

CITY OF MADISON, FLORIDA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2016

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FINANCIAL SECTION



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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, 2016, 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, 2016, 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.

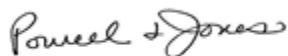
Other Information

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 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 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 May 2, 2017, 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

May 2, 2017

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, 2016. 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 \$10,395,418 (net position). Of this amount, \$751,308 (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 \$288,279 during the fiscal year.

As of September 30, 2016, the City's governmental funds reported combined ending unassigned fund balance of \$218,116.

During fiscal year 2016, the City's total debt increased by \$152,542 primarily as a result of the increase in the net pension liability.

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, 2016 and 2015

	Governmental Activities	Business-type Activities	Total Government	
			2016	2015
Assets				
Cash and cash equivalents	\$ 551,043	\$2,022,863	\$ 2,573,906	\$ 2,144,175
Other assets	181,234	301,338	482,572	480,303
Investments	-	327,576	327,576	627,378
Capital assets	4,305,673	7,851,498	12,157,171	12,815,848
Total assets	5,037,950	10,503,275	15,541,225	16,067,704
 Deferred outflows	 809,932	 98,756	 908,688	 326,608
 Liabilities				
Current liabilities	130,511	325,908	456,419	652,631
Long-term liabilities	1,775,553	3,588,612	5,364,165	5,057,984
Total liabilities	1,906,064	3,914,520	5,820,584	5,710,615
 Deferred inflows	 233,911	 -	 233,911	 -
 Net position				
Invested in capital assets, net of related debt	4,187,630	4,222,498	8,410,128	8,985,395
Restricted	169,303	628,315	797,618	946,994
Unrestricted	(649,026)	1,836,698	1,187,672	751,308
Total net position	\$3,707,907	\$6,687,511	\$ 10,395,418	\$ 10,683,697

Analysis of Net Position

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$10,395,418 (net position). Of this amount, \$1,187,672 (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 \$797,618 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, 2016 and 2015

	Governmental Activities	Business-type Activities	Total Government	
			2016	2015
Revenues				
Program revenues				
Charges for services	\$ 135,141	\$ 4,015,274	\$ 4,150,415	\$ 4,230,692
Grants and contributions	196,897	-	196,897	299,306
General revenues				
Taxes	1,551,076	-	1,551,076	1,541,290
Franchise fees	205,181	-	205,181	225,966
State shared revenues	197,192	-	197,192	197,406
Interest and other	45,465	2,104	47,569	24,691
Total revenues	<u>2,330,952</u>	<u>4,017,378</u>	<u>6,348,330</u>	<u>6,519,351</u>
Expenses				
General government	607,835	-	607,835	650,324
Public safety	1,970,096	-	1,970,096	1,893,571
Transportation	565,338	-	565,338	558,253
Physical environment	106,766	-	106,766	203,029
Economic environment	461,944	-	461,944	553,829
Interest on long-term debt	4,819	166,608	171,427	174,864
Water, sewer, and garbage services	-	2,753,203	2,753,203	3,008,921
Total expenses	<u>3,716,798</u>	<u>2,919,811</u>	<u>6,636,609</u>	<u>7,042,791</u>
Net Transfers	<u>1,121,892</u>	<u>(1,121,892)</u>	-	-
Change in net position	(263,954)	(24,325)	(288,279)	(523,440)
Beginning net position	<u>3,971,861</u>	<u>6,711,836</u>	<u>10,683,697</u>	<u>11,207,137</u>
Ending net position	<u>\$ 3,707,907</u>	<u>\$ 6,687,511</u>	<u>\$ 10,395,418</u>	<u>\$ 10,683,697</u>

Analysis of Changes in Net Position

The City's net position overall decreased by \$288,279 during the current fiscal year. This decrease is the result of a decrease in governmental activities of \$263,954 and a decrease in business activities of \$24,325. Governmental activities decreased due to expenses within the departments which exceed governmental revenues. The public safety department, which provides police and fire protection services for the City was the largest source of these expenses, totaling \$1,970,096 or 53% of total governmental expenses. Business-type activities decreased due to transfers which subsidize the operations of other funds, primarily general fund. Transfers totaled \$1,121,892, which lowered the reported net position from an increase of \$1,097,567 to a decrease of \$24,325.

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 \$218,116. Revenues for governmental functions overall totaled \$2,332,996 for the current fiscal year. Expenditures totaled \$3,635,904, which means that expenditures exceeded revenues by \$1,302,908 before net transfers in of \$1,121,892. 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 \$218,116. The fund balance of the City's general fund decreased by \$181,016 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 \$1,836,698. The total change in net assets for the Enterprise Funds was a decrease of \$24,325. 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 assets of the Police Officers' and Firefighters' Pension Funds totaled \$4,845,995, which represents an increase of \$175,661 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, 2016, amount to \$12,157,171 (net of accumulated depreciation). Capital assets include land, buildings, improvements, equipment, and infrastructure. Capital asset additions amounted to \$154,322 for governmental activities and \$44,126 for business-type activities.

Capital Assets, Net of Depreciation at September 30. 2016

	Governmental Activities	Business- type Activities	Total
Land	\$ 941,456	\$ 444,584	\$ 1,386,040
Buidlings	2,395,720	372,480	2,768,200
Equipment and Infrastructure	6,184,591	18,324,997	24,509,588
Total	9,521,767	19,142,061	28,663,828
Less accumulated depreciation	(5,216,094)	(11,290,563)	(16,506,657)
Net Capital Assets	<u>\$ 4,305,673</u>	<u>\$ 7,851,498</u>	<u>12,157,171</u>

Debt Administration

The table below illustrates the City's outstanding debt as of September 30. 2016. At the end of the current fiscal year, the City had total long-term obligations outstanding of approximately \$5,322,175. Of this amount, \$3,629,000 is revenue bonds that were issued for the purpose of water and sewer improvements. The remainder consists of compensated absences in the amount of \$156,442, the superfund accrual of \$47,710, a USDA loan of \$118,043, and a net pension liability of \$1,370,980.

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

Outstanding Debt at September 30. 2016

	Governmental Activities	Business- type Activities	Total
Bonds and loans payable	\$ 118,043	\$ 3,629,000	\$ 3,747,043
Superfund accrual	47,710	-	47,710
Compensated absences	105,747	50,695	156,442
Net pension liability	1,370,980	-	1,370,980
Total	<u>\$ 1,642,480</u>	<u>\$ 3,679,695</u>	<u>\$ 5,322,175</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, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 551,043	\$ 1,722,124	\$ 2,273,167
Accounts receivable - net	50,015	287,890	337,905
Internal balances	55,814	(55,814)	-
Due from other governmental units	75,405	-	75,405
Inventory	-	69,262	69,262
Total current assets	<u>732,277</u>	<u>2,023,462</u>	<u>2,755,739</u>
NON-CURRENT ASSETS			
Restricted			
Cash and cash equivalents	-	300,739	300,739
Investments	-	327,576	327,576
Total restricted assets	<u>-</u>	<u>628,315</u>	<u>628,315</u>
Capital assets - net	<u>4,305,673</u>	<u>7,851,498</u>	<u>12,157,171</u>
DEFERRED OUTFLOWS OF RESOURCES			
Charge on debt refunding	-	98,756	98,756
Pension related	809,932	-	809,932
Total deferred outflows of resources	<u>809,932</u>	<u>98,756</u>	<u>908,688</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 263,584	\$ 79,295	\$ 342,879
Accrued interest payable	-	12,585	12,585
Deposits	-	142,945	142,945
Current portion bonds payable	-	85,000	85,000
Accrued compensated absences	14,420	6,083	20,503
Current portion note payable	2,507	-	2,507
Total current liabilities	<u>280,511</u>	<u>325,908</u>	<u>606,419</u>
Noncurrent liabilities			
Other liabilities			
Note payable	115,536	-	115,536
Noncurrent portion compensated absences	91,327	44,612	135,939
Superfund accrual	47,710	-	47,710
Noncurrent portion bonds payable	-	3,544,000	3,544,000
Net pension liability	1,370,980	-	1,370,980
Total noncurrent liabilities	<u>1,625,553</u>	<u>3,588,612</u>	<u>5,214,165</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	<u>233,911</u>	<u>-</u>	<u>233,911</u>
NET POSITION			
Invested in capital assets net of related debt	4,187,630	4,222,498	8,410,128
Restricted	169,303	628,315	797,618
Unrestricted	(649,026)	1,836,698	1,187,672
Total net position	<u>3,707,907</u>	<u>6,687,511</u>	<u>10,395,418</u>

See notes to financial statements.

