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# CITY OF MADISON

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**MAYOR**

Mary Hawkins Butler

**CITY CLERK/DIRECTOR**

Susan B. Crandall

**BOARD OF ALDERMEN**

**AT LARGE**

Warren Strain

**WARD I**

Tawanna Tatum

**WARD II**

Patricia H. Peeler

**WARD III**

Ken Jacobs

**WARD IV**

Steve Hickok

**WARD V**

Michael L. Hudgins

**WARD VI**

Guy Bowering

April 6, 2016

Office of the State Auditor  
Post Office Box 956  
Jackson, Mississippi 39205

RE: Annual Municipal Audit

Enclosed are two (2) copies of the annual audit of the City of Madison, Mississippi, for the fiscal year ended September 30, 2015.

Sincerely,

Mary Hawkins Butler  
Mayor

Enclosure

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CITY OF MADISON, MISSISSIPPI

AUDIT REPORT

September 30, 2015

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# COLLINS, BARR & HEMBREE, LTD.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen  
City of Madison, Mississippi

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Madison, Mississippi (the City) as of and for the year ended September 30, 2015, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Madison, Mississippi, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability, schedule of the City's contributions and the notes to the required supplementary information on pages 7-18 and 58-62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Madison, Mississippi's basic financial statements. The accompanying supplemental information listed in the table of contents 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 presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplemental information 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, such information 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 March 29, 2016, on our consideration of the City of Madison, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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, Mississippi's internal control over financial reporting and compliance.

*Collin Barr & Hembree, LLP*

March 29, 2016

CITY OF MADISON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MADISON, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2015

As management of the City of Madison, Mississippi (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. The intent of this discussion and analysis is to look at the City's financial performance as a whole. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

The City of Madison, Mississippi is located in central Mississippi just 10 miles from the state capital. The City has a population of 24,149, based on the 2010 census, which is a 64% increase since 2000. Over the past thirty years, the City has worked to set a standard for others to follow. With a good team, a plan, hard work, a vision, and a passion, the City of Madison has built a city with a look, a feel, and a sense of place like no other in the Southeast. The City is leading the state in all socio-economic categories and well exceeds national averages in per capita income, median family income, median home value, educational levels and owner occupied housing. We have redefined economic development by focusing on our number one resource, our people. We have made families our industry and focused on quality of life as one of our strong economic development tools.

#### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2015 by \$17,355,735 (net position).
- The City's net position decreased \$18,624,157 or 52%, during the 2015 fiscal year. This decrease is due to the implementation of Governmental Accounting Standards Board (GASB) Statement 68 which requires the City to record their proportionate share of the collective net pension liability for the cost-sharing defined benefit pension plan of which they are a member. The resulting restatement for implementation of GASB Statement 68 decreased net position previously reported at September 30, 2014 by \$20,231,163.
- At September 30, 2015, the City's governmental funds reported total fund balance of \$10,388,736. Of this amount, \$5,097,021 (general fund unassigned fund balance) may be used to meet the general government's spending requirements. The unassigned fund balance represents 25% of total General Fund expenditures for fiscal year 2015.
- In the City's proprietary funds, operating revenues increased 3% to \$4,798,378 while operating expenses increased 7% to \$5,273,801. The increase in revenues is considered to be due to the City's growth. The increase in expenses is primarily due to an anticipated increase in sewer treatment costs and other services and changes.
- The City's total debt increased a net amount of \$1,278,424 during the 2015 fiscal year. New debt totaling \$9,522,387 was issued to refund a portion of the outstanding debt obligations, to complete infrastructure improvements and other projects in the City and to acquire machinery and equipment. Debt payments of \$8,243,963 were made during the 2015 fiscal year.

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**CITY OF MADISON, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised 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 to provide greater detail of data presented in the basic financial statements.

The major features of the City's financial statements, including the portion of the City government they cover, and the types of information presented are discussed below.

Major Features of the City of Madison's Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as general government, police, fire and parks	Activities the City operates similar to private businesses; the water and sewer system and airport
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

CITY OF MADISON, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2015

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the government's net position changed during the year ended September 30, 2015. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related 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 (e.g., uncollected taxes and earned but unused vacation leave).

Both 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, public safety, public works, culture and recreation, economic development and debt service. The business-type activities of the City include water and sewer operations and the City's airport.

The government-wide financial statements can be found on pages 20-21 of this report.

**Fund Financial Statements.** A fund is a group 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 two categories: governmental funds and proprietary 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 inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

CITY OF MADISON, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2015

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

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the 2015 G.O. Bonds Fund, and the General Obligation Debt Service Fund, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the approved budget at page 58 and the notes to the budgetary information at page 61.

The basic governmental fund financial statements are presented at pages 22-25.

**Proprietary Funds.** Enterprise funds, the only type of proprietary funds maintained by the City, are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses two enterprise funds to account for its water and sewer operations and the airport.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer Fund and the Airport Fund.

The basic proprietary fund financial statements are presented at pages 26-28.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-56 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and accompanying notes regarding budget performance and pension information on pages 58 - 62.

**CITY OF MADISON, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2015**

**Government-wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$17,355,735 at September 30, 2015 as shown below.

**Condensed Statement of Net Position  
As of September 30, 2015 and 2014**

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current assets	\$ 12,050,089	\$ 9,798,867	\$ 2,554,915	\$ 3,926,440	\$ 14,605,004	\$ 13,725,307
Capital assets, net of accumulated depreciation	57,258,808	55,405,483	17,621,210	16,799,789	75,080,016	72,205,252
Other non-current assets	-	-	175,000	175,000	175,000	175,000
<b>Total assets</b>	<b>69,308,897</b>	<b>65,204,350</b>	<b>20,551,125</b>	<b>20,901,209</b>	<b>89,860,022</b>	<b>66,105,559</b>
Deferred outflows of resources	2,947,117	-	245,656	-	3,192,773	-
<b>Total assets and deferred outflows of resources</b>	<b>72,256,014</b>	<b>65,204,350</b>	<b>20,796,781</b>	<b>20,901,209</b>	<b>93,052,795</b>	<b>66,105,559</b>
Current liabilities	4,860,405	4,333,603	1,096,125	822,636	5,956,530	5,156,239
Non-current liabilities	58,289,743	35,579,017	10,828,020	9,390,411	69,117,763	44,969,428
<b>Total liabilities</b>	<b>63,150,148</b>	<b>39,912,620</b>	<b>11,924,145</b>	<b>10,213,047</b>	<b>75,074,293</b>	<b>50,125,667</b>
Deferred inflows of resources	569,832	-	52,935	-	622,767	-
<b>Total liabilities and deferred inflows of resources</b>	<b>63,719,980</b>	<b>39,912,620</b>	<b>11,977,080</b>	<b>10,213,047</b>	<b>75,697,060</b>	<b>50,125,667</b>
<b>Net position</b>						
Invested in capital assets, net of related debt	23,259,327	21,353,953	6,922,460	7,259,736	30,181,787	28,613,689
Restricted	38,384	365,062	-	-	38,384	365,062
Unrestricted	(14,761,677)	3,572,715	1,897,241	3,428,426	(12,864,436)	7,001,141
<b>Total net position</b>	<b>\$ 8,536,034</b>	<b>\$ 25,291,730</b>	<b>\$ 8,819,701</b>	<b>\$ 10,688,162</b>	<b>\$ 17,355,735</b>	<b>\$ 35,979,892</b>

Capital assets (e.g., land, construction in progress, buildings, furniture, equipment, infrastructure and improvements) account for 84% of total assets. The City uses these capital assets to provide services to citizens, and consequently, these assets are not available for future spending.

Net position includes resources that are subject to external restrictions on how they may be used. These restricted net positions of \$38,384 represent less than 1% of total net position. The unrestricted net position decreased \$19,865,577 to \$(12,864,436). The decrease is primarily related to the implementation of GASB Statement 68 which requires the City to record their proportionate share of the collective net pension liability for the cost-sharing defined benefit pension plan of which they are a member. Prior year amounts were not restated to reflect the implementation of GASB Statement 68.

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**CITY OF MADISON, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2015

The City's total net position decreased \$18,624,157 during fiscal year 2015 as summarized below. The net position previously reported as of September 30, 2014 has been restated to reflect a decrease of \$20,231,163 due to the implementation of GASB Statement 68, which requires the City to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing defined benefit plan. The change in net position and other balances for 2014 discussed in this section have not been restated to reflect the implementation of this standard.

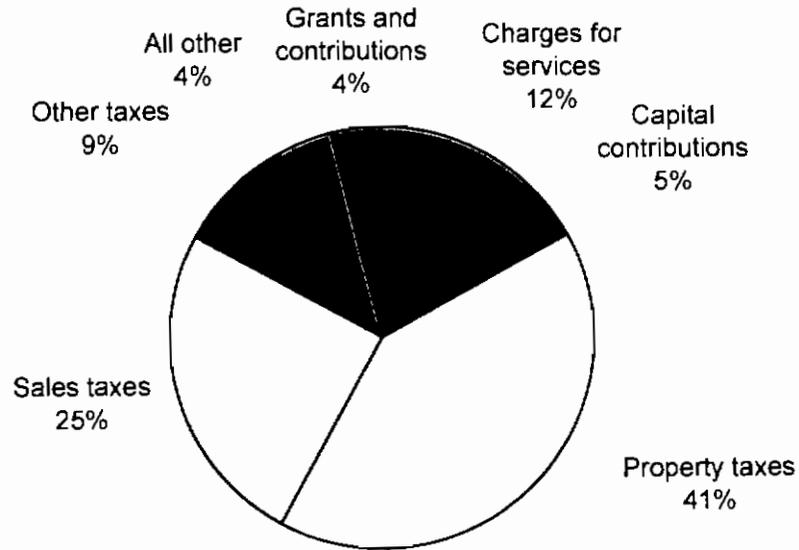
**Condensed Statement of Changes in Net Position**  
**For the Years Ended September 30, 2015 and 2014**

