required contribution	191,158	168,360	150,686	153,575
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Administration's covered-employee payroll	\$ 348,104	\$ 351,226	\$ 303,194	\$ 307,150
Contributions as a percentage of covered-employee payroll	54.91%	47.93%	49.70%	50.00%

**Notes to schedule**

<b>Valuation date:</b>	10/1/2015 Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.
<b>Methods and assumption used to determine contribution rates:</b>	
<b>Funding method:</b>	Entry age normal actuarial cost method.
<b>Amortization method:</b>	Level percentage of pay, closed.
<b>Remaining amortization period:</b>	26 years (as of 10/1/2015)
<b>Mortality rate:</b>	RP-2000 combined healthy - sex distinct (disabled lives set forward 5 years). Based on a study municipal firefighters, we feel this assumption sufficiently accomodates future mortality improvements.
<b>Interest rate:</b>	8.0% per year compounded annually, net of investment related expenses. This assumption is in line with the natioal average utilized for public pension programs.
<b>Retirement age:</b>	Earlier of age 55 and 10 years of service or 25 years of service regardless of age. Also any member who has reached normal retirement is assumed to continue emplyment for one additional year. We feel this assumption is reasonable based on the plan prvsions.
<b>Early retirement:</b>	Commencing with the earliest early retirment age (50), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year. We feel this assumption is reasonable based on the plan provisions.
<b>Disability rates:</b>	See table below. It is assumed that 75% of disablements and active member deaths are service related.
<b>Termination rates:</b>	See table below. This assumption was developed from those used by other plans containing Florida municipal firefighters.
<b>Salary increases:</b>	6.0% per year until the assumed retirement age. Projected salary at retirement is increased according to the table to account for non-regular compensation.

Service as of 7/1/11	Final salary load
More than 20 years	25%
10-20 years	15%
Less than 10 years	5%
Hired after 7/1/11	0%

Payroll increase:

Up to 4% per year (1.72% as of 10/1/15).

Asset valuation method:

Each year, the prior actuarial value of assets is brought forward utilizing the historical geometric 4-year average market value return. It is possible that over time this technique will produce an insignificant bias above or below market value.

Termination and disability rate table:

Age	Age	% Terminating during the year	% Becoming disabled during the year
20	20	6.00%	0.03%
30	30	5.00%	0.04%
40	40	2.60%	0.07%
50	50	0.80%	0.18%

Presentation:

GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled only those years for which information is available is presented.

## **OTHER INFORMATION**

**CITY OF MADISON, FLORIDA**

**PROPRIETARY FUND  
STATEMENT OF NET POSITION BY FUNCTION  
September 30, 2017**

	Natural Gas	Sanitation	Purchasing	Water	Sewer	Total
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 1,612,712	\$ 1,612,712
Accounts receivable, net	59,262	25,776	-	54,830	93,833	233,701
Prepaid expense	-	2,291	-	-	-	2,291
Interest receivable	-	-	-	-	985	985
Inventory	-	-	104,457	-	-	104,457
Total current assets	59,262	28,067	104,457	54,830	1,707,530	1,954,146
<b>NON-CURRENT ASSETS</b>						
Restricted assets						
Cash and cash equivalents	-	-	-	-	300,753	300,753
Investments	-	-	-	-	329,498	329,498
Total restricted assets	-	-	-	-	630,251	630,251
Fixed assets						
Land	-	-	15,001	64,437	365,146	444,584
Buildings	-	-	47,900	48,687	275,893	372,480
Infrastructure	457,370	-	-	1,661,469	14,483,046	16,601,885
Equipment	275,889	250,415	14,289	407,518	991,526	1,939,637
Construction in progress	-	-	-	-	54,110	54,110
Accumulated depreciation	(706,024)	(128,821)	(61,251)	(1,614,307)	(9,263,262)	(11,773,665)
Total fixed assets	27,235	121,594	15,939	567,804	6,906,459	7,639,031
Total Assets	86,497	149,661	120,396	622,634	9,244,240	10,223,428
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred charge on refunding	-	-	-	-	93,818	93,818
Total deferred outflows of resources	-	-	-	-	93,818	93,818

Continued on next page.  
See notes to financial statements.