CITY OF MADISON, FLORIDA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

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
Governmental activities							
General government	\$ 607,835	\$ 36,804	\$ -	\$ -	\$ (571,031)	\$ -	\$ (571,031)
Public safety	1,970,096	58,453	-	-	(1,911,643)	-	(1,911,643)
Transportation	565,338	39,884	-	-	(525,454)	-	(525,454)
Physical environment	106,766	-	-	-	(106,766)	-	(106,766)
Economic environment	461,944	-	80,872	-	(381,072)	-	(381,072)
Culture/recreation	-	-	-	116,025	116,025	-	-
Interest	4,819	-	-	-	(4,819)	-	(4,819)
Total governmental activities	3,716,798	135,141	80,872	116,025	(3,384,760)	-	(3,384,760)
Business-type activities							
Utility services	2,753,203	4,015,274	-	-	-	1,262,071	1,262,071
Interest and amortization on long-term activities	166,608	-	-	-	-	(166,608)	(166,608)
Total business-type activities	2,919,811	4,015,274	-	-	-	1,095,463	1,095,463
Total government	6,636,609	4,150,415	80,872	116,025	(3,384,760)	1,095,463	(2,289,297)
General revenues							
Ad valorem taxes					654,166	-	654,166
Sale and use taxes					477,607	-	477,607
Franchise fees					205,181	-	205,181
Utility services taxes					329,563	-	329,563
Communications service taxes					89,740	-	89,740
State shared revenues					197,192	-	197,192
Interest					13	2,104	2,117
Miscellaneous					45,452	-	45,452
Transfers in (out)					1,121,892	(1,121,892)	-
Total					3,120,806	(1,119,788)	2,001,018
Change in net position					(263,954)	(24,325)	(288,279)
Net position beginning					3,971,861	6,711,836	10,683,697
Net position ending					\$ 3,707,907	\$ 6,687,511	\$ 10,395,418

See notes to financial statements.

CITY OF MADISON, FLORIDA

**GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2016**

	General Fund	Law Enforcement Provision Fund	Special Revenues Fund	Water and Sewer Impact Fees Fund	Community Redevelopment Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 340,860	\$ 477	\$ 24,106	\$ 50,243	\$ 135,357	\$ 551,043
Accounts receivable	50,015	-	-	-	-	50,015
Due from other funds	87,580	-	13,340	-	-	100,920
Due from other governmental units	31,577	-	43,828	-	-	75,405
Total assets	\$ 510,032	\$ 477	\$ 81,274	\$ 50,243	\$ 135,357	\$ 777,383
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Current liabilities						
Accounts payable	\$ 226,013	\$ -	\$ -	\$ -	\$ 1,912	\$ 227,925
Accrued liabilities	35,659	-	-	-	-	35,659
Due to other funds	30,244	-	-	12,022	2,840	45,106
Total liabilities	291,916	-	-	12,022	4,752	308,690
FUND BALANCES						
Assigned	-	-	81,274	-	-	81,274
Restricted	-	477	-	38,221	130,605	169,303
Unassigned	218,116	-	-	-	-	218,116
Total fund balances	218,116	477	81,274	38,221	130,605	468,693
Total liabilities and fund balances	\$ 510,032	\$ 477	\$ 81,274	\$ 50,243	\$ 135,357	

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	9,521,767
Accumulated depreciation	(5,216,094)
Deferred outflows of resources	809,932

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

Superfund cleanup accrual	(47,710)
Accrued compensated absences	(105,747)
Note payable	(118,043)
Net pension liability	(1,370,980)
Deferred inflows of resources	(233,911)
Net position of governmental activities	\$ 3,707,907

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, 2016**

	General Fund	Law Enforcement Provision Fund	Special Revenues Fund	Water and Sewer Impact Fees Fund	Community Redevelopment Fund	Total Governmental Funds
REVENUES						
Taxes	\$ 1,649,981	\$ -	\$ -	\$ -	\$ 106,276	\$ 1,756,257
Licenses and permits	36,804	-	-	-	-	36,804
Intergovernmental	350,261	-	43,828	-	-	394,089
Charges for services	98,034	-	-	-	-	98,034
Fines and forfeitures	6,560	303	-	-	-	6,863
Interest	-	-	13	-	-	13
Proceeds of general capital asset disposition	16,000	-	-	-	-	16,000
Miscellaneous	24,936	-	-	-	-	24,936
Total revenues	2,182,576	303	43,841	-	106,276	2,332,996
EXPENDITURES						
Current expenditures						
General government	472,241	-	-	-	-	472,241
Public safety	1,814,024	3,233	-	-	-	1,817,257
Physical environment	163,008	-	-	17,394	-	180,402
Transportation	549,560	-	-	-	-	549,560
Economic environment	176,786	-	43,754	-	234,353	454,893
Capital outlay						
General government	2,751	-	-	-	-	2,751
Public safety	26,651	-	-	-	-	26,651
Transportation	8,895	-	-	-	-	8,895
Economic environment	-	-	-	-	-	-
Human services	-	-	-	-	-	-
Culture/recreation	116,025	-	-	-	-	116,025
Debt service						
Principal	2,410	-	-	-	-	2,410
Interest	4,819	-	-	-	-	4,819
Total expenditures	3,337,170	3,233	43,754	17,394	234,353	3,635,904
Excess of revenues (under) expenditures	(1,154,594)	(2,930)	87	(17,394)	(128,077)	(1,302,908)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in (out)	1,123,804	-	-	-	(1,912)	1,121,892
Total other financing sources (uses)	1,123,804	-	-	-	(1,912)	1,121,892
Net change in fund balances	(30,790)	(2,930)	87	(17,394)	(129,989)	(181,016)
Fund balances at beginning of year	248,906	3,407	81,187	55,615	260,594	649,709
Fund balances at end of year	\$ 218,116	\$ 477	\$ 81,274	\$ 38,221	\$ 130,605	\$ 468,693

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, 2016**

Net change in fund balances - total governmental funds **\$ (181,016)**

**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.**

Expenditures for capital assets	\$154,322	
Less current year depreciation	(348,163)	
Less dispositions of capital assets	(2,044)	(195,885)

**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) decrease in note payable	2,410	
Net (increase) decrease in superfund accrual	73,985	
Net (increase) decrease in compensated absences	36,656	
Net (increase) in net pension liability	(353,211)	
Net (increase) in deferred pension inflows	(233,911)	
Net increase in deferred pension outflows	587,018	112,947

Change in net position of governmental activities **\$ (263,954)**

See notes to financial statements.