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues and transfers:						
Program revenues:						
Charges for services	\$ 3,100,576	\$ 3,440,810	\$ 4,798,378	\$ 4,646,866	\$ 7,698,954	\$ 8,087,676
Grants and contributions	1,095,842	873,986	548,605	199,457	1,644,447	1,073,443
General revenues:						
Property taxes	10,452,978	10,036,025	-	-	10,452,978	10,036,025
Real and bridge privilege taxes	771,027	642,987	-	-	771,027	642,987
Sales taxes	6,465,704	6,218,158	-	-	6,485,704	6,218,158
Franchise taxes	1,222,907	1,131,891	-	-	1,222,907	1,131,891
Capital contributions	1,182,000	686,000	-	-	1,162,000	686,000
Other revenues	940,463	753,259	28,006	2,676	968,469	755,935
Transfers in/(out)	250,000	275,000	(250,000)	(275,000)	-	-
<b>Total</b>	<b>25,501,497</b>	<b>24,058,116</b>	<b>5,124,989</b>	<b>4,573,999</b>	<b>30,626,486</b>	<b>28,632,115</b>
Expenses						
General government	2,819,832	2,608,628	-	-	2,619,832	2,608,628
Public safety	10,341,263	10,107,164	-	-	10,341,263	10,107,164
Public works	7,320,568	6,663,139	-	-	7,320,568	6,663,139
Culture and recreation	1,412,166	1,345,971	-	-	1,412,166	1,345,971
Economic development	415,106	506,187	-	-	415,106	506,187
Water and sewer	-	-	4,690,990	4,419,806	4,890,990	4,419,806
Airport	-	-	382,811	458,514	382,811	458,514
Interest on long-term debt	1,436,724	1,474,354	-	-	1,436,724	1,474,354
<b>Total</b>	<b>23,745,679</b>	<b>22,905,443</b>	<b>5,273,801</b>	<b>4,878,320</b>	<b>29,019,480</b>	<b>27,783,763</b>
Change in net position	1,755,818	1,152,673	(148,812)	(304,321)	1,607,008	848,352
Net position, beginning of year, as previously reported	25,291,730	24,139,057	10,688,162	10,992,483	35,979,892	35,131,540
Prior period adjustment	(18,511,514)	-	(1,719,649)	-	(20,231,163)	-
Net position, beginning of year, as restated	6,780,216	24,139,057	8,968,513	10,992,483	15,748,729	35,131,540
Net position, end of year	\$ 8,536,034	\$ 25,291,730	\$ 8,819,701	\$ 10,688,162	\$ 17,355,735	\$ 35,979,892

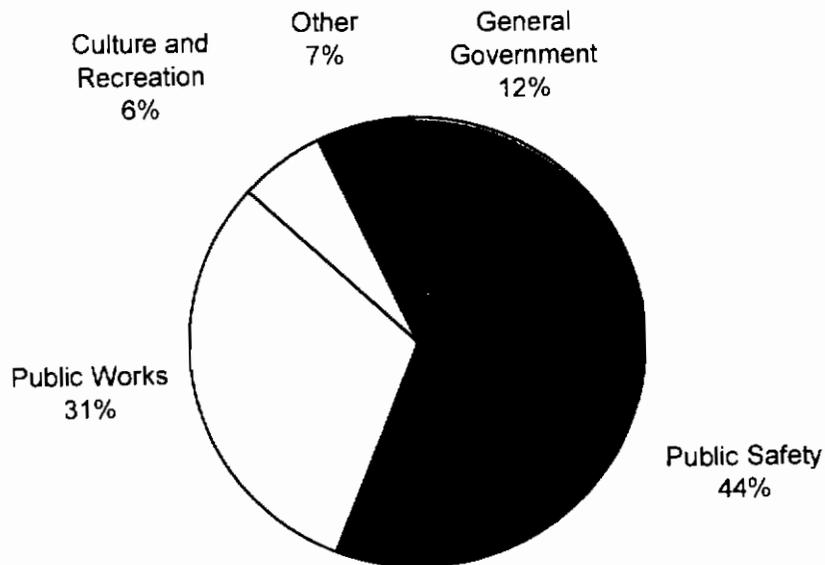
**Governmental activities.** Governmental activities net position increased by \$1,755,818 during fiscal year 2015, a 26% increase over prior year restated net position. Program revenues from grants and contributions totaled \$1,095,842 during fiscal year 2015 as compared to \$873,986 in 2014. Property tax revenues increased to \$10,452,978, which represents a 4% increase as compared to fiscal year 2014. The tax rate was 28.8 mills in 2015 and 2014. The increase in property tax revenues is due to the continued growth in the City's residential and commercial tax rolls.

CITY OF MADISON, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2015

Revenues and Transfers by Source – Governmental Activities for Fiscal Year 2015



Expenses by Functions/Programs – Governmental Activities for Fiscal Year 2015



CITY OF MADISON, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2015

**Business-type activities.** Business-type activities decreased the City's net position by \$148,812 during fiscal year 2015 as compared to prior year. The business-type activities include the Water and Sewer Fund and the Airport Fund. Charges for services totaled \$4,798,378 for 2015, which represents a 3% increase from the previous year. Grants and contributions totaled \$548,605 for fiscal year 2015 as compared to \$199,457 in 2014, representing a 175% increase. Total expenses increased 8% to \$5,273,801 as compared to prior year. The increase in expenses is due primarily to an anticipated increase in sewer treatment costs and accrued expenses and other services and changes.

Component Unit

Madison Square Redevelopment Authority (the Authority) is the sole component unit of the City for accounting purposes. The Authority was established as the urban renewal agency of the City to exercise the urban renewal project powers as defined in Section 43-35-1, Mississippi Code of 1972, as amended. The Authority is governed by a five member board of commissioners appointed by the City. The initial project undertaken by the Authority is the acquisition and redevelopment of the Madison Station School property.

The Authority had total assets of \$5,089,889, total liabilities of \$4,257,969 and net position of \$831,920 at September 30, 2015. There were no revenues for 2015 and operating expenses totaled \$82,000. Nonoperating expenses which consist of a contribution of land to the City totaled \$160,000 which produced a decrease in net position of \$242,000.

This component unit operates as a special-purpose entity that engages in only business-type activities and is presented as a discretely-presented component unit in the government-wide statements. Additional information on this entity is provided in the separately issued financial statements of the component unit, which can be obtained through the contact information at the end of this discussion and analysis.

CITY OF MADISON, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2015

**Financial Analysis of the Government's Funds**

The City's governmental funds reported combined ending fund balances of \$10,388,736 as of September 30, 2015 as set forth below.

**Condensed Balance Sheet – Governmental Funds  
As of September 30, 2015**

	General	2015 G.O. Bonds	General Obligation Debt Service	Other Governmental Funds	Total Governmental Funds
Assets	\$ 6,258,313	\$ 4,068,740	\$ 553,161	\$ 1,511,526	\$ 12,391,740
Liabilities	1,161,292	100,068	468,284	273,360	2,003,004
Fund Balances	<u>\$ 5,097,021</u>	<u>\$ 3,968,672</u>	<u>\$ 84,877</u>	<u>\$ 1,238,166</u>	<u>\$ 10,388,736</u>

The combined ending fund balance for the governmental funds of \$10,388,736 represents an increase of \$2,044,317 from the prior year. This increase is primarily due to an increase in the general fund of \$941,745 and the issuance of \$4,000,000 in general obligation bonds less capital expenditures made during the year.

The General Fund is the chief operating fund of the City. At September 30, 2015, the total fund balance of the General Fund was \$5,097,021. The General Fund revenues totaled \$20,173,033 for 2015, which represents an increase of \$540,859 or 3% over the prior year. This increase is due primarily to additional property tax, franchise tax and sales tax collections resulting from the continued growth in the City's residential and commercial tax rolls. The General Fund expenditures decreased 1% to \$20,160,090. Other financing sources totaled \$928,802 for 2015 compared to \$1,077,140 for 2014. These changes produced a net increase in fund balance of \$941,745 for 2015 compared to a net increase in fund balance of \$276,008 for 2014. Management expects an increase in fund balance from operations to continue in the upcoming years, further strengthening the City's operating reserve.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The proprietary funds had unrestricted net assets of \$1,897,241 as of September 30, 2015. These funds are primarily supported by annual user fees.

CITY OF MADISON, MISSISSIPPI  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the Year Ended September 30, 2015

**General Fund Budgetary Highlights**

The General Fund original budget was amended during fiscal year 2015 to adjust revenues to final estimated amounts. Resources were also allocated to other expenditure categories as determined by management during the budget revision process.

General Fund revenues and other financing sources for 2015 were under the budgeted amount by (\$416,983) representing a 2% unfavorable variance, and expenditures and other financing uses were under the budgeted amount by \$1,166,415, representing a 6% favorable variance. This resulted in an overall favorable variance for the year of \$749,432.

**Capital Assets and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015 amounts to \$75,080,018, net of accumulated depreciation of \$46,142,185. This investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, machinery, equipment, and construction in progress.

**Condensed Statement of Capital Assets  
 As of September 30, 2015 and 2014**

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Capital assets, not being depreciated						
Land	\$ 4,108,333	\$ 3,973,333	\$ 2,348,463	\$ 2,348,463	\$ 6,456,796	\$ 6,321,796
Construction in progress	635,800	722,779	2,813,960	697,768	3,449,780	1,420,547
<b>Total capital assets, not being depreciated</b>	<b>4,744,133</b>	<b>4,696,112</b>	<b>5,162,443</b>	<b>3,046,231</b>	<b>8,908,576</b>	<b>7,742,343</b>
Capital assets, net of depreciation:						
Buildings	5,705,699	5,975,877	1,954,664	2,050,856	7,660,363	8,026,733
Improvements other than buildings	12,294,565	11,354,130	-	-	12,294,565	11,354,130
Infrastructure	32,689,782	31,431,533	10,495,647	11,444,983	43,185,429	42,876,516
Machinery and equipment	1,824,829	1,947,831	208,456	257,699	2,033,085	2,205,530
<b>Total capital assets, net of depreciation</b>	<b>52,514,675</b>	<b>50,709,371</b>	<b>12,658,767</b>	<b>13,753,538</b>	<b>85,173,442</b>	<b>64,462,909</b>
<b>Total capital assets</b>	<b>\$ 57,258,808</b>	<b>\$ 55,405,483</b>	<b>\$ 17,821,210</b>	<b>\$ 18,799,769</b>	<b>\$ 75,080,018</b>	<b>\$ 72,205,252</b>

Additional information on the City's capital assets can be found in Note 3C of this report.

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CITY OF MADISON, MISSISSIPPI  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the Year Ended September 30, 2015

**Long-term debt.** The City had total outstanding debt of \$49,457,458 at September 30, 2015 which consisted of the following:

**Condensed Statement of Outstanding Debt  
 As of September 30, 2015 and 2014**

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>Bonds and notes payable:</b>						
General obligation bonds	\$ 33,264,600	\$ 31,038,200	\$ 5,827,400	\$ 3,621,800	\$ 39,092,000	\$ 34,660,000
Tax increment financing bonds	4,855,000	5,325,000	-	-	4,855,000	5,325,000
Special obligation bonds	-	-	2,485,000	5,105,000	2,465,000	5,105,000
<b>Total bonds and notes payable</b>	<b>38,119,600</b>	<b>36,363,200</b>	<b>8,312,400</b>	<b>8,726,800</b>	<b>46,432,000</b>	<b>45,090,000</b>
<b>Other liabilities:</b>						
Capital leases	1,395,525	1,370,021	43,599	48,328	1,439,124	1,418,349
Loans payable	-	-	660,931	745,282	660,931	745,262
Compensated absences	905,780	897,973	19,623	19,623	925,403	917,596
<b>Total other liabilities</b>	<b>2,301,305</b>	<b>2,267,994</b>	<b>724,153</b>	<b>813,233</b>	<b>3,025,458</b>	<b>3,081,227</b>
<b>Total outstanding debt</b>	<b>\$ 40,420,905</b>	<b>\$ 38,631,194</b>	<b>\$ 9,036,553</b>	<b>\$ 9,540,033</b>	<b>\$ 49,457,458</b>	<b>\$ 48,171,227</b>

The City had total bonded debt outstanding of \$46,432,000 at September 30, 2015. Of this amount, \$39,092,000 comprises debt backed by the full faith and credit of the government and \$7,340,000 represents bonds secured by specified revenue sources.