**CITY OF MADISON, FLORIDA**

**PROPRIETARY FUND  
STATEMENT OF NET POSITION BY FUNCTION  
September 30, 2017**

	Natural Gas	Sanitation	Purchasing	Water	Sewer	Total
<b>LIABILITIES AND NET POSITION</b>						
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable and accrued expenses	31,605	96,345	3,984	18,335	28,951	179,220
Due to other funds	-	-	-	2,477	3,715	6,192
Deposits	60,235	-	-	34,494	51,741	146,470
Total current liabilities	91,840	96,345	3,984	55,306	84,407	331,882
Current liabilities payable from restricted assets						
Capital leases current portion	-	22,008	-	-	4,673	26,681
Bonds payable current portion	-	-	-	-	88,000	88,000
Compensated absences current portion	2,635	365	1,683	2,455	1,134	8,272
Accrued interest payable	-	-	-	-	12,288	12,288
Total current liabilities payable from restricted assets	2,635	22,373	1,683	2,455	106,095	135,241
Long-term liabilities						
Capital leases	-	95,549	-	-	18,773	114,322
Bonds payable	-	-	-	-	3,456,000	3,456,000
Compensated absences	19,318	2,671	12,346	18,006	8,317	60,658
Total noncurrent liabilities	19,318	98,220	12,346	18,006	3,483,090	3,630,980
Total liabilities	113,793	216,938	18,013	75,767	3,673,592	4,098,103
<b>NET POSITION</b>						
Invested in capital assets net of related debt	27,235	4,037	15,939	567,804	3,339,013	3,954,028
Restricted for debt service	-	-	-	-	630,251	630,251
Unrestricted	(54,531)	(71,314)	86,444	(20,937)	1,695,202	1,634,864
Total net position	(27,296)	(67,277)	102,383	546,867	5,664,466	6,219,143
Total liabilities and net position	\$ 86,497	\$ 149,661	\$ 120,396	\$ 622,634	\$ 9,338,058	\$ 10,317,246

See notes to financial statements.

**CITY OF MADISON, FLORIDA**

**PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY FUNCTION  
For the Year Ended September 30, 2017**

	Natural Gas	Sanitation	Purchasing	Water	Sewer	Total
<b>OPERATING REVENUES</b>						
Charges for services	\$ 953,621	\$ 329,546	\$ 5,444	\$ 1,192,019	\$ 1,539,167	\$ 4,019,787
Miscellaneous	-	-	-	-	-	-
<b>Total operating revenues</b>	<u>953,621</u>	<u>329,546</u>	<u>5,444</u>	<u>1,192,019</u>	<u>1,539,167</u>	<u>4,019,787</u>
<b>OPERATING EXPENSES</b>						
Personnel services	197,076	105,482	56,599	335,245	323,215	1,017,617
Office and communications	8,986	3,518	2,387	3,501	7,120	25,512
Professional fees	6,446	4,266	2,806	78,999	117,859	210,376
Supplies	451,504	20,226	1,371	93,796	108,164	675,061
Repair and maintenance	8,041	20,615	2,880	17,786	121,199	170,521
Depreciation	24,700	2,022	821	57,854	406,766	492,163
Insurance	6,781	4,767	3,445	10,539	11,889	37,421
Utilities	1,427	167	3,727	57,389	122,164	184,864
Landfill	-	200,233	-	-	-	200,233
Other	3,643	-	25	8,403	6,119	18,190
<b>Total operating expenses</b>	<u>708,604</u>	<u>361,296</u>	<u>74,061</u>	<u>663,512</u>	<u>1,224,485</u>	<u>3,031,958</u>
<b>Operating Income</b>	<u>245,017</u>	<u>(31,750)</u>	<u>(68,617)</u>	<u>528,507</u>	<u>314,672</u>	<u>987,829</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest revenue	1	1	-	1,008	1,302	2,312
Interest expense	-	(505)	-	-	(158,499)	(159,004)
Amortization of deferred charge on refunding	-	-	-	-	(4,938)	(4,938)
Interfund transfers	(305,636)	(28,189)	87,853	(598,583)	(450,012)	(1,294,567)
<b>Total nonoperating revenues (expenses)</b>	<u>(305,635)</u>	<u>(28,693)</u>	<u>87,853</u>	<u>(597,575)</u>	<u>(612,147)</u>	<u>(1,456,197)</u>
<b>Change in net position</b>	<u>(60,618)</u>	<u>(60,443)</u>	<u>19,236</u>	<u>(69,068)</u>	<u>(297,475)</u>	<u>(468,368)</u>
<b>Net position, beginning of year</b>	<u>33,322</u>	<u>(6,834)</u>	<u>83,147</u>	<u>615,935</u>	<u>5,961,941</u>	<u>6,687,511</u>
<b>Net position, end of year</b>	<u>\$ (27,296)</u>	<u>\$ (67,277)</u>	<u>\$ 102,383</u>	<u>\$ 546,867</u>	<u>\$ 5,664,466</u>	<u>\$ 6,219,143</u>