CITY OF MADISON, FLORIDA

PROPRIETARY FUND STATEMENT OF NET POSITION September 30, 2016

ASSETS

Current assets	
Cash and cash equivalents	\$ 1,722,124
Accounts receivable, net	287,890
Inventory	69,262
Total current assets	<u>2,079,276</u>

NON-CURRENT ASSETS

Restricted	
Cash and cash equivalents	300,739
Investments	327,576
Total restricted assets	<u>628,315</u>

Fixed assets	
Land	444,584
Buildings	372,480
Infrastructure	18,324,997
Allowance for depreciation	(11,290,563)
Total fixed assets	<u>7,851,498</u>
Total Assets	<u>10,559,089</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding	98,756
Total deferred outflows of resources	<u>98,756</u>

LIABILITIES AND NET POSITION

LIABILITIES

Current liabilities	
Accounts payable and accrued expenses	79,295
Due to other funds	55,814
Deposits	142,945
Total current liabilities	<u>278,054</u>

Current liabilities payable from restricted assets	
Bonds payable current portion	85,000
Compensated absences current portion	6,083
Accrued interest payable	12,585
Total current liabilities payable from restricted assets	<u>103,668</u>

Long-term liabilities	
Bonds payable	3,544,000
Compensated absences	44,612
Total noncurrent liabilities	<u>3,588,612</u>

Total liabilities	<u>3,970,334</u>
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NET POSITION

Invested in capital assets net of related debt	4,222,498
Restricted for debt service	628,315
Unrestricted	1,836,698
Total net position	<u>6,687,511</u>
Total liabilities and net position	<u>\$ 10,657,845</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, 2016**

OPERATING REVENUES

Charges for services

Water services	\$	1,148,632
Sewer services		1,584,045
Natural gas		958,416
Sanitation		324,181
Total operating revenues		4,015,274

OPERATING EXPENSES

Natural gas

Personnel services	161,619
Office and communications	7,924
Professional fees	11,133
Supplies	425,267
Repair and maintenance	18,560
Depreciation	26,320
Insurance	6,432
Utilities	3,208
Other	2,942
Total natural gas	663,405

Sanitation

Personnel services	84,582
Office and communications	3,643
Professional fees	20,997
Supplies	17,577
Repair and maintenance	19,758
Depreciation	508
Insurance	4,525
Utilities	149
Landfill	101,437
Total sanitation	253,176

Water

Personnel services	294,124
Office and communications	18,631
Professional fees	59,176
Supplies	86,007
Repair and maintenance	18,586
Depreciation	72,040
Insurance	11,668
Utilities	53,686
Other	10,784
Total water	624,702

(Continued)

CITY OF MADISON, FLORIDA

**PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended September 30, 2015**

OPERATING EXPENSES (Continued)

Sewer

Personnel services	\$	305,835
Office and communications		15,466
Professional fees		64,533
Supplies		81,911
Repair and maintenance		138,475
Depreciation		407,208
Insurance		12,947
Utilities		113,760
Other		7,411
Total sewer		<u>1,147,546</u>

Purchasing

Personnel services		48,724
Office and communications		1,766
Professional fees		2,551
Supplies		905
Depreciation		840
Insurance		3,307
Utilities		3,864
Other		2,142
Total purchasing		<u>64,374</u>

Total operating expenses		<u>2,753,203</u>
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Operating Income		<u>1,262,071</u>
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NONOPERATING REVENUES (EXPENSES)

Interest revenue		2,104
Interest expense		(161,670)
Amortization of deferred charge on refunding		(4,938)
Transfers out		<u>(1,121,892)</u>
Total nonoperating revenues (expenses)		<u>(1,286,396)</u>

Decrease in net position		(24,325)
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Net position, beginning of year		<u>6,711,836</u>
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Net position, end of year	\$	<u>6,687,511</u>
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See notes to financial statements.

CITY OF MADISON, FLORIDA

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 3,995,481
Cash payments for goods and services	(1,356,285)
Cash payments to employees for services	(901,502)
Net cash provided by operating activities	<u>1,737,694</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfers in (out)	(1,140,387)
Net cash used for noncapital and related financing activities	<u>(1,140,387)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisitions of property and equipment	(44,126)
Principal paid on bonds payable	(81,000)
Interest paid	(161,952)
Net cash used for capital and related financing activities	<u>(287,078)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	2,104
Net cash provided by investing activities	<u>2,104</u>
Net increase in cash and cash equivalents	312,333
Cash and cash equivalents, beginning of year	1,710,530
Cash and cash equivalents, end of year	<u>\$ 2,022,863</u>
CASH AND CASH EQUIVALENTS CLASSIFIED AS:	
Current assets	\$ 1,722,124
Restricted assets	300,739
Total cash and cash equivalents	<u>\$ 2,022,863</u>
RECONCILIATION OF OPERATING INCOME TO TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	<u>\$ 1,262,071</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	506,917
(Increase) decrease in:	
Investments	(900)
Accounts receivable	13,353
Inventory	10,253
Increase (decrease) in:	
Accounts payable and accrued expenses	(15,135)
Compensated absences	(6,618)
Deposits	(32,247)
Total adjustments	<u>475,623</u>
Net cash provided by operating activities	<u>\$ 1,737,694</u>

See notes to financial statements.

CITY OF MADISON, FLORIDA

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION AVAILABLE FOR BENEFITS
September 30, 2016**

	<u>Police Officers' and Firefighters' Pension Funds</u>
ASSETS	
Cash and cash equivalents	\$ 219,916
Accrued interest receivable	 109,530
Equity mutual funds at fair value	 3,209,901
Fixed income mutual funds at fair value	 1,306,906
Total assets	<u>\$ 4,846,253</u>
 LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable	<u> 258</u>
Total liabilities	<u> 258</u>
 NET POSITION AVAILABLE FOR BENEFITS	
Restricted	<u> 4,845,995</u>
Total liabilities and net position	<u>\$ 4,846,253</u>

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, 2016

	<u>Police Officers' and Firefighters' Pension Funds</u>
ADDITIONS TO NET ASSETS:	
Contributions:	
Employer	\$ 247,621
State	47,659
Employees	57,465
Total contributions	<u>352,745</u>
Investment Income:	
Unrealized gain in fair market value of investments	313,793
Interest and dividend income	111,197
Less investment expense	(58,903)
Net investment income	<u>366,087</u>
Total additions to net assets	<u>718,832</u>
DEDUCTIONS FROM NET ASSETS:	
Benefits paid to participants	472,005
Termination payments	26,948
Administrative expenses	44,218
Total deductions from net assets	<u>543,171</u>
Net increase in net position available for benefits	<u>175,661</u>
Net position available for benefits, beginning of year	<u>4,670,334</u>
Net position available for benefits, end of year	<u><u>\$ 4,845,995</u></u>

See notes to financial statements.

**CITY OF MADISON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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 2015-2016.