The City has entered into lease agreements as lessee for financing the acquisition of various equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Capital lease obligations totaling \$1,439,124 are recorded as other liabilities at September 30, 2015.

The City's total debt increased a net amount of \$1,286,231 during the 2015 fiscal year. New debt issuances totaled \$9,522,387 and an additional compensated absences liability of \$7,807 was recorded for fiscal year 2015. Debt payments of \$8,243,963 were made during the 2015 fiscal year.

The City has received several loans to finance various water and sewer improvement projects. Loans outstanding totaled \$660,931 at September 30, 2015.

Additional information on the City's long-term debt can be found in Notes 3E and 3F of this report.

CITY OF MADISON, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2015

**Economic Factors and 2015 Budget Information**

The 2016 General Fund budget anticipates that revenues will total \$21,475,805, a 5% increase from the 2015 revised budget. Total 2016 expenditures are budgeted at \$21,705,947, a 4% increase from the prior year revised budget. In addition, other net financing sources have been budgeted at \$235,000. The budgeted amounts for the year result in an anticipated surplus of \$4,858 for the year.

Management anticipates that property tax revenues and sales tax revenues will continue to increase in 2016 from residential and commercial growth within the City. The City's property tax rate for fiscal year 2016 has been set at 28.8 mills per thousand dollars of assessed value (\$.0288 per assessed dollar) the same as 2015.

**Request for Information**

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report may be addressed to the Department of Finance, City of Madison, 1004 Madison Avenue, P.O. Box 40, Madison, MS 39130.

CITY OF MADISON, MISSISSIPPI

BASIC FINANCIAL STATEMENTS

CITY OF MADISON, MISSISSIPPI  
STATEMENT OF NET POSITION  
September 30, 2015

ASSETS	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
Current assets:				
Cash and cash equivalents	\$ 4,874,377	\$ 1,779,394	\$ 6,653,771	\$ -
Receivables, net	1,377,207	762,732	2,139,939	-
Internal balances	31,571	(31,571)	-	-
Restricted cash and cash equivalents	5,515,644	-	5,515,644	-
Other current assets	251,290	44,360	295,650	-
Total current assets	<u>12,050,089</u>	<u>2,554,915</u>	<u>14,605,004</u>	<u>-</u>
Non-current assets:				
Restricted cash and cash equivalents	-	175,000	175,000	-
Capital assets, not being depreciated	4,744,133	5,162,443	9,906,576	3,570,000
Capital assets, being depreciated, net	52,514,675	12,658,767	65,173,442	1,519,889
Total non-current assets	<u>57,258,808</u>	<u>17,996,210</u>	<u>75,255,018</u>	<u>5,089,889</u>
Total assets	<u>69,308,897</u>	<u>20,551,125</u>	<u>89,860,022</u>	<u>5,089,889</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - refunding bonds	302,697	-	302,697	-
Deferred outflows - pensions (See Note 4C)	2,644,420	245,656	2,890,076	-
Total deferred outflows of resources	<u>2,947,117</u>	<u>245,656</u>	<u>3,192,773</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>72,256,014</u>	<u>20,796,781</u>	<u>93,052,795</u>	<u>5,089,889</u>
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	1,410,063	387,477	1,797,540	-
Accrued interest payable	103,037	45,503	148,540	7,969
Current portion of long-term liabilities	3,347,305	663,145	4,010,450	-
Total current liabilities	<u>4,860,405</u>	<u>1,096,125</u>	<u>5,956,530</u>	<u>7,969</u>
Non-current liabilities:				
Long-term liabilities	37,073,600	8,373,408	45,447,008	4,250,000
Customer meter deposits payable	-	483,713	483,713	-
Net pension liability (See Note 4C)	21,216,143	1,970,899	23,187,042	-
Total non-current liabilities	<u>58,289,743</u>	<u>10,828,020</u>	<u>69,117,763</u>	<u>4,250,000</u>
Total liabilities	<u>63,150,148</u>	<u>11,924,145</u>	<u>75,074,293</u>	<u>4,257,969</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pensions (See Note 4C)	569,832	52,935	622,767	-
Total liabilities and deferred inflows of resources	<u>63,719,980</u>	<u>11,977,080</u>	<u>75,697,060</u>	<u>4,257,969</u>
NET POSITION				
Invested in capital assets, net of related debt	23,259,327	6,922,460	30,181,787	831,920
Restricted for:				
Unemployment benefits	38,384	-	38,384	-
Unrestricted	(14,761,677)	1,897,241	(12,864,436)	-
Total net position	<u>\$ 8,536,034</u>	<u>\$ 8,819,701</u>	<u>\$ 17,355,735</u>	<u>\$ 831,920</u>

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The notes to the financial statements are an integral part of this statement.

CITY OF MADISON, MISSISSIPPI  
STATEMENT OF ACTIVITIES  
Year Ended September 30, 2015

Functions/Programs Primary government	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		
						Business-type Activities		Total
Governmental activities:								
General government	\$ 2,819,832	\$ 803,121	\$ -	\$ -	\$ (2,016,711)	\$ -	(2,016,711)	
Public safety	10,341,283	492,391	153,533	58,983	(9,636,376)	-	(9,636,376)	
Public works	7,320,568	1,848,409	-	594,618	(5,077,541)	-	(5,077,541)	
Culture and recreation	1,412,166	156,655	-	288,708	(966,803)	-	(966,803)	
Economic development	415,106	-	-	-	(415,106)	-	(415,106)	
Interest and fiscal charges	1,436,724	-	-	-	(1,436,724)	-	(1,436,724)	
Total governmental activities	23,745,679	3,100,576	153,533	942,309	(19,549,261)	-	(19,549,261)	
Business-type activities:								
Water and sewer	4,890,990	4,638,109	-	-	-	(252,881)	(252,881)	
Airport	382,811	160,269	-	548,805	-	326,063	326,063	
Total business-type activities	5,273,801	4,798,378	-	548,805	-	73,182	73,182	
Total primary government	\$ 29,019,480	\$ 7,898,954	\$ 153,533	\$ 1,490,914	(19,549,261)	73,182	(19,476,079)	
Component unit: Madison Square Redevelopment Authority	\$ 242,000	-	-	-	-	-	\$ (242,000)	
General revenues:								
Taxes:								
Property taxes, levied for general purposes					7,845,096		7,845,096	
Property taxes, levied for debt purposes					2,807,882		2,807,882	
Road and bridge privilege taxes					771,027		771,027	
Sales taxes					6,485,704		6,485,704	
Franchise taxes					1,222,907		1,222,907	
Payments in lieu of taxes					251,936		251,936	
Capital contributions					1,182,000		1,182,000	
Unrestricted investment income					14,729	2,470	17,199	
Unrestricted rental income					198,356	-	198,356	
Miscellaneous					475,442	25,536	500,978	
Transfers					250,000	(250,000)	-	
Total general revenues and transfers					21,305,079	(221,994)	21,083,085	
Change in net position					1,755,818	(148,812)	1,607,006	
Net position, beginning of year, as previously reported					25,291,730	10,688,162	35,979,892	
Prior period adjustment					(18,511,514)	(1,719,649)	(20,231,163)	
Net position, beginning of year, as restated					6,760,216	6,968,513	13,728,729	
Net position, end of year					\$ 8,536,034	\$ 8,819,701	\$ 17,355,735	

The notes to the financial statements are an integral part of this statement.

CITY OF MADISON, MISSISSIPPI  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 September 30, 2015

	General	2015 G.O. Bonds	General Obligation Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,635,504	\$ -	\$ 200,489	\$ 38,384	\$ 4,874,377
Receivables, net	1,316,063	-	34,906	26,238	1,377,207
Due from other funds	306,746	-	317,766	-	624,512
Restricted cash and cash equivalents	-	4,068,740	-	1,446,904	5,515,644
<b>Total assets</b>	<b>\$ 6,258,313</b>	<b>\$ 4,068,740</b>	<b>\$ 553,161</b>	<b>\$ 1,511,526</b>	<b>\$ 12,391,740</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 1,153,365	\$ -	\$ 2,350	\$ 254,348	\$ 1,410,063
Due to other funds	7,927	100,068	465,934	19,012	592,941
<b>Total liabilities</b>	<b>1,161,292</b>	<b>100,068</b>	<b>468,284</b>	<b>273,360</b>	<b>2,003,004</b>
<b>Fund balance:</b>					
Restricted for:					
Debt service	-	-	84,877	-	84,877
Public improvements	-	3,968,672	-	1,199,782	5,168,454
Unemployment benefits	-	-	-	38,384	38,384
Unassigned	5,097,021	-	-	-	5,097,021
<b>Total fund balance</b>	<b>5,097,021</b>	<b>3,968,672</b>	<b>84,877</b>	<b>1,238,166</b>	<b>10,388,736</b>
<b>Total liabilities and fund balance</b>	<b>\$ 6,258,313</b>	<b>\$ 4,068,740</b>	<b>\$ 553,161</b>	<b>\$ 1,511,526</b>	<b>\$ 12,391,740</b>

The notes to the financial statements are an integral part of this statement.

CITY OF MADISON, MISSISSIPPI  
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO  
 THE STATEMENT OF NET POSITION  
 September 30, 2015

Total fund balance - governmental funds	\$	10,388,736
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.		57,258,808
Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in the statement of net position.		251,290
Liabilities not due and payable in the current period are not reported in the funds:		
Long-term liabilities		(40,420,905)
Accrued interest on long-term debt		(103,037)
Net pension liability		(21,216,143)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions		2,644,420
Deferred outflows related to refunding bonds		302,697
Deferred inflows of resources related to pensions		(569,832)
		8,536,034
Net position of governmental activities	\$	8,536,034

The notes to the financial statements are an integral part of this statement.