**CITY OF MADISON, FLORIDA**

**FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION AVAILABLE FOR BENEFITS  
For the Year Ended September 30, 2017**

	<b>Police Pension</b>	<b>Fire Pension</b>	<b>Totals</b>
<b>Assets</b>			
<b>Cash and cash equivalents</b>	<b>\$ 29,296</b>	<b>\$ 72,702</b>	<b>\$ 101,998</b>
	<u>29,296</u>	<u>72,702</u>	<u>101,998</u>
<b>Receivables</b>			
Member contributions	4,582	3,555	8,137
City contributions	12,828	72,755	85,583
State contributions	-	20,363	20,363
Securities sold	-	1,775	1,775
Accrued interest and dividends	6,512	4,265	10,777
	<u>23,922</u>	<u>102,713</u>	<u>126,635</u>
<b>Investments</b>			
U.S. bonds and bills	-	123,870	123,870
Federal agency guaranteed securities	-	72,324	72,324
Corporate bonds	-	189,500	189,500
Stocks	-	662,701	662,701
Equity mutual funds	2,550,361	298,649	2,849,010
Fixed income mutual funds	893,078	127,763	1,020,841
	<u>3,443,439</u>	<u>1,474,807</u>	<u>4,918,246</u>
<b>Total assets</b>	<u><u>\$ 3,496,657</u></u>	<u><u>\$ 1,650,222</u></u>	<u><u>\$ 5,146,879</u></u>
<b>Liabilities</b>			
Benefits payable	\$ -	\$ 258	\$ 258
Securities purchased	-	748	748
<b>Total liabilities</b>	<u>-</u>	<u>1,006</u>	<u>1,006</u>
<b>Net position</b>			
<b>Total net position available for benefits</b>	<u><u>\$ 3,496,657</u></u>	<u><u>\$ 1,649,216</u></u>	<u><u>\$ 5,145,873</u></u>

See notes to financial statements.

**CITY OF MADISON, FLORIDA**

**FIDUCIARY FUNDS**

**COMBINING STATEMENT OF CHANGES IN NET POSITION AVAILABLE FOR BENEFITS**

**For the Year Ended September 30, 2017**

	<b>Police Pension</b>	<b>Fire Pension</b>	<b>Totals</b>
<b>ADDITIONS TO NET ASSETS:</b>			
<b>Contributions:</b>			
Employer	\$ 91,995	\$ 170,795	\$ 262,790
State	-	20,363	20,363
Employees	32,856	24,715	57,571
<b>Total contributions</b>	<u>124,851</u>	<u>215,873</u>	<u>340,724</u>
<b>Investment Income:</b>			
Net Increase In fair value of Investments	223,213	108,323	331,536
Interest and dividends	83,131	35,091	118,222
Less Investment expense	(36,770)	(18,496)	(55,266)
Net Investment Income	<u>269,574</u>	<u>124,918</u>	<u>394,492</u>
<b>Total additions to net assets</b>	<u>394,425</u>	<u>340,791</u>	<u>735,216</u>
<b>DEDUCTIONS FROM NET ASSETS:</b>			
Benefits paid to participants	168,824	210,532	379,356
Termination payments	3,824	14,436	18,260
Administrative expenses	19,358	18,364	37,722
<b>Total deductions from net assets</b>	<u>192,006</u>	<u>243,332</u>	<u>435,338</u>
<b>Net Increase in net position available for benefits</b>	<u>202,419</u>	<u>97,459</u>	<u>299,878</u>
<b>Net position available for benefits, beginning of year</b>	<u>3,294,238</u>	<u>1,551,757</u>	<u>4,845,995</u>
<b>Net position available for benefits, end of year</b>	<u>\$ 3,496,657</u>	<u>\$ 1,649,216</u>	<u>\$ 5,145,873</u>

See notes to financial statements.