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, 2016:

- 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 first-in/first out 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 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:

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

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, 2016, 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. 2016, fund balances are composed of the following:

Fund	Classification			Total
	Assigned	Restricted	Unassigned	
Governmental Funds				
General Fund	\$ -	\$ -	\$ 218,116	\$ 218,116
Law Enforcement Provision Fund	-	477	-	477
Special Revenues Fund	81,274	-	-	81,274
Water and Sewer Impact Fees Fund	-	38,221	-	38,221
Community Redevelopment Fund	-	130,605	-	130,605
	<u>\$ 81,274</u>	<u>\$ 169,303</u>	<u>\$ 218,116</u>	<u>\$ 468,693</u>

Proprietary Fund

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

At September 30. 2016, net position are composed of the following:

Fund	Classification			Total
	Invested in capital assets, net	Restricted for Debt Service	Unrestricted	
Proprietary Fund	<u>\$4,222,498</u>	<u>\$ 628,315</u>	<u>\$1,836,698</u>	<u>\$6,687,511</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, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) 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 outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between assumptions about future economic, demographic, or other input factors; or changes in the expected remaining service lives of all employees that are provided with pensions through each pension plan. 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 \$468,693 differs from “net position” of governmental activities \$3,707,907 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	\$9,521,767
Accumulated depreciation	(5,216,094)
	<u>\$4,305,673</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, 2016, were:

Note Payable	\$ 118,043
Superfund accrual	47,710
Compensated absences	105,747
Net pension liability	1,370,980
	<u>\$1,642,480</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	\$ (233,911)
Deferred pension outflows	809,932
	<u>\$ 576,021</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
ASSETS					
Cash and cash equivalents	\$ 551,043	\$ -	\$ -	\$ -	\$ 551,043
Accounts receivable	50,015	-	-	-	50,015
Mortgage receivable	-	-	-	-	-
Due from other funds	100,920	-	-	-	100,920
Due from other governmental units	75,405	-	-	-	75,405
Capital assets - net	-	4,305,673	-	-	4,305,673
Total assets	<u>\$ 777,383</u>	<u>\$ 4,305,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,083,056</u>
DEFERRED PENSION OUTFLOWS	\$ -	\$ -	\$ -	\$ 809,932	\$ 809,932
LIABILITIES					
Liabilities:					
Accounts payable	\$ 227,925	\$ -	\$ -	\$ -	\$ 227,925
Accrued liabilities	35,659	-	-	-	35,659
Due to other funds	45,106	-	-	-	45,106
Accrued compensated absences	-	-	105,747	-	105,747
Superfund cleanup accrual	-	-	47,710	-	47,710
Note payable	-	-	118,043	-	118,043
Net pension liability	-	-	1,370,980	-	1,370,980
Total liabilities	<u>\$ 308,690</u>	<u>\$ -</u>	<u>\$ 1,642,480</u>	<u>\$ -</u>	<u>\$ 1,951,170</u>
DEFERRED PENSION INFLOWS	\$ -	\$ -	\$ -	\$ 233,911	\$ 233,911
FUND BALANCES/NET POSITION	<u>\$ 468,693</u>	<u>\$ 4,305,673</u>	<u>\$(1,642,480)</u>	<u>\$ 576,021</u>	<u>\$ 3,707,907</u>

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

The “net change in fund balances” for governmental funds \$(181,016) differs from the “change in net assets” for governmental activities \$(263,954) 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	\$ 154,322
Capital asset disposition	\$ (2,044)
Depreciation expense	(348,163)
	<u>\$ (195,885)</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 decrease in note payable	\$ 2,410
Net decrease in superfund accrual	73,985
Net decrease in compensated absences	36,656
Net (increase) in net pension liability	(353,211)
	<u>\$ (240,160)</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	\$ (233,911)
Net increase in deferred pension outflows	587,018
	<u>\$ 353,107</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
REVENUES					
Taxes	\$ 1,756,257	\$ -	\$ -	\$ -	\$ 1,756,257
Licenses and permits	36,804	-	-	-	36,804
Intergovernmental	394,089	-	-	-	394,089
Charges for services	98,034	-	-	-	98,034
Fines and forfeitures	6,863	-	-	-	6,863
Interest	13	-	-	-	13
Gain on sale of capital assets	16,000	(2,044)	-	-	13,956
Miscellaneous	24,936	-	-	-	24,936
Total revenues	<u>2,332,996</u>	<u>(2,044)</u>	<u>-</u>	<u>-</u>	<u>2,330,952</u>
EXPENDITURES					
Current expenditures:					
General government	472,241	136,340	(746)	-	607,835
Public safety	1,817,257	188,500	317,446	(353,107)	1,970,096
Physical environment	180,402	349	(73,985)	-	106,766
Transportation	549,560	20,437	(4,659)	-	565,338
Economic environment	454,893	2,537	4,514	-	461,944
Capital outlay					
General government	2,751	(2,751)	-	-	-
Public safety	26,651	(26,651)	-	-	-
Physical environment	-	-	-	-	-
Transportation	8,895	(8,895)	-	-	-
Grants and aids					
Culture/recreation	116,025	(116,025)	-	-	-
Debt service					
Principal	2,410	-	(2,410)	-	-
Interest	4,819	-	-	-	4,819
Total expenditures	<u>3,635,904</u>	<u>193,841</u>	<u>240,160</u>	<u>(353,107)</u>	<u>3,716,798</u>
Excess of revenues over (under) expenditures	(1,302,908)	(195,885)	(240,160)	353,107	(1,385,846)
OTHER FINANCING SOURCES (USES)					
Debt proceeds	-	-	-	-	-
Transfers in	1,121,892	-	-	-	1,121,892
Total other financing sources (uses)	<u>1,121,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,121,892</u>
Net change in fund balance	(181,016)	(195,885)	(240,160)	353,107	(263,954)
Fund balance at beginning of year	649,709	4,501,558	(1,402,320)	222,914	3,971,861
Fund balance at end of year	<u>\$ 468,693</u>	<u>\$ 4,305,673</u>	<u>\$ (1,642,480)</u>	<u>\$ 576,021</u>	<u>\$ 3,707,907</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. DETAIL NOTES – ALL FUNDS

A. 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.

B. Deposits and Investments

Deposits – At year end, the book balance of the City's deposits was \$ 2,573,906. 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.

Investments – The government’s investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government’s name, (2) uninsured and unregistered for which the securities are held by the broker’s or dealer’s trust department or agent in the government’s name, or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the government’s name.

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 are recorded at cost which approximates market value and would be classified in category (1) reflected above.

The pension trust fund investments would be classified in category (3) above.

The investments in the Police Officers' Retirement Trust Fund and the Firefighters' Pension Trust Fund are held by Salem 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.

The deposits held by the pension trust funds at September 30. 2016 consist of the following:

	<u>Category</u>	<u>Fair Value</u>	<u>Cost</u>
Cash and cash equivalents	1	\$ 219,916	\$ 219,916

The investments held by the Police Officers' Retirement Trust at September 30. 2016 consist of the following:

	<u>Category</u>	<u>Fair Value</u>	<u>Cost</u>
Mutual funds - equity	2	\$2,193,656	\$1,774,075
Mutual funds - fixed	2	896,079	883,690

The investments held by the Firefighters' Pension Trust at September 30. 2016 consist of the following:

	<u>Category</u>	<u>Fair Value</u>	<u>Cost</u>
Mutual funds - equity	2	\$1,016,245	\$ 797,692
Mutual funds - fixed	2	410,827	403,977

C. Receivables and Payables

Receivables at September 30, 2016 were as follows:

	Accounts	Due from Other Governmental Units	Total Receivables
Governmental activities:			
General Fund	\$ 50,015	\$ 31,577	\$ 81,592
Special Revenue Fund	-	43,828	43,828
	<u>\$ 50,015</u>	<u>\$ 75,405</u>	<u>\$ 125,420</u>
Business activities:			
Enterprise Fund	\$ 287,890	\$ -	\$ 287,890
	<u>\$ 287,890</u>	<u>\$ -</u>	<u>\$ 287,890</u>
Fudiciary funds:			
Police and Fire Pension	\$ 109,530	\$ -	\$ 109,530
	<u>\$ 109,530</u>	<u>\$ -</u>	<u>\$ 109,530</u>

Based upon collection history, the City has included a reserve for doubtful accounts for its Proprietary fund accounts receivable of \$4,300.