CITY OF MADISON, MISSISSIPPI  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended September 30, 2015

	General	2015 G.O. Bonds	General Obligation Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 7,645,096	-	\$ 2,807,882	-	\$ 10,452,978
Payments in lieu of taxes	251,936	-	-	-	251,936
Licenses and permits	783,343	-	-	-	783,343
Intergovernmental	7,614,399	-	-	883,326	8,497,725
Charges for services	1,738,540	-	-	-	1,738,540
Fines and forfeitures	492,391	-	-	-	492,391
Franchise fees	1,222,907	-	-	-	1,222,907
Investment earnings	8,002	-	-	6,727	14,729
Miscellaneous	416,419	-	-	30,000	446,419
<b>Total revenues</b>	<b>20,173,033</b>	<b>-</b>	<b>2,807,882</b>	<b>920,053</b>	<b>23,900,968</b>
<b>EXPENDITURES</b>					
Current:					
General government	2,556,590	-	-	3,107	2,559,697
Public safety	9,495,110	-	-	-	9,495,110
Public works	5,240,086	-	-	2,991,022	8,231,108
Culture and recreation	1,210,848	-	-	417,239	1,628,087
Economic development	400,464	-	-	-	400,464
Debt service:					
Principal	939,912	-	2,125,600	-	3,065,512
Interest	317,080	-	1,024,977	-	1,342,057
Other	-	31,328	42,233	-	73,561
<b>Total expenditures</b>	<b>20,160,090</b>	<b>31,328</b>	<b>3,192,810</b>	<b>3,411,368</b>	<b>26,795,596</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>12,943</b>	<b>(31,328)</b>	<b>(384,928)</b>	<b>(2,491,315)</b>	<b>(2,894,628)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of general obligation bonds	-	4,000,000	-	-	4,000,000
Proceeds of refunding general obligation bonds	495,416	-	2,617,000	-	2,617,000
Lease purchase proceeds	193,529	-	-	-	495,416
Other financing sources	254,857	-	-	15,000	193,529
Transfers in	(15,000)	-	-	(4,857)	269,857
Transfers out	-	-	(2,617,000)	-	(19,857)
Payment to refunded bond escrow agent	-	-	-	-	(2,617,000)
<b>Total other financing sources and (uses)</b>	<b>928,802</b>	<b>4,000,000</b>	<b>-</b>	<b>10,143</b>	<b>4,938,945</b>
<b>Net change in fund balances</b>	<b>941,745</b>	<b>3,968,672</b>	<b>(384,928)</b>	<b>(2,481,172)</b>	<b>2,044,317</b>
<b>Fund balances, beginning of year</b>	<b>4,155,276</b>	<b>-</b>	<b>469,805</b>	<b>3,719,338</b>	<b>8,344,419</b>
<b>Fund balances, end of year</b>	<b>\$ 5,097,021</b>	<b>\$ 3,968,672</b>	<b>\$ 84,877</b>	<b>\$ 1,238,166</b>	<b>\$ 10,388,736</b>

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The notes to the financial statements are an integral part of this statement.

CITY OF MADISON, MISSISSIPPI  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 Year Ended September 30, 2015

Net change in fund balances - total governmental funds	\$ 2,044,317
Amounts reported for governmental activities in the statement of activities are different because:	
Contributions of infrastructure and/or machinery and equipment in the statement of activities do not provide current financial resources and are not reported as revenues in the funds.	1,182,000
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays (\$4,144,694) exceeded depreciation (\$3,440,674) and disposals (\$32,695) in the current period.	671,325
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds (\$7,112,416) exceeded debt repayments (\$5,330,512).	(1,781,904)
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues.	
Decrease in accrued interest on debt	28,197
Increase in compensated absences payable	(7,807)
Decrease in prepaid insurance	(52,966)
The statement of activities reports an expense equal to the City's proportionate share of the collective net pension expense for the cost-sharing pension plan. However, in the governmental funds, the cost-sharing expenses are measured by the amount of current contributions made to the plan.	(630,041)
Governmental funds report payments to an escrow agent for refunding bonds as other financing uses. However, the difference between the reacquisition price and the carrying value of the old debt is recognized as a deferred outflow of resources in the statement of net position and amortized as a component of interest expense over the remaining life of the old debt or life of the new debt, whichever is shorter.	302,697
Change in net position of governmental activities	<u>\$ 1,755,818</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MADISON, MISSISSIPPI  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
September 30, 2015

	Enterprise Funds		
	Water and Sewer	Airport	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,658,753	\$ 120,641	\$ 1,779,394
Receivables, net	582,624	180,108	762,732
Due from other funds	287,961	-	287,961
Other	34,608	9,752	44,360
<b>Total current assets</b>	<b>2,563,946</b>	<b>310,501</b>	<b>2,874,447</b>
Non-current assets:			
Restricted cash and cash equivalents	175,000	-	175,000
Capital assets, net	15,799,556	2,021,654	17,821,210
<b>Total non-current assets</b>	<b>15,974,556</b>	<b>2,021,654</b>	<b>17,996,210</b>
<b>Total assets</b>	<b>18,538,502</b>	<b>2,332,155</b>	<b>20,870,657</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pensions	245,656	-	245,656
<b>Total assets and deferred outflows of resources</b>	<b>18,784,158</b>	<b>2,332,155</b>	<b>21,116,313</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and other current liabilities	383,747	3,730	387,477
Accrued interest payable	45,503	-	45,503
Due to other funds	267,732	51,800	319,532
Current portion of long-term liabilities	663,145	-	663,145
<b>Total current liabilities</b>	<b>1,360,127</b>	<b>55,530</b>	<b>1,415,657</b>
Non-current liabilities:			
Long-term liabilities	8,373,408	-	8,373,408
Customer meter deposits payable	483,713	-	483,713
Net pension liability	1,970,899	-	1,970,899
<b>Total non-current liabilities</b>	<b>10,828,020</b>	<b>-</b>	<b>10,828,020</b>
<b>Total liabilities</b>	<b>12,188,147</b>	<b>55,530</b>	<b>12,243,677</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - pensions	52,935	-	52,935
<b>Total liabilities and deferred inflows of resources</b>	<b>12,241,082</b>	<b>55,530</b>	<b>12,296,612</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	4,900,806	2,021,654	6,922,460
Unrestricted	1,642,270	254,971	1,897,241
<b>Total net position</b>	<b>\$ 6,543,076</b>	<b>\$ 2,276,625</b>	<b>\$ 8,819,701</b>

The notes to the financial statements are an integral part of this statement.

CITY OF MADISON, MISSISSIPPI  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year Ended September 30, 2015

	Enterprise Funds		
	Water and Sewer	Airport	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,441,090	\$ -	\$ 4,441,090
Tap and inspection fees	197,019	-	197,019
Lease revenue	-	160,269	160,269
Total operating revenues	<u>4,638,109</u>	<u>160,269</u>	<u>4,798,378</u>
<b>OPERATING EXPENSES</b>			
Personal services	1,128,884	-	1,128,884
Supplies	403,074	-	403,074
Other services and charges	704,584	78,386	782,970
Metro sewer charge	1,403,650	-	1,403,650
Depreciation	876,619	304,425	1,181,044
Total operating expenses	<u>4,516,811</u>	<u>382,811</u>	<u>4,899,622</u>
Operating income (loss)	<u>121,298</u>	<u>(222,542)</u>	<u>(101,244)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest	2,470	-	2,470
Other	25,536	-	25,536
Interest expense	(374,179)	-	(374,179)
Total nonoperating revenues (expenses)	<u>(346,173)</u>	<u>-</u>	<u>(346,173)</u>
Income (loss) before contributions and transfers	(224,875)	(222,542)	(447,417)
Capital contributions	-	548,605	548,605
Transfers out	(250,000)	-	(250,000)
Change in net position	<u>(474,875)</u>	<u>326,063</u>	<u>(148,812)</u>
Total net position, beginning of year, as previously reported	8,737,600	1,950,562	10,688,162
Prior period adjustment	(1,719,649)	-	(1,719,649)
Net position, beginning of year, as restated	<u>7,017,951</u>	<u>1,950,562</u>	<u>8,968,513</u>
Total net position, ending of year	<u>\$ 6,543,076</u>	<u>\$ 2,276,625</u>	<u>\$ 8,819,701</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF MADISON, MISSISSIPPI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended September 30, 2015

	Enterprise Funds		
	Water and Sewer	Airport	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 4,540,735	\$ 160,269	\$ 4,701,004
Payments to suppliers	(2,476,058)	(94,640)	(2,570,698)
Payments to employees	(1,058,563)	-	(1,058,563)
Net cash provided by operating activities	<u>1,006,114</u>	<u>65,629</u>	<u>1,071,743</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating subsidies and transfers from (to) other funds	<u>(250,000)</u>	<u>-</u>	<u>(250,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital contributions	-	395,733	395,733
Purchases of capital assets	(1,401,192)	(598,012)	(1,999,204)
Proceeds of capital leases	24,971	-	24,971
Proceeds of general obligation bonds payable	2,385,000	-	2,385,000
Principal paid on general obligation bonds payable	(179,400)	-	(179,400)
Principal paid on loans payable	(84,351)	-	(84,351)
Principal paid on special obligation bonds payable	(2,620,000)	-	(2,620,000)
Interest paid on long-term debt	(374,179)	-	(374,179)
Payments on capital lease obligations	(29,700)	-	(29,700)
Other capital and related financing activities	25,536	-	25,536
Net interfund loan activity	(279,949)	51,800	(228,149)
Net cash used by capital and related financing activities	<u>(2,533,264)</u>	<u>(150,479)</u>	<u>(2,683,743)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest revenue	<u>2,470</u>	<u>-</u>	<u>2,470</u>
Net decrease in cash, cash equivalents and restricted cash	(1,774,680)	(84,850)	(1,859,530)
Balances, beginning of year	<u>3,608,433</u>	<u>205,491</u>	<u>3,813,924</u>
Balances, end of year	<u>\$ 1,833,753</u>	<u>\$ 120,641</u>	<u>\$ 1,954,394</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 121,298	\$ (222,542)	\$ (101,244)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	876,619	304,425	1,181,044
Change in assets, liabilities and deferred outflows and inflows of resources			
Receivables, net	(106,984)	-	(106,984)
Accounts payable and accrued expenses	56,652	(16,254)	40,398
Net pension liability	423,282	-	423,282
Deferred outflows - pensions	(193,350)	-	(193,350)
Deferred inflows - pensions	(171,403)	-	(171,403)
Net cash provided by operating activities	<u>\$ 1,006,114</u>	<u>\$ 65,629</u>	<u>\$ 1,071,743</u>

The notes to the financial statements are an integral part of this statement

CITY OF MADISON, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

CITY OF MADISON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015

1. Summary of Significant Accounting Policies.

A. Reporting Entity.

The City of Madison, Mississippi (the "City"), was incorporated November 30, 1944, under the provisions of Title 16, Mississippi State Code of 1942. The City operates under a Mayor – Aldermen form of government and provides services as authorized by its charter: public safety (police and fire), streets, culture and recreation, public improvements, planning and zoning and general administrative services. The City's fiscal year runs annually from October 1st to the following September 30th.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. Based upon the application of these criteria, the financial statements present the primary government and the discretely presented component unit described in the following paragraph for which the primary government is considered to be financially accountable.