## **COMPLIANCE SECTION**

**CITY OF MADISON, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**For The Year Ended September 30, 2017**

<u>Grantor/Program Title</u>	<u>CFDA # CFSA #</u>	<u>Contract Number</u>	<u>Award Amount</u>	<u>Reported in Prior Years</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
<b>FEDERAL AWARDS</b>						
U.S. Department of Housing & Urban Development Passed through Florida Department of Economic Opportunity Florida Small Cities Community Development Block Grant	14.228	12DB-OH-03-50-02-H12	700,000	494,721	13,700	13,700
U.S. Department of Homeland Security Passed through Florida Department of Law Enforcement Edward B. Byrne Grant - First Responder Photo Evidence Program	16.738	2017-JAGD-MADI-2-F8-10	1,764		1,764	1,764
US Department of Homeland Security Federal Emergency Management Agency Hurricane Hermine	97.036	FEMA-4280-DR-FL	92,431		92,431	92,431
<b>TOTAL FEDERAL AWARDS</b>			<u>794,195</u>	<u>494,721</u>	<u>107,895</u>	<u>107,895</u>
<b>STATE FINANCIAL ASSISTANCE</b>						
Florida Department of Economic Opportunity Community Development Projects	40.038	P0234	45,000		30,064	30,064
Florida Department of Transportation Small County Outreach Program	55.009	GOK25	337,903		38,528	38,528
Florida Department of Environmental Protection Florida Recreation Development Assistance Program	37.017	A6038	50,000	150	44,730	44,730
Florida Recreation Development Assistance Program	37.017	A6039	50,000	31,427	16,186	16,186
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>			<u>482,903</u>	<u>31,577</u>	<u>129,508</u>	<u>129,508</u>
<b>TOTAL FEDERAL AND STATE AWARDS</b>			<u>\$ 1,277,098</u>	<u>\$ 526,298</u>	<u>\$ 237,403</u>	<u>\$ 237,403</u>

See Notes to Schedule of Expenditures of Federal Awards

## **CITY OF MADISON, FLORIDA**

### **Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance**

**For the Fiscal Year Ended September 30, 2017**

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards and State Financial Assistance of the City of Madison, Florida (the "City") have been designed to conform to generally accepted accounting principles as applicable to governmental units, including the reporting and compliance requirements of the Audits of States, Local Governments, and Non-Profit Organizations and Office of Management and Budget Uniform Guidance.

##### **A. Reporting Entity**

This reporting entity consists of the City of Madison, Florida. The City includes a Schedule of Expenditures of Federal Awards and State Financial Assistance in the Compliance Section for the purpose of additional analysis.

##### **B. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

The accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards and State Financial Assistance. Under the modified accrual basis, revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**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**

To the Mayor and City Commission  
of the City of Madison, Florida

We have audited in accordance with the 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, the financial statements of the governmental activities and the business-type activities and the major fund of the City of Madison, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Madison, Florida's basic financial statements and have issued our report thereof dated June 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Madison, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Madison, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.



## **2012-1**

### **Financial Statement Preparation (Excess of second succeeding year)**

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the City does not have the expertise necessary to prevent, detect, and correct misstatements. A deficiency in internal control exists in instances where the City is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

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.

#### **MANAGEMENT'S RESPONSE**

*We acknowledge the finding. We are a very small government and have used our available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on the cash basis. We likewise have confidence in our audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. Both staff and the City Commission review the annual financial reports and have the opportunity to ask the auditor any questions regarding the report prior to its formal presentation. The report is formally presented by the auditor at a scheduled meeting of the City Commission.*

#### **Compliance and Other Matters**

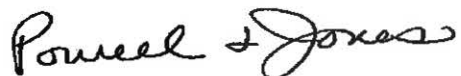
As part of obtaining reasonable assurance about whether the City of Madison, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of the City of Madison, Florida, in a separate "Management Letter Required by Chapter 10.550, Rules of the State of Florida, Office of the Auditor General" dated June 15, 2018.

### **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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Powell & Jones".

**POWELL & JONES, CPAs**  
June 15, 2018

## **MANAGEMENT LETTER**

To the Mayor and Members  
of the City Commission  
City of Madison, Florida

In planning and performing our audit of the financial statements of the City of Madison, Florida, for the year ended September 30, 2017, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter furnishes the following information required by Chapter 10.550, *Rules of the Auditor General*, and other compliance matters.