Payables and Accrued Liabilities

Payables and accrued liabilities at September 30, 2016, were as follows:

	Vendors	Accrued Liabilities	Total
Governmental activities:			
General Fund	\$ 226,013	\$ 35,659	\$ 261,672
Community Redevelopment Fund	1,912	-	1,912
	<u>\$ 227,925</u>	<u>\$ 35,659</u>	<u>\$ 263,584</u>
Business activities:			
Enterprise Fund	\$ 74,275	\$ 5,020	\$ 79,295
	<u>\$ 74,275</u>	<u>\$ 5,020</u>	<u>\$ 79,295</u>
Fudiciary funds:			
Police and Fire Pension	\$ 258	\$ -	\$ 258
	<u>\$ 258</u>	<u>\$ -</u>	<u>\$ 258</u>

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 fiscal year ended September 30, 2016 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.

E. Capital Assets

Capital asset activity for the fiscal year ended September 30, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities:</u>				
Capital assets:				
Land	\$ 943,500	\$ -	\$ (2,044)	\$ 941,456
Buildings	2,395,720	-	-	2,395,720
Construction in Progress	17,431	31,577	-	49,008
Equipment	2,945,198	122,745	-	3,067,943
Infrastructure	3,067,640	-	-	3,067,640
Total capital assets	9,369,489	154,322	(2,044)	9,521,767
Less accumulated depreciation	(4,867,931)	(348,163)	-	(5,216,094)
Governmental activities capital assets, net	<u>\$ 4,501,558</u>	<u>\$ (193,841)</u>	<u>\$ (2,044)</u>	<u>\$ 4,305,673</u>
<u>Business-type activities:</u>				
Land	\$ 444,584	\$ -	\$ -	\$ 444,584
Buildings	372,480	-	-	372,480
Equipment	18,280,871	44,126	-	18,324,997
Total capital assets	19,097,935	44,126	-	19,142,061
Less accumulated depreciation	(10,783,646)	(506,917)	-	(11,290,563)
Business-type activities capital assets, net	<u>\$ 8,314,289</u>	<u>\$ (462,791)</u>	<u>\$ -</u>	<u>\$ 7,851,498</u>

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

Governmental activities:	
General government	\$ 136,340
Public safety	188,500
Physical environment	349
Transportation	20,437
Economic development	2,537
Total depreciation expense - governmental activities	<u>\$ 348,163</u>
Business -type activities:	
Water	72,040
Sewer	407,208
Natural Gas	26,320
Sanitation	509
Inventory	840
Total depreciation expense - business activities	<u>\$ 506,917</u>

F. 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, 2016 no interest was capitalized.

G. 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, 2016, interfund transfers were as follows:

	Transfers In (Out)
General Fund	\$1,123,804
Community Redevelopment Fund	(1,912)
Enterprise Fund	(1,121,892)
	<u>\$ -</u>

H. Lease Commitments

The City of Madison has no lease commitments at September 30, 2016.

NOTE 5. 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 6. 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, principally, of which are the Department of Justice, Department of Agriculture and certain other 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 for the year ended September 30, 2016.

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, 2016:

The following summarizes the changes in the City's governmental long-term liabilities during the year ended September 30, 2016:

	Balance October 1, 2015	Increases	Decreases	Balance September 30, 2016	Due Within One Year
Note payable	\$ 120,453	\$ -	\$ 2,410	\$ 118,043	\$ 2,507
Superfund accrual	121,695	-	73,985	47,710	-
Compensated absences	142,403	-	36,656	105,747	14,420
Net pension liability	1,017,769	353,211	-	1,370,980	-
	<u>\$1,402,320</u>	<u>\$ 353,211</u>	<u>\$ 113,051</u>	<u>\$1,642,480</u>	<u>\$ 16,927</u>

\$14,420, the current portion of compensated absences is accrued in the governmental fund.

The following summarizes the changes in the City's business-type fund long-term liabilities during the year ended September 30, 2016:

	Balance October 1, 2015	Increases	Decreases	Balance September 30, 2016	Due Within One Year
1997 Water and sewer revenue bonds	\$1,711,000	\$ -	\$ 47,000	\$1,664,000	\$ 49,000
2005 Water and sewer revenue bonds	1,999,000	-	34,000	1,965,000	36,000
Compensated absences	57,313	-	6,618	50,695	6,083
	<u>\$3,767,313</u>	<u>\$ -</u>	<u>\$ 87,618</u>	<u>\$3,679,695</u>	<u>\$ 85,000</u>

GOVERNMENTAL DEBT

- USDA Loan

During the year, the City 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>
2017	\$ 2,507	\$ 4,722	\$ 7,229
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
2022-2026	16,520	19,625	36,145
2027-2031	20,101	16,044	36,145
2032-2036	24,455	11,690	36,145
2037-2041	29,753	6,392	36,145
2042-2043	13,635	823	14,458
	<u>\$ 118,043</u>	<u>\$ 77,140</u>	<u>\$ 195,183</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, 2016 is \$47,710.

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, 2016, reimbursable expenses exceeded the cap, and therefore City was only required to pay \$150,000 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.

\$1,664,000

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.

1,965,000

Total

\$3,629,000

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

Year Ended September 30,	Principal	Annual Interest	Payment
2017	49,000	74,880	123,880
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
2022-2026	338,000	284,535	622,535
2027-2031	418,000	201,555	619,555
2032-2036	521,000	98,685	619,685
2037	117,000	5,265	122,265
	<u><u>\$1,664,000</u></u>	<u><u>\$ 941,310</u></u>	<u><u>\$2,605,310</u></u>

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

Year Ended September 30,	Principal	Annual Interest	Payment
2017	\$ 36,000	\$ 83,513	\$ 119,513
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
2022-2026	240,000	356,575	596,575
2027-2031	295,000	301,070	596,070
2032-2036	365,000	232,688	597,688
2037-2041	447,000	148,453	595,453
2042-2045	423,000	45,348	468,348
	<u>\$1,965,000</u>	<u>\$1,485,803</u>	<u>\$3,450,803</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.

NOTE 7. 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
Total pension liability	\$ 3,349,148	\$ 2,692,166	\$ 6,041,314
Plan fiduciary net position	(3,166,645)	(1,503,689)	(4,670,334)
Net pension liability	<u>\$ 182,503</u>	<u>\$ 1,188,477</u>	<u>\$ 1,370,980</u>

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, 2014 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	14
	<hr/>
	21
	<hr/>

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,, 2014 actuarial valuation states that the required contribution by the City and State is 10.0% of covered payroll for the fiscal year ending September 30. 2016. 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. 2016 totaled \$159,449, \$99,468 from the City, \$27,452 from the State and \$32,529 from members' salary withholdings. City contributions included \$8,387 which was prepaid in the prior year.

Payables to the Pension Plan - On September 30. 2016, the City reported no payables for outstanding amounts of contributions of the pension plan required for the year ended September 30. 2016.