The Madison Square Redevelopment Authority ("MSRA") was established as the urban renewal agency of the City to exercise the urban renewal project powers as defined in Section 43-35-1, Mississippi Code of 1972, as amended. The Authority is governed by a five-member board of commissioners appointed by the City. The initial project undertaken by the Authority is the acquisition and redevelopment of the Madison Station School property.

There are no other potential component units.

B. Government-wide and Fund Financial Statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

CITY OF MADISON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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 of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF MADISON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015

Property taxes, franchise taxes, licenses and interest 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 City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The 2015 G.O. Bonds Fund is a capital projects fund that accounts for infrastructure improvements being paid from the proceeds of general obligation bonds issued in 2015, consisting primarily of street improvements.

The General Obligation Debt Service fund accounts for a substantial portion of the funds generated and used to pay for the long-term debt of the City.

The City reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of the water and sewer system. The proceeds of several bond issuances and loans have been used specifically for the construction of water and sewer systems and facilities. Since it is the intention of the City to repay these bonds and loans through the operations of this fund, these obligations are classified as debt of this fund.

The Airport Fund accounts for activities related to the operation of the City's airport facility located at Bruce Campbell Field.

CITY OF MADISON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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 nonoperating revenues and expenses.

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

D. Assets, Liabilities and Net Position or Fund Equity.

1. *Deposits and Investments.*

Cash and cash equivalents include demand deposit accounts, petty cash and certificates of deposit with maturities of 12 months or less. As further discussed in Note 3, collateral is pledged by the various financial institutions to secure City funds.

2. *Receivables and Payables.*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF MADISON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015

3. *Restricted Assets.*

A portion of the cash related to customer deposits being held by the Water and Sewer Fund (approximately 36%) is reported as restricted assets on the statement of net position and the balance sheet. Unspent debt proceeds are also recorded as restricted assets because their use is limited by debt covenants and other agreements.

4. *Capital Assets.*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 assets or materially extend assets' lives are not capitalized.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	20
Infrastructure	20-50
Machinery and equipment	5-10

5. *Compensated Absences.*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF MADISON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015

*6. Long-term Obligations.*

In the government-wide financial statements and for the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. A deferred outflow of resources or deferred inflow of resources is recognized for the difference between the reacquisition price of refunded bonds and the net carrying amount of the refunded bonds and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Payments to an escrow agent for refunding bonds is reported as other financing uses.

*7. Fund Balance.*

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned and unassigned.

**Nonspendable** – This component includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Restricted** – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

CITY OF MADISON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015

Committed – This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority which includes the city charter, ordinances and resolutions. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (city charter, ordinance and resolution) it employed previously to commit those amounts.

Assigned – This component consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Mayor and Board of Aldermen or their designee as established by City policy.

Unassigned – This classification represents amounts that have not been restricted, committed or assigned to a specific purpose within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed.

CITY OF MADISON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015

2. Stewardship, Compliance and Accountability.

The City follows these procedures in establishing budgetary data.

1. During July and August of each year, the Mayor and Board of Aldermen prepare a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the City Hall to obtain taxpayer comments.
3. The budget is adopted in September and published in a local newspaper.
4. The City Clerk is not authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter expenditures of any fund must be approved by the Board of Aldermen.
5. Budgets for the General, Debt Service, Capital Projects and Enterprise Funds are adopted on the cash basis of accounting modified to include recognition of expenditures paid within 30 days after year end as required by the State of Mississippi. This method is not consistent with U.S. generally accepted accounting principles. Fiduciary funds are not required to be budgeted.
6. Budgeted revenues and expenditures or expenses are amended as necessary by the Board of Aldermen throughout the fiscal year.

3. Detailed Notes on All Funds.

A. Cash and Cash Equivalent.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

CITY OF MADISON, MISSISSIPPI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2015

The City can invest its excess funds in accordance with state statutes in certificates of deposit with municipal depositories and obligations of the United States of America, the State of Mississippi, or any county, municipality or school district of Mississippi.

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

Primary Government:

Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. The Mississippi State Treasurer manages that risk on behalf of the City. As of September 30, 2015, the carrying amount of the City's deposits with financial institutions was \$12,344,415 and the bank balance was \$12,455,546. None of the City's bank balance was exposed to custodial credit risk.

The following amounts of cash and other deposits were classified as restricted assets at September 30, 2015.

	Governmental Funds	Enterprise Funds
Amounts restricted for public improvements	\$ 5,515,644	\$ -
Water department customer deposits	-	175,000
	\$ 5,515,644	\$ 175,000

CITY OF MADISON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015

B. Receivables.

Receivables at September 30, 2015 for the City's individual major funds and non-major funds in the aggregate consisted of the following:

Governmental activities:

	General	General Obligation Debt Service	Non-major Governmental Funds	Total
Property taxes	\$ 122,539	\$ 34,906	\$ -	\$ 157,445
Sales tax	621,518	-	-	621,518
Customers	128,201	-	-	128,201
Grant reimbursements	-	-	26,238	26,238
Franchise tax	139,883	-	-	139,883
Lease proceeds	291,027	-	-	291,027
Other	12,895	-	-	12,895
<b>Total</b>	<b><u>\$1,316,063</u></b>	<b><u>\$ 34,906</u></b>	<b><u>\$ 26,238</u></b>	<b><u>\$1,377,207</u></b>

Business-type activities:

	Water and Sewer	Airport	Total
Customers	\$ 582,624	\$ 27,236	\$ 609,860
Grant reimbursements	-	152,872	152,872
	<b><u>\$ 582,624</u></b>	<b><u>\$ 180,108</u></b>	<b><u>\$ 762,732</u></b>

Property taxes are recognized as receivables when tax notices are mailed. Property taxes are billed and collected by Madison County which retains a percentage for performing this service. Property tax for the year ended September 30, 2015 was 21.0 mills per dollar of assessed valuation for general governmental service and 7.8 mills per dollar of assessed valuation for payment of principal and interest on long-term debt.

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CITY OF MADISON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015

C. Capital Assets.

Capital assets activity for the year ended September 30, 2015 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 3,973,333	\$ 160,000	\$ (25,000)	\$ -	\$ 4,108,333
Construction in progress	722,779	2,613,913	-	(2,700,892)	635,800
Total capital assets, not being depreciated	<u>4,696,112</u>	<u>2,773,913</u>	<u>(25,000)</u>	<u>(2,700,892)</u>	<u>4,744,133</u>
Capital assets, being depreciated:					
Buildings	10,373,526	49,950	-	-	10,423,476
Improvements other than buildings	18,604,585	794,785	-	800,603	18,200,173
Infrastructure	39,562,092	1,022,000	-	1,900,089	42,484,181
Machinery and equipment	10,686,286	686,046	(359,832)	-	11,012,500
Total capital assets, being depreciated	<u>77,226,489</u>	<u>2,552,781</u>	<u>(359,832)</u>	<u>2,700,892</u>	<u>82,120,330</u>
Less accumulated depreciation:					
Buildings	(4,397,649)	(320,128)	-	-	(4,717,777)
Improvements other than buildings	(5,250,455)	(655,153)	-	-	(5,905,608)
Infrastructure	(8,130,559)	(1,863,840)	-	-	(9,794,399)
Machinery and equipment	(8,736,455)	(801,553)	352,137	-	(9,187,871)
Total accumulated depreciation	<u>(26,517,118)</u>	<u>(3,440,674)</u>	<u>352,137</u>	<u>-</u>	<u>(29,605,655)</u>
Total capital assets, being depreciated, net	<u>50,709,371</u>	<u>(887,893)</u>	<u>(7,695)</u>	<u>2,700,892</u>	<u>52,514,675</u>
Governmental activities, capital assets, net	<u>\$ 55,405,483</u>	<u>\$ 1,888,020</u>	<u>\$ (32,695)</u>	<u>\$ -</u>	<u>\$ 57,258,608</u>

CITY OF MADISON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 2,348,463	\$ -	\$ -	\$ -	\$ 2,348,463
Construction in progress	697,768	2,116,212	-	-	2,813,980
Total capital assets, not being depreciated	<u>3,046,231</u>	<u>2,116,212</u>	<u>-</u>	<u>-</u>	<u>5,162,443</u>
Capital assets, being depreciated:					
Buildings	2,914,890	-	-	-	2,914,890
Infrastructure	24,800,090	41,241	-	-	24,841,331
Machinery and equipment	1,854,241	45,032	(60,197)	-	1,839,076
Total capital assets, being depreciated	<u>29,169,221</u>	<u>86,273</u>	<u>(60,197)</u>	<u>-</u>	<u>29,195,297</u>
Less accumulated depreciation:					
Buildings	(864,034)	(96,192)	-	-	(960,226)
Infrastructure	(13,155,107)	(990,577)	-	-	(14,145,684)
Machinery and equipment	(1,396,542)	(94,275)	60,197	-	(1,430,620)
Total accumulated depreciation	<u>(15,415,683)</u>	<u>(1,181,044)</u>	<u>60,197</u>	<u>-</u>	<u>(16,536,530)</u>
Total capital assets, being depreciated, net	<u>13,753,538</u>	<u>(1,094,771)</u>	<u>-</u>	<u>-</u>	<u>12,658,767</u>
Business-type activities, capital assets, net	<u>\$ 16,799,769</u>	<u>\$ 1,021,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,821,210</u>

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

Governmental activities:	
General government	\$ 192,005
Public safety	759,459
Public works	2,304,908
Culture and recreation	184,302
Total depreciation expense - governmental activities	<u>\$ 3,440,674</u>
Business-type activities:	
Water and sewer	\$ 876,619
Airport	304,425
Total depreciation expense - business-type activities	<u>\$ 1,181,044</u>

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Construction in progress was composed of the following:

Project	9/30/15 Balance	Remaining Estimated Commitment
<b>Governmental activities:</b>		
Hoy Road	\$ 349,603	\$ -
Liberty Park	57,095	-
Old Canton Road Widening	160,454	-
Natchez Trace Connection	8,000	-
Rice Road Multiuse	60,648	-
Total	<u>\$ 635,800</u>	<u>\$ -</u>
<b>Business-type activities:</b>		
Sewer Relocation Flow & Reverse Project	\$ 325,199	\$ -
Well and Elevated Tank Project	1,645,247	-
Old Canton Road - Widening Project	53,427	-
Sewer Treatment Improvements	135,657	-
Taxiway	445,943	-
Airport Access Roads and Terminal Building	101,714	-
Hanger and Site Work	45,393	-
Other	61,400	-
Total	<u>\$ 2,813,980</u>	<u>\$ -</u>