### **PRIOR YEAR FINDINGS**

#### **Finding 2016-1 Inventory**

During our audit of the City's inventory balances we discovered the following issues:

- In our physical inventory observation we noted multiple discrepancies from the quantities shown on the City's inventory tracking sheets and the quantities actually in stock.
- The City's inventory tracking sheet was not being reconciled with the City's general ledger.
- There were insufficient internal controls over purchasing and inventory functions to prevent shrinkage.

We recommend the City complete the following to ensure accurate future balances and to mitigate internal control risks:

- A full inventory count to update the tracking sheet with current information.
- Reconcile inventory balances monthly.
- Conduct regular physical inventory counts with a City employee outside the purchasing department.
- Set up a computerized method to control fuel sales which tracks vehicle and employee mileage and prevents fuel from being used without an employee pin and vehicle mileage.

#### **Current Status**

The finding was not corrected during the current year.

### **CURRENT YEAR FINDINGS**

There were no additional findings during the current year.

### **AUDITOR GENERAL COMPLIANCE MATTERS**

Annual Local Government Financial Report - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the

accompanying financial statements of the City of Madison, Florida, for the fiscal year ended September 30, 2017.

**Financial Condition Assessment** - As required by the *Rules of the Auditor General* (Sections 10.554(7)(c) and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

**Financial Emergency Status** - We determined that the City had not met any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

**Deteriorating Financial Conditions** - From our audit procedures, we found the following conditions which together comprise "deteriorating financial conditions" as defined by Section 218.503(1), *Florida Statutes*:

The Statement of Activities show the following trends:

	9-30-17	9-30-16	9-30-15	9-30-14
Revenues	\$ 2,312,124	\$ 2,182,576	\$ 2,110,668	\$ 2,271,670
Expenditures	(3,248,448)	(3,315,566)	(3,235,292)	(3,310,087)
Deficit of Revenues under expenditures	\$ (936,324)	\$ (1,132,990)	\$ (1,124,624)	\$ (1,038,417)

These deficits totaling \$4,253,959 have been offset by transfers in from other funds, primarily the Proprietary Fund. These transfers have reduced ending unrestricted net assets of these proprietary funds by this same amount.

Subsidy transfers by the proprietary fund to the General Fund, which have averaged approximately \$1.22 million per year, have fully utilized the proprietary fund operating income during these years.

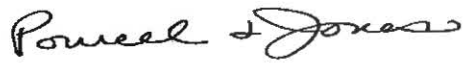
To correct these deteriorating financial conditions we recommend that the City continue to implement strict measures during the current budget cycle to assure that recurring revenues are sufficient to fund recurring expenditures and replenish needed fiscal reserves in the General Fund, as well as the Enterprise Fund. Finances should then be closely monitored during the subsequent year to ensure that these objectives are met. We noted general improvement in this situation during the current year.

Failure to correct these conditions could cause the City in the future to meet a statutory condition that could result in a financial emergency.

Our audit did not disclose any other items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.554(1)(f).

## **CONCLUSION**

We have reviewed each of our specific findings with appropriate officials or employees and have provided them with documentation as requested. We very much enjoyed the challenges and experiences associated with this year's audit of the City. We appreciate the helpful assistance and courtesy afforded us by all City employees and look forward to working with you in the future.

A handwritten signature in cursive script, reading "Powell & Jones".

**POWELL & JONES**  
Certified Public Accountants  
June 15, 2018

## INDEPENDENT ACCOUNTANT'S ATTESTATION REPORT

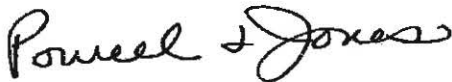
Honorable Mayor and City Commission  
City of Madison, Florida

We have examined the City of Madison, Florida's compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2017. Management is responsible for the City of Madison, Florida's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Madison, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

This report is intended solely for the information and use of the City and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.



**POWELL & JONES**  
Certified Public Accountants  
June 15, 2018

## **Communication with Those Charged with Governance**

To the Mayor and Members of the City Commission  
City of Madison, Florida

We have audited the financial statements of the City of Madison, Florida for the year ended September 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Madison, Florida are described Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the City of Madison, Florida's financial statements, except pension related estimates which are disclosed in Note 7.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during our audit.

#### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated June 15, 2018.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

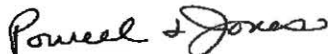
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Information in Documents Containing Audited Financial Statements**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the City Commission and management of the City of Madison, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Powell & Jones".

**Powell and Jones, CPAs  
June 15, 2018**