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, 2015. The measurement period for the pension expense was October 1, 2014 to September 30, 2015. The reporting period is October 1, 2015 through September 30, 2016. The City's net pension liability was measured as of September 30, 2015. 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, 2014 updated to September 30, 2015 using the following actuarial assumptions:

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

Mortality Rates - Rates were based on the RP-2000 table with no projection – sex distinct. Disabled lives are set forward 5 years. Based upon other studies of municipal police officers, we feel this assumption sufficiently accommodates future mortality improvements.

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 2015 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, 2015	\$ 3,375,741	\$ 3,423,297	\$ (47,556)
Changes for a Year:			
Service Cost	109,319	-	109,319
Interest	271,204	-	271,204
Differences between Expected and Actual Experience	(217,104)	-	(217,104)
Contributions- Employer	-	54,637	(54,637)
Contributions - State	-	25,298	(25,298)
Contributions - Employee	-	26,123	(26,123)
Net Investment Income	-	(143,651)	143,651
Benefit Payments, including Refunds of Employee Contributions	(190,012)	(190,012)	-
Administrative Expense	-	(29,047)	29,047
Net Changes	(26,593)	(256,652)	230,059
Balances at September 30, 2016	3,349,148	3,166,645	\$ 182,503

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	\$ 602,797	\$ 182,503	\$ (168,935)

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, 2016, the City reported a net pension liability of \$182,503 for its pension plan. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015.

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$143,126. 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	\$ -	\$ 180,920
Net difference between projected and actual earnings on Pension Plan investments	354,114	-
City Pension Plan contributions subsequent to the measurement date	126,920	-
Total	<u>\$ 481,034</u>	<u>\$ 180,920</u>

The deferred outflows of resources related to the Pension Plan, totaling \$126,920 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, 2017. 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:

Fiscal Year Ending September 30	Amount
2017	\$ 54,321
2018	54,321
2019	54,321
2020	46,415
2021	(36,184)
Thereafter	-
	<u>\$ 173,194</u>

Final Components of Pension Expense:

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ (47,556)	\$ -	\$ 86,261	\$ -
Employer Contributions made after September 30, 2015	-	-	126,920	-
Total Pension Liability Factors:				
Service Cost	109,319	-	-	109,319
Interest	271,204	-	-	271,204
Share Plan Allocation	-	-	-	-
Changes in Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience				
with regard to economic or demographic assumptions	(217,104)	217,104	-	-
Current year amortization of experience difference	-	(36,184)	-	(36,184)
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(190,012)	-	-	(190,012)
Net Change	(26,593)	180,920	126,920	154,327
Plan Fiduciary Net Position:				
Contributions - Employer	54,637	-	(54,637)	-
Contributions - State	25,298	-	-	(25,298)
Contributions - Employee	26,123	-	-	(26,123)
Net Investment Income	269,344	-	-	(269,344)
Difference Between Projected and Actual Earnings on				
Pension Plan Investments	(412,995)	-	412,995	-
Current Year Amortization	-	-	(90,505)	90,505
Benefit Payments	(190,012)	-	-	190,012
Administrative Expenses	(29,047)	-	-	29,047
Net Change	(256,652)	-	267,853	(11,201)
Ending Balance	\$ 182,503	\$ 180,920	\$ 481,034	\$ 143,126

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, 2014 actuarial valuation 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	9
	<hr/>
	16
	<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, 2014 actuarial valuation states that the required contribution by the City and State is \$168,360. The City has a minimum contribution floor of 4% of members' payroll.

Contributions to the pension plan for the fiscal year ended September 30, 2016 totaled \$193,296, \$148,153 from the City, \$20,207 from the State, and \$24,936 from members' salary withholdings. Contributions from the City included \$21,604 in contributions receivable from the City to meet the actuarially-determined contribution.

Payables to the Pension Plan - At September 30, 2016, the City reported \$21,604 payable for outstanding amounts of contributions to the Pension Plan required for the fiscal year ended September 30, 2016.

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:

Actuarial Assumptions – The total pension liability in the October 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all measurement periods:

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

Mortality rates- Rates were based on the RP 2000 Combined Healthy – Sex Distinct table, a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).

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 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	45.00%	8.00%
International Equity	15.00%	8.10%
Fixed Income	40.00%	2.60%
Total	<u>100.00%</u>	

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:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2015	\$ 2,710,867	\$ 1,645,542	\$ 1,065,325
Changes for a Year:			
Service Cost	57,716	-	57,716
Interest	212,358	-	212,358
Differences between Expected and Actual Experience	(60,562)	-	(60,562)
Contributions- Employer	-	128,150	(128,150)
Contributions - State	-	22,536	(22,536)
Contributions - Employee	-	21,527	(21,527)
Net Investment Income	-	(64,164)	64,164
Benefit Payments, including Refunds of Employee Contributions	(228,213)	(228,213)	-
Administrative Expense	-	(21,689)	21,689
Net Changes	(18,701)	(141,853)	123,152
Balances at September 30, 2016	2,692,166	1,503,689	\$ 1,188,477

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	\$ 1,472,351	\$ 1,188,477	\$ 948,256

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, 2016, the City reported a net pension liability of \$1,188,477 for its pension plan. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015.

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$152,258. 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	-	52,991
Net difference between projected and actual earnings on Pension Plan investments	160,538	-
City Pension Plan contributions subsequent to the measurement date	168,360	-
Total	<u>\$ 328,898</u>	<u>\$ 52,991</u>

The deferred outflows of resources related to the Pension Plan, totaling \$168,360 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, 2016. 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:

Fiscal Year Ending September 30	Amount
2017	\$ 33,095
2018	33,096
2019	33,096
2020	30,970
2021	(7,570)
Thereafter	(15,140)
	<u>\$ 107,547</u>

Final Components of Pension Expense:

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 1,065,325	\$ -	\$ 136,653	\$ -
Employer Contributions made after September 30, 2014	-	-	168,360	-
Total Pension Liability Factors:				
Service Cost	57,716	-	-	57,716
Interest	212,358	-	-	212,358
Share Plan Allocation	-	-	-	-
Changes in Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience				
with regard to economic or demographic assumptions	(60,562)	60,562	-	-
Current year amortization of experience difference	-	(7,571)	-	(7,571)
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(228,213)	-	-	(228,213)
Net Change	(18,701)	52,991	168,360	34,290
Plan Fiduciary Net Position:				
Contributions - Employer	128,150	-	(128,150)	-
Contributions - State	22,536	-	-	(22,536)
Contributions - Employee	21,527	-	-	(21,527)
Net Investment Income	128,536	-	-	(128,536)
Difference Between Projected and Actual Earnings on				
Pension Plan Investments	(192,700)	-	192,700	-
Current Year Amortization	-	-	(40,665)	40,665
Benefit Payments	(228,213)	-	-	228,213
Administrative Expenses	(21,689)	-	-	21,689
Net Change	(141,853)	-	23,885	117,968
Ending Balance	\$ 1,188,477	\$ 52,991	\$ 328,898	\$ 152,258

NOTE 8. SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through May 2, 2017, the date the financial statements were available to be issued.

NOTE 9. 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.