Component Unit:

Capital assets activity for MSRA for the year ended September 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Component unit activities:</b>					
<b>Capital assets, not being depreciated:</b>					
Land	\$ 3,730,000	\$ -	\$ (180,000)	\$ -	\$ 3,570,000
<b>Total capital assets, not being depreciated</b>	<u>3,730,000</u>	<u>-</u>	<u>(180,000)</u>	<u>-</u>	<u>3,570,000</u>
<b>Capital assets, being depreciated:</b>					
Buildings	2,460,000	-	-	-	2,460,000
<b>Total capital assets, being depreciated</b>	<u>2,460,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,460,000</u>
<b>Less accumulated depreciation:</b>					
Buildings	(658,111)	(82,000)	-	-	(940,111)
<b>Total accumulated depreciation</b>	<u>(858,111)</u>	<u>(82,000)</u>	<u>-</u>	<u>-</u>	<u>(940,111)</u>
<b>Total capital assets, being depreciated, net</b>	<u>1,801,889</u>	<u>(62,000)</u>	<u>-</u>	<u>-</u>	<u>1,519,889</u>
<b>Component unit activities, capital assets, net</b>	<u>\$ 5,331,889</u>	<u>\$ (82,000)</u>	<u>\$ (160,000)</u>	<u>\$ -</u>	<u>\$ 5,089,889</u>

CITY OF MADISON, MISSISSIPPI  
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D. Interfund Receivables, Payables and Transfers.

The composition of interfund balances as of September 30, 2015 was as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	Amount
General	G.O. Debt Service	\$ 235,934
General	2014 G.O. Bonds	19,012
General	Airport	51,800
G.O. Debt Service	Water and Sewer	267,732
G.O. Debt Service	2015 G.O. Bonds	50,034
Water and Sewer	General	7,927
Water and Sewer	G.O. Debt Service	230,000
Water and Sewer	2015 G.O. Bonds	50,034
		<u>\$ 912,473</u>

Interfund receivable and payable balances are due primarily to expenditures or deposited cash being reclassified between funds. These balances are settled between funds on a frequent basis throughout the year.

Interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 254,857	\$ 15,000
Unemployment Compensation Trust Fund	15,000	-
2014 G.O. Bonds	-	4,857
Water and Sewer Fund	-	250,000
	<u>\$ 269,857</u>	<u>\$ 269,857</u>

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E. Leases.

Operating Leases

The City has no significant operating leases.

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of various equipment in both the governmental and business-type activities. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets recorded under capital leases as of September 30, 2015 were as follows:

	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 2,438,365	\$ 164,298
Less: accumulated depreciation	(1,209,507)	(94,320)
Total	\$ 1,228,858	\$ 69,978

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015, were as follows:

Year Ending September 30:	Governmental Activities	Business-type Activities
2016	\$ 543,371	\$ 24,249
2017	344,716	6,853
2018	205,268	5,271
2019	163,865	5,271
2020	122,309	3,514
Thereafter	96,299	-
Total minimum lease payments	1,475,828	45,158
Less: amount representing interest	(80,303)	(1,559)
Present value of minimum lease payments	\$ 1,395,525	\$ 43,599

CITY OF MADISON, MISSISSIPPI  
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F. Long-term Debt.

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding were as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	1.7% - 5.5%	\$33,264,600
Business-type activities	2.0% - 3.1%	5,827,400

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 2,370,600	\$ 997,292	\$ 385,400	\$ 142,305
2017	2,466,400	925,326	399,600	133,317
2018	2,546,200	853,501	406,800	125,303
2019	2,223,600	778,547	416,400	116,775
2020	2,306,000	713,360	426,000	107,774
2021	2,376,800	650,776	442,200	98,369
2022	2,460,200	584,419	450,800	88,447
2023	2,525,000	519,163	462,000	78,234
2024	2,113,800	454,570	479,200	66,386
2025	2,169,000	391,486	503,000	53,925
2026	1,674,800	332,594	226,200	40,666
2027	1,735,000	277,501	234,000	34,538
2028	1,713,800	220,329	239,200	28,142
2029	1,400,600	160,742	244,400	21,553
2030	677,800	107,718	252,200	14,700
2031	700,000	84,963	260,000	7,582
2032	485,000	60,621	-	-
2033	505,000	42,271	-	-
2034	530,000	22,825	-	-
2035	285,000	8,550	-	-
Total	<u>\$ 33,264,600</u>	<u>\$ 8,186,554</u>	<u>\$ 5,827,400</u>	<u>\$ 1,158,016</u>

CITY OF MADISON, MISSISSIPPI  
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Tax Increment Limited Obligation Bonds

The City issued tax increment limited obligation bonds to provide funds for the costs of constructing certain infrastructure improvements needed for commercial developments. The City has pledged incremental increases in ad valorem and sales tax receipts from the properties benefiting from the infrastructure improvements to pay debt service. As a result, the bonds are not a general obligation of the City. Tax increment limited obligation bonds outstanding at year end were as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	2.97% - 5.25%	\$4,855,000

Annual debt service requirements to maturity for tax increment limited obligation bonds are as follows:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 475,000	\$ 154,566
2017	485,000	138,918
2018	500,000	122,880
2019	515,000	106,430
2020	525,000	89,472
2021	540,000	72,124
2022	555,000	54,290
2023	575,000	35,899
2024	200,000	22,758
2025	205,000	15,094
2026	160,000	8,195
2027	120,000	2,250
Total	<u>\$ 4,855,000</u>	<u>\$ 822,876</u>

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Special Obligation Bonds

Special obligation bonds were issued to provide funds to make loans to the City, the proceeds of which loans were used for the acquisition of a local sewer system, land and a building. Special obligation bonds outstanding at year end were as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities	3.5% - 5.0%	\$2,485,000

Annual debt service requirements to maturity for special obligation bonds are as follows:

<u>Year Ending September 30:</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 155,000	\$ 113,413
2017	165,000	106,438
2018	170,000	99,013
2019	180,000	91,788
2020	190,000	83,913
2021	200,000	75,600
2022	210,000	66,600
2023	220,000	57,150
2024	230,000	46,975
2025	245,000	36,338
2026	255,000	24,700
2027	265,000	12,588
Total	<u>\$ 2,485,000</u>	<u>\$ 814,516</u>

CITY OF MADISON, MISSISSIPPI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2015

Loans Payable

The City has received loans to finance various construction projects for water and sewer improvements. Loans outstanding at year end were as follows:

<u>Loan Type</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities:		
State Revolving Fund	4.50%	\$ 79,752
State Revolving Fund	1.95%	282,458
Capital Improvement (CAP)	3.00%	298,721
Total		<u>\$ 660,931</u>

Loan debt service requirements to maturity are as follows:

<u>Year Ending September 30:</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 99,294	\$ 16,448
2017	102,635	13,107
2018	94,922	9,705
2019	76,547	7,221
2020	67,211	5,044
2021	13,170	4,045
2022	13,429	3,786
2023	13,694	3,522
2024	13,963	3,252
2025	14,238	2,978
2026	14,518	2,698
2027	14,803	2,412
2028	15,095	2,121
2029	15,392	1,824
2030	15,695	1,521
2031	16,003	1,212
2032	16,318	897
2033	16,639	576
2034	16,967	249
2035	10,398	8
Total	<u>\$ 660,931</u>	<u>\$ 82,626</u>

CITY OF MADISON, MISSISSIPPI  
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Bond Refunding

During the current year, the City issued \$5,002,000 in general obligation bonds with an average interest rate of 2.48% to refund \$2,265,000 of outstanding general obligation bonds and \$2,295,000 of outstanding special obligation bonds. The refunding was approved by the City in order to decrease future debt service payments by \$293,883 and obtain an economic gain of \$260,733 (difference between present values of the debt service payments on the old and new debt).

Madison Square Redevelopment Authority (Urban Renewal Notes)

On March 1, 2011, MSRA issued \$4,250,000 of urban renewal notes that matured on March 1, 2014, and retired the existing notes of \$4,150,000. The new notes provided for interest-only payments at a rate of 2.25% per annum. On March 1, 2014, MSRA and the holder of its \$4,250,000 urban renewal notes series 2011-A entered into an agreement extending maturity of the notes until March 1, 2017. The interest rate was not changed.

Annual debt service requirements to maturity for the urban renewal notes are as follows:

<u>Year Ending September 30:</u>	<u>Component Unit Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ -	\$ 95,625
2017	4,250,000	47,813
	<u>\$ 4,250,000</u>	<u>\$ 143,438</u>

MSRA has entered into a Contribution Agreement with the City. Under the agreement, the City is obligated to contribute sums sufficient to pay the interest on MSRA's urban renewal notes as they mature and become due and payable and, in addition, any related administrative fees related to those notes. However, these payments are the obligation of MSRA to the extent that MSRA has funds sufficient to meet the obligation.

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Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<u>Governmental activities:</u>					
Bonds payable:					
General obligation bonds	\$ 31,038,200	\$ 6,617,000	\$ (4,390,600)	\$ 33,264,600	\$ 2,370,600
Tax increment financing bonds	5,325,000	-	(470,000)	4,855,000	475,000
Total bonds payable	<u>36,363,200</u>	<u>6,617,000</u>	<u>(4,860,600)</u>	<u>38,119,800</u>	<u>2,845,600</u>
Other liabilities:					
Capital leases	1,370,021	495,416	(469,912)	1,395,525	501,705
Compensated absences	897,973	7,807	-	905,780	-
Total other liabilities	<u>2,267,994</u>	<u>503,223</u>	<u>(469,912)</u>	<u>2,301,305</u>	<u>501,705</u>
Governmental activities, long-term liabilities	<u>\$ 38,631,194</u>	<u>\$ 7,120,223</u>	<u>\$ (5,330,512)</u>	<u>\$ 40,420,905</u>	<u>\$ 3,347,305</u>
<u>Business-type activities:</u>					
Bonds payable:					
General obligation bonds	\$ 3,621,800	\$ 2,385,000	\$ (179,400)	\$ 5,827,400	\$ 385,400
Special obligation bonds	5,105,000	-	(2,620,000)	2,485,000	155,000
Total bonds payable	<u>8,726,800</u>	<u>2,385,000</u>	<u>(2,799,400)</u>	<u>8,312,400</u>	<u>540,400</u>
Other liabilities:					
Capital leases	48,328	24,971	(29,700)	43,599	23,451
Loans payable	745,282	-	(84,351)	660,931	99,294
Compensated absences	19,623	-	-	19,623	-
Total other liabilities	<u>813,233</u>	<u>24,971</u>	<u>(114,051)</u>	<u>724,153</u>	<u>122,745</u>
Business-type activities, long-term liabilities	<u>\$ 9,540,033</u>	<u>\$ 2,409,971</u>	<u>\$ (2,913,451)</u>	<u>\$ 9,036,553</u>	<u>\$ 663,145</u>
<u>Component Unit - MSRA</u>					
Urban renewal notes	<u>\$ 4,250,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,250,000</u>	<u>\$ -</u>

CITY OF MADISON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015

4. Other Information.

A. Contingent Liabilities.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is party to various litigation and unasserted possible claims incidental to conducting City business. The ultimate outcome of these matters cannot presently be determined. Accordingly, no provision for any liability that may result has been made in the accompanying financial statements.