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, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
REVENUES				
Taxes				
Ad valorem taxes	\$ 580,440	\$ 547,890	\$ 547,890	\$ -
Sales and use taxes				
Local option gas tax	479,290	477,610	477,607	(3)
Franchise fees	222,850	206,835	205,181	(1,654)
Utility service taxes	326,025	321,675	329,563	7,888
Communications services tax	93,885	89,740	89,740	-
Total taxes	1,702,490	1,643,750	1,649,981	6,231
Licenses and permits				
Professional and occupational	13,985	19,940	19,941	1
Building and zoning	15,590	16,860	16,863	3
Total licenses and permits	29,575	36,800	36,804	4
Intergovernmental				
Grants				
Economic environment	-	37,045	37,044	(1)
Culture/recreation	100,000	100,000	116,025	16,025
State shared revenues				
General government				
State revenue sharing	100,000	109,060	109,058	(2)
Mobile home licenses	990	1,150	1,151	1
Alcoholic beverage licenses	980	910	909	(1)
Fuel tax rebate	5,150	4,910	4,908	(2)
One-half cent sales tax	82,105	81,165	81,166	1
Total Intergovernmental	289,225	334,240	350,261	16,021
Charges for services				
Public safety fire protection county	69,200	57,495	58,150	655
Transportation	39,885	39,885	39,884	(1)
Total charges for services	109,085	97,380	98,034	654
Miscellaneous				
Sales of cemetery lots and fees	7,505	11,185	11,184	(1)
Sale of land	1,625	1,625	16,000	14,375
Fines and forfeitures	7,360	6,560	6,560	-
Other miscellaneous	25,990	38,375	13,752	(24,623)
Total miscellaneous	42,480	57,745	47,496	(10,249)
Total revenues	2,172,855	2,169,915	2,182,576	12,661
EXPENDITURES				
General government				
Legislative personnel services	47,450	47,685	47,682	3
Executive personnel services	118,580	123,145	123,142	3
Financial and administrative				
Personnel services	165,100	132,910	124,809	8,101
Operating expenses	185,785	176,905	176,608	297
Capital outlay	-	2,750	2,751	(1)
Total financial and administrative	350,885	312,565	304,168	8,397
Total general government	516,915	483,395	474,992	8,403

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, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
Public safety				
Law enforcement				
Personnel services	\$ 862,385	\$ 954,675	\$ 932,466	22,209
Operating expenses	130,155	173,795	174,780	(985)
Capital outlay	7,230	17,955	9,431	8,524
Debt service	-	-	7,229	(7,229)
Total law enforcement	<u>999,770</u>	<u>1,146,425</u>	<u>1,123,906</u>	<u>22,519</u>
Fire control				
Personnel services	517,955	639,785	646,209	(6,424)
Operating expenses	65,910	60,860	60,569	291
Capital outlay	10,000	17,220	17,220	-
Total fire control	<u>593,865</u>	<u>717,865</u>	<u>723,998</u>	<u>(6,133)</u>
Total public safety	<u>1,593,635</u>	<u>1,864,290</u>	<u>1,847,904</u>	<u>16,386</u>
Other physical environment				
Superfund cleanup costs	147,000	143,375	163,008	(19,633)
Total other physical environment	<u>147,000</u>	<u>143,375</u>	<u>163,008</u>	<u>(19,633)</u>
Transportation				
Roads and streets				
Personnel services	148,705	226,165	219,559	6,606
Operating expenses	213,805	330,315	330,001	314
Capital outlay	2,175	8,895	8,895	-
Total transportation	<u>364,685</u>	<u>565,375</u>	<u>558,455</u>	<u>6,920</u>
Community development				
Personnel services	140,810	143,260	139,479	3,781
Operating expenses	39,400	37,600	37,307	293
Total community development	<u>180,210</u>	<u>180,860</u>	<u>176,786</u>	<u>4,074</u>
Culture/recreation				
Capital outlay	100,000	100,000	116,025	(16,025)
Total community development	<u>100,000</u>	<u>100,000</u>	<u>116,025</u>	<u>(16,025)</u>
Total expenditures	<u>2,902,445</u>	<u>3,337,295</u>	<u>3,337,170</u>	<u>125</u>
Excess of revenues over (under) expenditures	<u>(729,590)</u>	<u>(1,167,380)</u>	<u>(1,154,594)</u>	<u>12,786</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	681,215	1,165,900	1,123,804	(42,096)
Total other financing sources (uses)	<u>681,215</u>	<u>1,165,900</u>	<u>1,123,804</u>	<u>(42,096)</u>
Net change in fund balance	<u>(48,375)</u>	<u>(1,480)</u>	<u>(30,790)</u>	<u>(29,310)</u>
Fund balance at beginning of year	<u>248,906</u>	<u>248,906</u>	<u>248,906</u>	<u>-</u>
Fund balance at end of year	<u>\$ 200,531</u>	<u>\$ 247,426</u>	<u>\$ 218,116</u>	<u>\$ (29,310)</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, 2016**

	Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
REVENUES			
Miscellaneous			
Water impact fees	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Physical Environment			
Water project development expense	40,410	17,394	23,016
Sewer project development expense	27,225	-	27,225
Miscellaneous		-	-
Total expenditures	<u>67,635</u>	<u>17,394</u>	<u>50,241</u>
Excess of revenues over (under)			
expenditures	<u>(67,635)</u>	<u>(17,394)</u>	<u>50,241</u>
Net change in fund balance	(67,635)	(17,394)	50,241
Fund balance at beginning of year	55,615	55,615	-
Fund balance at end of year	<u>\$ (12,020)</u>	<u>\$ 38,221</u>	<u>\$ 50,241</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, 2016

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Budget Positive (Negative)</u>
REVENUES			
Fines and forfeitures			
Law enforcement education surcharge	\$ 1,200	\$ 303	\$ (897)
Total revenues	<u>1,200</u>	<u>303</u>	<u>(897)</u>
EXPENDITURES			
Public safety			
Law enforcement education	5,155	3,233	1,922
Miscellaneous		-	-
Total expenditures	<u>5,155</u>	<u>3,233</u>	<u>1,922</u>
Net change in fund balance	(3,955)	(2,930)	1,025
Fund balance at beginning of year	<u>3,407</u>	<u>3,407</u>	<u>-</u>
Fund balance at end of year	<u>\$ (548)</u>	<u>\$ 477</u>	<u>\$ 1,025</u>

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, 2016

	Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
REVENUES			
Intergovernment			
Economic environment grants	\$ 249,105	\$ 43,828	\$(205,277)
Interest	-	13	13
Total revenues	249,105	43,841	(205,264)
EXPENDITURES			
Economic environment			
Administration	16,065	-	16,065
Rehabilitation	230,290	41,004	189,286
Temporary relocation	2,750	2,750	-
Total expenditures	249,105	43,754	205,351
 Net change in fund balance	 -	 87	 87
 Fund balance at beginning of year	 81,187	 81,187	 -
Fund balance at end of year	\$ 81,187	\$ 81,274	\$ 87

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, 2016

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Budget Positive (Negative)</u>
REVENUES			
Taxes			
Tax increment	\$ 106,275	\$ 106,276	\$ 1
Total revenues	<u>106,275</u>	<u>106,276</u>	<u>1</u>
EXPENDITURES			
Economic environment			
Professional services		-	-
Other administrative expense	8,000	-	8,000
Miscellaneous expense		-	-
Other physical environment expense	<u>387,470</u>	<u>234,353</u>	<u>153,117</u>
Total expenditures	<u>395,470</u>	<u>234,353</u>	<u>161,117</u>
Excess of revenues over (under) expenditures	<u>(289,195)</u>	<u>(128,077)</u>	<u>161,118</u>
OTHER FINANCING SOURCES			
Interfund transfers out	<u>-</u>	<u>1,912</u>	<u>1,912</u>
Net change in fund balance	<u>(289,195)</u>	<u>(129,989)</u>	<u>159,206</u>
Fund balance at beginning of year	<u>260,594</u>	<u>260,594</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ (28,601)</u></u>	<u><u>\$ 130,605</u></u>	<u><u>\$ 159,206</u></u>