B. Defined Benefit Pension Plan

Plan Description. The City contributes to the Public Employees' Retirement System of Mississippi ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring.

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Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years of creditable service for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost of Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired plan member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2015, 2014 and 2013 were approximately \$1,490,000, \$1,410,000, and \$1,270,000, respectively, and equaled the required contributions for each year.

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

At September 30, 2015, the City reported a liability of \$23,187,042 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was 0.15 percent.

CITY OF MADISON, MISSISSIPPI  
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 September 30, 2015

For the year ended September 30, 2015, the City recognized pension expense of \$2,205,844. At September 30, 2015 the City deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 538,696	\$ -
Changes of assumptions	1,997,485	-
Net difference between projected and actual earnings on pension plan investments	-	622,767
City contributions subsequent to the measurement date	353,895	-
	\$ 2,890,076	\$ 622,767

\$353,895 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$ 647,081
2017	624,604
2018	302,556
2019	339,173
	\$ 1,913,414

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary Increase	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension investment expense, including inflation

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 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2015

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016 with males set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of 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. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 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 employer 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.

CITY OF MADISON, MISSISSIPPI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2015

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 30,562,646	\$ 23,187,042	\$ 17,066,670

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

C. Prior Period Adjustment

The City implemented Governmental Accounting Standards Board Statement 68 during the year ended September 30, 2015, which establishes accounting and financial reporting standards that require government employers that are members of cost-sharing defined benefit pension plans to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The resulting restatement of net position at September 30, 2014 is computed as follows:

Net pension liability (measurement date)	\$ 18,207,254
Deferred outflows	(615,366)
Deferred inflows	2,639,275
Total change in net position	\$ 20,231,163

CITY OF MADISON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015

D. 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; injuries to employees; and natural disasters. Except as described below, the City carries commercial insurance for these risks. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City is a participant in the Mississippi Municipal Workers' Compensation Group, a group self-insurer. The City has jointly and severally agreed to assume, pay and discharge any liabilities incurred under the provisions of the Mississippi Workers' Compensation Act by each and every member of the group during the respective periods of the City's membership in the group. No assessments in excess of the City's premium have been necessary to settle claims in any of the past three fiscal years.

E. Subsequent Events.

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Corporation through March 29, 2016, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements.

Subsequent to September 30, 2015, the City made the remaining draws of \$1,658,916 on a state revolving fund loan. In August 2013, the City made an initial draw of \$282,458 on the loan to finance planning and engineering expenditures incurred for the construction of a new water well at Liberty Park. No additional draws were made prior to September 30, 2015. The loan bears interest at 1.95 percent and will be repaid in equal monthly payments from May 2016 through September 2035.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Madison, Mississippi  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 7,761,500	\$ 7,761,500	\$ 7,603,869	\$ (157,631)
Payments in lieu of taxes	255,000	251,900	251,936	36
Licenses and permits	880,500	750,500	783,343	32,843
Fines and forfeitures	888,797	713,797	492,391	(221,406)
Franchise fees	1,200,000	1,200,000	1,222,907	22,907
Intergovernmental	7,729,832	7,652,410	7,581,914	(70,496)
Charges for services	1,746,000	1,746,000	1,737,147	(8,853)
Miscellaneous	511,190	443,690	424,421	(19,269)
Total revenues	<u>20,972,819</u>	<u>20,519,797</u>	<u>20,097,928</u>	<u>(421,869)</u>
<b>EXPENDITURES</b>				
General government	2,691,300	2,684,022	2,557,058	126,964
Public safety	10,810,935	10,509,212	9,756,974	752,238
Public works	5,271,657	5,218,728	5,123,571	95,157
Culture and recreation	1,342,765	1,358,840	1,195,449	163,391
Economic development	353,408	437,063	400,464	36,599
Debt service	735,597	735,597	743,531	(7,934)
Total expenditures	<u>21,205,662</u>	<u>20,943,462</u>	<u>19,777,047</u>	<u>1,166,415</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(232,843)</u>	<u>(423,665)</u>	<u>320,881</u>	<u>744,546</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	-	193,500	193,529	29
Transfers in	250,000	250,000	254,857	4,857
Transfers out	(15,000)	(15,000)	(15,000)	-
Total other financing sources (uses)	<u>235,000</u>	<u>428,500</u>	<u>433,386</u>	<u>4,886</u>
Net change in fund balance	2,157	4,835	754,267	749,432
Fund balance, beginning of year	<u>2,971,256</u>	<u>3,026,919</u>	<u>3,026,919</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,973,413</u>	<u>\$ 3,031,754</u>	<u>\$ 3,781,186</u>	<u>\$ 749,432</u>

The accompanying notes to the required supplementary information are an integral part of this statement.

CITY OF MADISON, MISSISSIPPI

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.15%	0.15%
City's proportionate share of the net pension liability	\$ 23,187,042	\$ 18,207,254
City's covered-employee payroll	\$ 9,489,708	\$ 8,951,308
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	244.34%	203.40%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

The accompanying notes to the required supplementary information are an integral part of this statement.

CITY OF MADISON  
SCHEDULE OF THE CITY'S CONTRIBUTIONS

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,494,629	\$ 1,409,831
Contributions in relation to the contractually required contribution	<u>(1,494,629)</u>	<u>(1,409,831)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	<u>\$ 9,489,708</u>	<u>\$ 8,951,308</u>
Contributions as a percentage of covered-employee payroll	<u>15.75%</u>	<u>15.75%</u>

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The accompanying notes to the required supplementary information are an integral part of this statement.

CITY OF MADISON, MISSISSIPPI  
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
 Year Ended September 30, 2015

A. Budgetary Information

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Mayor and Board of Aldermen, using historical and anticipated fiscal data and proposed budgets submitted by the various department managers for their respective department, prepare an original budget for each of the governmental funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is adopted on the cash basis of accounting modified to include recognition of expenditures paid within 30 days after year end as required by the State of Mississippi. This method is not consistent with U.S. generally accepted accounting principles ("GAAP").

B. Basis of Presentation.

The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (non-GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the general fund only.

C. Budget/GAAP Reconciliation.

A reconciliation of the financial reporting U.S. generally accepted accounting principles basis to the budgetary cash basis is presented below.

	General Fund
Net change in fund balance - GAAP basis	\$ 941,745
Reconciling items:	
Receivables	(187,478)
Net change in fund balance - budgetary cash basis	\$ 754,267

CITY OF MADISON, MISSISSIPPI  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended September 30, 2015

D. Schedule of the City's Proportionate Share of the Net Pension Liability.

The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in the fiscal year ended September 30, 2015, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

E. Schedule of the City's Contributions.

The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in the fiscal year ended September 30, 2015, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

CITY OF MADISON, MISSISSIPPI

SUPPLEMENTAL INFORMATION

CITY OF MADISON, MISSISSIPPI  
 SCHEDULE RECONCILING ORIGINAL AD VALOREM TAX ROLLS  
 TO FUND COLLECTIONS  
 Year Ended September 30, 2015

	<u>Assessed Value</u>	<u>Tax</u>
<u>Adjusted Assessed Valuation:</u>		
City Tax:		
Realty	\$ 290,511,078	
Personal - other than auto	15,949,700	
Public utilities	6,634,118	
Personal - auto (remitted by county)	<u>67,882,535</u>	
Total City @ 28.8 mills	<u>\$ 380,977,431</u>	\$ 10,972,150
Less: Homestead exemption allowed		<u>(407,010)</u> \$ 10,565,140
Add: Actual homestead reimbursement		23,991
Penalties and interest on delinquent taxes		<u>45,046</u> 69,037
Deduct: County Tax Collector's commissions		<u>(172,751)</u>
<u>Total to be Accounted for</u>		<u>\$ 10,461,426</u>

	<u>Taxes</u>	<u>Homestead Reimbursement</u>	<u>Total</u>	
<u>Credits:</u>				
Collections Allocated to:				
General Fund	\$ 7,621,105	\$ 23,991	\$ 7,645,096	
Debt Service Fund	<u>2,807,882</u>	<u>-</u>	<u>2,807,882</u>	
Totals	10,428,987	23,991		\$ 10,452,978
Balance Represented by:				
Unpaid taxes			8,527	
Unaccounted for - oversettled			<u>(79)</u>	<u>8,448</u>
<u>Total Accounted for</u>				<u>\$ 10,461,426</u>

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CITY OF MADISON, MISSISSIPPI  
 SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS  
 September 30, 2015

Name	Position	Bonding Company	Amount of Bond
Mary Hawkins Butler	Mayor	Travelers	\$ 100,000
Warren Strain	Alderman-At-Large	Travelers	100,000
Tawanna Tatum	Alderman-Ward 1	Travelers	100,000
Patricia Peeler	Alderman-Ward 2	Travelers	100,000
Ken Jacobs	Alderman-Ward 3	Travelers	100,000
Steve Hickok	Alderman-Ward 4	Travelers	100,000
Michael Hudgins	Alderman-Ward 5	Travelers	100,000
Guy Bowering	Alderman-Ward 6	Travelers	100,000
Susan Crandall	City Clerk	Travelers	50,000
Helen Broockmann	Deputy Clerk	Travelers	50,000
Jackie Brown	Deputy Clerk	Travelers	50,000
Katherine Reed	Deputy Clerk / Comptroller	Travelers	50,000
Arkita Manning	Utility Clerk	Travelers	50,000
Lisa Winstead	Chief Deputy Clerk	Travelers	50,000
Eugene Waldrop	Chief of Police	Travelers	50,000
Police Officers		Travelers	50,000
Employees Handling Cash		Travelers	50,000

CITY OF MADISON, MISSISSIPPI  
 SCHEDULE OF LONG-TERM DEBT  
 September 30, 2015

	Interest Rates (%)	Payment Date	Issue Date	Maturity Date	Balance Outstanding 10/01/14	Transactions During Fiscal Year		Balance Outstanding 09/30/15
						Issued	Redeemed	
<b>General Obligation Bonds:</b>								
Public building bond project	4.00-4.50	Jan. 1 Jul. 1	02/05	02/25	\$ 465,000	\$ -	\$ (230,000)	\$ 235,000
Public improvement bonds	5.50	May 1 Nov. 1	05/08	5/21	3,930,000	-	(2,475,000)	1,455,000
Public improvement bonds	3.38-4.80	Oct. 1 Apr. 1	10/09	10/29	8,295,000	-	(390,000)	7,905,000
Refunding bonds	2.00-3.00	June 1 Dec. 1	12/10	06/18	1,500,000	-	(355,000)	1,145,000
Public improvement bonds	1.70	Feb. 1 Aug. 1	09/12	02/27	925,000	-	(55,000)	870,000
Refunding bonds	2.00	Sept. 30	08/12	09/25	9,080,000	-	(600,000)	8,480,000
Refunding bonds	2.00-2.65	Sept. 1 Mar. 1	12/12	09/31	1,495,200	-	(74,400)	1,420,800
Refunding bonds	2.00-3.13	Sept. 1 Mar. 1	03/13	09/31	1,848,000	-	(91,200)	1,756,800
Public improvement bonds	4.00	Sept. 1 Mar. 1	03/14	03/34	3,500,000	-	(120,000)	3,380,000
Refunding bonds	1.31-2.65	May 1 Nov. 1	04/15	05/28	-	2,617,000	-	2,617,000
Public improvement bonds	2.50-3.00	Feb. 1 Aug. 1	08/15	08/35	-	4,000,000	-	4,000,000
					<u>31,038,200</u>	<u>6,617,000</u>	<u>(4,390,600)</u>	<u>33,264,600</u>
<b>Special Obligation Bonds:</b>								
Public building bond project	3.50-4.50	Jan. 1 Jul. 1	02/05	7/15	2,470,000	-	(2,470,000)	-
Public sewer system project	4.25-5.00	Sept. 1 Mar. 1	09/07	09/27	2,635,000	-	(150,000)	2,485,000
					<u>5,105,000</u>	<u>-</u>	<u>(2,620,000)</u>	<u>2,485,000</u>

CITY OF MADISON, MISSISSIPPI  
 SCHEDULE OF LONG-TERM DEBT - (Cont'd.)  
 September 30, 2015

	Interest Rates (%)	Payment Date	Issue Date	Maturity Date	Balance Outstanding 10/01/14	Transactions		Balance Outstanding 09/30/15
						During Fiscal Year Issued	Redeemed	
<b>General Obligation Bonds (Water &amp; Sewer):</b>								
Refunding bonds	2.00-2.65	Sept. 1 Mar. 1	12/12	09/31	1,619,800	-	(80,600)	1,539,200
Refunding bonds	2.00-3.13	Sept. 1 Mar. 1	03/13	09/31	2,002,000	-	(98,800)	1,903,200
Refunding bonds	1.31 - 2.65	May 1 Nov. 1	04/15	05/28	-	2,385,000	-	2,385,000
					<u>3,621,800</u>	<u>2,385,000</u>	<u>(179,400)</u>	<u>5,827,400</u>
<b>Limited Obligation Bonds:</b>								
Tax increment financing bonds	3.85	May 1 Nov. 1	05/11	05/26	400,000	-	(30,000)	370,000
Tax increment financing bonds	3.81	May 1 Nov. 1	05/11	11/25	670,000	-	(60,000)	610,000
Tax increment financing bonds	3.75	Nov. 1 May 1	11/11	05/26	1,250,000	-	(75,000)	1,175,000
Tax increment financing refunding bonds	2.97	May 1 Nov. 1	12/13	11/22	3,005,000	-	(305,000)	2,700,000
					<u>5,325,000</u>	<u>-</u>	<u>(470,000)</u>	<u>4,855,000</u>
<b>Other Loans Payable:</b>								
State revolving fund loan	4.50	Monthly	09/98	05/18	107,438	-	(27,686)	79,752
State revolving fund loan	1.95	Monthly	08/13	11/34	282,458	-	-	282,458
Capital improvements loan	3.00	Monthly	12/98	11/21	355,386	-	(56,665)	298,721
					<u>745,282</u>	<u>-</u>	<u>(84,351)</u>	<u>660,931</u>
					<u>\$ 45,835,282</u>	<u>\$ 9,002,000</u>	<u>\$ (7,744,351)</u>	<u>\$ 47,092,931</u>

CITY OF MADISON, MISSISSIPPI  
 Schedule of Expenditures of Federal Awards  
 Year Ended September 30, 2015

Federal Agency/ Pass-through Entity/ Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program:			
Economic Development Initiative - Special Project	14.246	N/A	\$ 421,118
Passed-through the Mississippi Development Authority Community Development Block Grants/State's Program	14.228	113114249PF01	<u>268,496</u>
Total U.S. Department of Housing and Urban Development			<u>689,614</u>
<u>U.S. Department of Justice</u>			
Passed-through the Mississippi Department of Public Safety: Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-MU-BX-0062	<u>3,000</u>
<u>U.S. Department of Transportation</u>			
Direct Program:			
Airport Improvement Project	20.106	N/A	500,899
Passed-through the Mississippi Department of Public Safety: State and Community Highway Safety	20.600	14-PT-30-21	14,303
Alcohol Open Container Requirements	20.607	15-ST-30-21	49,454
National Priority Safety Programs	20.616	14-MD-30-21	<u>36,112</u>
Total U.S. Department of Transportation			<u>500,768</u>
<u>Executive Office of the President</u>			
Passed-through the Mississippi Department of Public Safety: High Intensity Drug Trafficking Areas Program	95.001	G13GC0003A / G14GC0003A	<u>27,857</u>
Total for All Federal Awards			<u>\$ 1,321,239</u>

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Madison under programs of the federal government for the year ended September 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the City of Madison, it is not intended and does not present the financial position, changes in net position or cash flows of the City of Madison.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments.

CITY OF MADISON, MISSISSIPPI

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



# COLLINS, BARR & HEMBREE, LTD.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

Honorable Mayor and Board of Aldermen  
City of Madison, Mississippi

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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Madison, Mississippi (the City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 29, 2016.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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. We did identify certain deficiencies in internal control described in Finding 2015-1 of the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

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## City of Madison's Response to Findings

The City's response to the finding identified in our audit is described in the Auditee's Corrective Action Plan on page 79. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

*Collins, Barr & Hembree, LLP*

March 29, 2016



# **COLLINS, BARR & HEMBREE, LTD.**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Mayor and Board of Aldermen  
City of Madison, Mississippi

### **Report on Compliance for Each Major Federal Program**

We have audited City of Madison Mississippi's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Collin Barr & Hembree, LLP.*

March 29, 2016



**COLLINS, BARR & HEMBREE, LTD.**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Aldermen  
City of Madison, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Madison, Mississippi (the City) as of and for the year ended September 30, 2015, and have issued our report thereon dated March 29, 2016. We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the requirements of the Mississippi Office of the State Auditor and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the financial statements disclosed no instances of noncompliance with state laws and regulations.

\*\*\*

This report is intended solely for the information and use of the Mayor, Board of Aldermen, management and the State of Mississippi and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Collins, Barr & Hembree, Ltd.*

March 29, 2016

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CITY OF MADISON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF MADISON, MISSISSIPPI  
 Schedule of Findings and Questioned Costs  
 For the Year Ended September 30, 2015

Section I – Summary of Auditor’s Results

*Financial Statements:*

- |                                                         |            |
|---------------------------------------------------------|------------|
| 1. Type of auditor's report issued                      | Unmodified |
| 2. Internal control over financial reporting:           |            |
| a. Material weaknesses identified                       | No         |
| b. Significant deficiencies identified                  | Yes        |
| 3. Noncompliance material to financial statements noted | No         |

*Federal Awards:*

- |                                                                                                                          |                 |
|--------------------------------------------------------------------------------------------------------------------------|-----------------|
| 4. Type of auditor's report issued on compliance for major programs                                                      | Unmodified      |
| 5. Internal control over major programs:                                                                                 |                 |
| a. Material weaknesses identified                                                                                        | No              |
| b. Significant deficiencies identified                                                                                   | None Reported   |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 | No              |
| 7. Federal program identified as a major program:                                                                        |                 |
| Economic Development Initiative – Special Project                                                                        | CFDA No. 14.246 |
| Airport Improvement Project                                                                                              | CFDA No. 20.106 |
| 8. Dollar threshold to distinguish between type A and type B programs:                                                   | \$300,000       |
| 9. Auditee qualified as low-risk auditee                                                                                 | No              |

CITY OF MADISON, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2015

Section II – Financial Statement Findings

Finding 2015-1:

During the year, the City of Madison, Mississippi determined utility meter readings being obtained each month for some customers were not accurate due to mechanical failure of the meters. As a result of the incorrect meter readings, these customers were not being billed for all utility usage. We recommend more care be exercised in reviewing the billing register each month in order to insure that unusual meter readings are corrected in a timely manner.

Section III – Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.

CITY OF MADISON

OTHER ITEMS

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# CITY OF MADISON

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## AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section \_\_\_\_315(b) of OMB Circular A-133, the City of Madison, Mississippi has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2015:

**MAYOR**  
Mary Hawkins Butler

**CITY CLERK/DIRECTOR**  
Susan B. Crandall

**BOARD OF ALDERMEN**

**AT LARGE**  
Warren Strain

**WARD I**  
Tawanna Tarum

**WARD II**  
Parricia H. Peeler

**WARD III**  
Ken Jacobs

**WARD IV**  
Steve Hickok

**WARD V**  
Michael L. Hudgins

**WARD VI**  
Guy Bowering

2015-1: The City of Madison, Mississippi held a meeting with the employees responsible for utility billings to emphasize the importance of reviewing the monthly billing registers for accuracy. In addition, new reports have been designed and controls implemented to mitigate the risk of this problem in the future. Management believes adequate corrective action has been taken to avoid the recurrence of this finding.



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# CITY OF MADISON

1004 MADISON AVENUE ♦ POST OFFICE BOX 40 ♦ MADISON, MISSISSIPPI 39130-0040 ♦ (601) 856-7116 ♦ FAX (601) 856-8786

## AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section \_\_.315(b) of OMB Circular A-133, the City of Madison, Mississippi has prepared and hereby submits the following summary schedule of prior audit findings for the year ended September 30, 2015:

<u>Finding</u>	<u>Status</u>
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No findings were reported in the prior year.

**MAYOR**  
Mary Hawkins Butler

**CITY CLERK/DIRECTOR**  
Susan B. Crandall

**BOARD OF ALDERMEN**  
**AT LARGE**  
Warren Strain

**WARD I**  
Tawanna Tatum

**WARD II**  
Patricia H. Peeler

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