See notes to financial statement

**CITY OF MADISON, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
SEPTEMBER 30. 2016**

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

**FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION AVAILABLE FOR BENEFITS
For the Year Ended September 30, 2016**

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Totals</u>
Assets			
Short term investments	\$ 157,423	\$ 62,493	\$ 219,916
Receivables	47,080	62,450	109,530
Equity mutual funds at fair value	2,193,656	1,016,245	3,209,901
Fixed Income mutual funds at fair value	896,079	410,827	1,306,906
Total assets	<u>3,294,238</u>	<u>1,552,015</u>	<u>4,846,253</u>
Liabilities			
Volunteer benefits payable	<u>-</u>	<u>258</u>	<u>258</u>
Total liabilities	<u>-</u>	<u>258</u>	<u>258</u>
Net position			
Total net position available for benefits	<u><u>\$ 3,294,238</u></u>	<u><u>\$ 1,551,757</u></u>	<u><u>\$ 4,845,995</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, 2016

	Police Pension	Fire Pension	Totals
ADDITIONS TO NET ASSETS:			
Contributions:			
Employer	\$ 99,468	\$ 148,153	\$ 247,621
State	27,452	20,207	47,659
Employees	32,529	24,936	57,465
Total contributions	<u>159,449</u>	<u>193,296</u>	<u>352,745</u>
Investment Income:			
Net Increase in fair value of Investments	213,883	99,910	313,793
Interest and dividends	75,821	35,376	111,197
Less Investment expense	(35,892)	(23,011)	(58,903)
Net Investment Income	<u>253,812</u>	<u>112,275</u>	<u>366,087</u>
Total additions to net assets	<u>413,261</u>	<u>305,571</u>	<u>718,832</u>
DEDUCTIONS FROM NET ASSETS:			
Benefits paid to participants	261,473	210,532	472,005
Termination payments	3,960	22,988	26,948
Administrative expenses	20,235	23,983	44,218
Total deductions from net assets	<u>285,668</u>	<u>257,503</u>	<u>543,171</u>
Net increase in net position available for benefits	<u>127,593</u>	<u>48,068</u>	<u>175,661</u>
Net position available for benefits, beginning of year	<u>3,166,645</u>	<u>1,503,689</u>	<u>4,670,334</u>
Net position available for benefits, end of year	<u>\$ 3,294,238</u>	<u>\$ 1,551,757</u>	<u>\$ 4,845,995</u>

See notes to financial statements.

CITY OF MADISON, FLORIDA

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

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

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

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

Notes to schedule

Valuation date: 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 - based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (disabled lives set forward 5 years).
Interest rate: 8.0% per year compounded annually, net of investment related expenses.
Inflation: 3.0% per year.
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.
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.
Disability rate: See table below. 75% of disablements are assumed to be service related.
Termination rate: See table below.
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%

CITY OF MADISON, FLORIDA

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

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

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

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

Notes to schedule

Valuation date: 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: Entry age normal actuarial cost method.
Amortization method: Level percentage of pay, closed.
Remaining amortization period: 28 years (as of 10/1/2013)
Mortality rate: RP-2000 combined healthy - sex distinct (disabled lives set forward 5 years). Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.
Interest rate: 8.0% per year compounded annually, net of investment related expenses.
Inflation: 3.0% per year.
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.
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.
Disability rate: See table below.
Termination rate: See table below.
Salary increases: 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 (4.00% as of 10/1/13).

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	6.00%	0.03%
30	5.00%	0.04%
40	2.60%	0.07%
50	0.80%	0.18%

COMPLIANCE SECTION

CITY OF MADISON, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For The Year Ended September 30, 2016

<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>
FEDERAL AWARDS						
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	450,893	43,828	43,828
Total federal awards			<u>700,000</u>	<u>450,893</u>	<u>43,828</u>	<u>43,828</u>
STATE FINANCIAL ASSISTANCE						
Florida Department of Economic Opportunity						
Community Development Projects	40.038	P0163	37,044	-	37,044	37,044
Florida Department of Environmental Protection						
Florida Recreation Development Assistance Program	37.017	A6038	50,000	-	150	150
Florida Recreation Development Assistance Program	37.017	A6039	50,000	-	31,427	31,427
Total state financial assistance			<u>137,044</u>	<u>-</u>	<u>68,621</u>	<u>68,621</u>
Total awards			<u><u>\$ 837,044</u></u>	<u><u>\$ 450,893</u></u>	<u><u>\$ 112,449</u></u>	<u><u>\$ 112,449</u></u>

CITY OF MADISON, FLORIDA

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

For the Fiscal Year Ended September 30. 2016

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, 2016, 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 May 2, 2017.

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 (Fifth 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

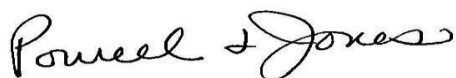
As part of obtaining reasonable assurance about whether the City of Madison, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 May 2, 2017.

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.



POWELL & JONES, CPAs
May 2, 2017

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, 2016, 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

All prior year findings were corrected during the current year.

CURRENT 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.

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, 2016.

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 General Fund showed the following trends:

	9-30-16	9-30-15	9-30-14
Revenues	\$ 2,182,576	\$ 2,110,668	\$ 2,271,670
Expenditures	3,315,566	3,235,292	3,310,087
Deficit of Revenues under expenditures	<u>\$ (1,132,990)</u>	<u>\$ (1,124,624)</u>	<u>\$ (1,038,417)</u>

These deficits totaling \$3,296,031 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 \$1.18 million per year, have fully utilized the proprietary fund operating income during these years.

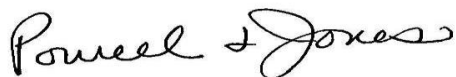
To correct these deteriorating financial conditions we recommend that the City continue to implement strict measures during the current budget cycle to assure that recurring revenues are sufficient to fund recurring expenditures and replenish needed fiscal reserves in the General Fund, as well as the 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.



POWELL & JONES
Certified Public Accountants
May 2, 2017

INDEPENDENT ACCOUNTANT'S ATTESTATION REPORT

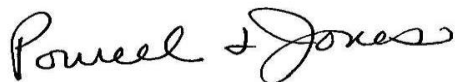
Honorable Mayor and City Commission
City of Madison, Florida

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, 2016. 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, 2016.

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.

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

POWELL & JONES
Certified Public Accountants
May 2, 2017

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, 2016. 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 May 2, 2017.

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

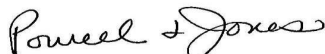
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses 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
May 2, 2017**



CITY OF MADISON

321 SW Rutledge Street • Madison FL 32340-2498
850-973-5081 • Fax 850-973-5084
Suncom 296-5081 • 296-5084

June 14, 2017

Auditor General
Sherrill F. Norman
Claude Denson Pepper Building
111 West Madison Street, Room G-74
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

In this year's Annual Finance Report for the City of Madison, Florida, auditors Powell and Jones CPA cited the following finding:

"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."

The auditor recommended the City complete the following to ensure accurate future balances and to mitigate internal control risks (The city's responses are underlined):

- a. A full inventory count to update the tracking sheet with current information. (City response: A full inventory has been completed. Our Inventory officer is now able to provide timely, accurate inventories.)
- b. Reconcile inventory balances monthly. (City response: Underway.)
- c. Conduct regular physical inventory counts with a City employee outside the purchasing department. (City response: This will be implemented.)
- d. 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." (City response: We are prepared to procure this capability immediately.)

Best Regards,

Timothy R. Bennett
City Manager