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CITY OF MADISON, MISSISSIPPI

AUDIT REPORT

September 30, 2020

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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, 2020, 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, 2020, 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

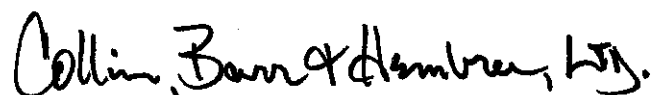
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability, schedule of the City's contributions and the notes to the required supplementary information on pages 7-18 and 58-64 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 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 31, 2021, 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.



March 31, 2021

CITY OF MADISON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MADISON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

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, 2020. 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, 2020 by \$44,453,272 (net position).
- The City's net position increased \$3,207,776 or 8%, during the 2020 fiscal year. The increase is primarily due to additional capital and operating grants, sales tax revenues and property tax revenues.
- At September 30, 2020, the City's governmental funds reported total fund balance of \$18,267,587. Of this amount, \$8,852,062 (general fund unassigned fund balance) may be used to meet the general government's spending requirements. The unassigned fund balance represents 34% of total General Fund expenditures for fiscal year 2020.
- In the City's proprietary funds, revenues, capital contributions and transfers totaled \$5,596,833 while expenses totaled \$5,621,742, which resulted in a decrease in net position of \$24,909.
- The City's total debt, including capital lease obligations, decreased a net amount of \$1,573,009 during the 2020 fiscal year. New debt totaling \$14,600,416 was issued to complete infrastructure improvements and refund existing debt. Debt payments of \$13,027,407 were made during the 2020 fiscal year.

CITY OF MADISON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

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, 2020

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, 2020. 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, 2020

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.

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 2016 TIF Grandview Fund, 2019 G.O. Public Improvement Fund and the General Obligation Debt Service Fund, which are considered to be major funds. Data from other 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 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 - 64.

CITY OF MADISON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

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 \$44,453,272 at September 30, 2020 as shown below.

**Condensed Statement of Net Position
As of September 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 19,687,751	\$ 15,147,477	\$ 1,905,676	\$ 2,982,156	\$ 21,593,427	\$ 18,129,633
Capital assets, net of accumulated depreciation	85,148,542	84,548,784	19,337,053	19,331,042	104,485,595	103,879,826
Other non-current assets	-	-	200,000	200,000	200,000	200,000
Total assets	104,836,293	99,696,261	21,442,729	22,513,198	126,279,022	122,209,459
Deferred outflow s of resources	1,855,032	725,355	130,356	60,348	1,985,388	785,703
Total assets and deferred outflow s of resources	106,691,325	100,421,616	21,573,085	22,573,546	128,264,410	122,995,162
Current liabilities	6,011,530	6,557,437	1,126,544	1,425,928	7,138,074	7,983,365
Non-current liabilities	64,730,546	60,442,418	11,148,638	11,782,972	75,879,184	72,225,390
Total liabilities	70,742,076	66,999,855	12,275,182	13,208,900	83,017,258	80,208,755
Deferred inflow s of resources	731,568	1,436,765	62,312	104,146	793,880	1,540,911
Total liabilities and deferred inflow s of resources	71,473,644	68,436,620	12,337,494	13,313,046	83,811,138	81,749,666
Net position:						
Invested in capital assets, net of related debt	51,662,907	47,500,104	10,141,863	9,102,145	61,804,770	56,602,249
Restricted	71,632	203,981	-	-	71,632	203,981
Unrestricted	(16,516,858)	(15,719,089)	(906,272)	158,355	(17,423,130)	(15,560,734)
Total net position	\$ 35,217,681	\$ 31,984,996	\$ 9,235,591	\$ 9,260,500	\$ 44,453,272	\$ 41,245,496

Capital assets (e.g., land, construction in progress, buildings, furniture, equipment, infrastructure and improvements) account for 81% 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 \$71,632 represent less than 1% of total net position. The unrestricted net position decreased \$3,669,721 to \$(19,230,455).

CITY OF MADISON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

The City's total net position increased \$3,207,776 during fiscal year 2020 as summarized below.

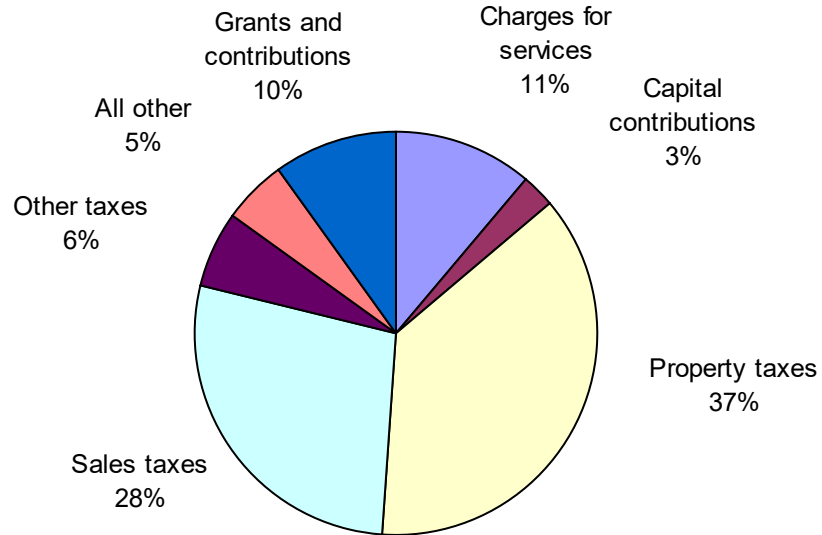
**Condensed Statement of Changes in Net Position
For the Years Ended September 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues and transfers:						
Program revenues:						
Charges for services	\$ 3,540,074	\$ 3,406,315	\$ 4,851,469	\$ 4,818,410	\$ 8,391,543	\$ 8,224,725
Grants and contributions	3,395,602	2,496,976	936,898	592,502	4,332,500	3,089,478
General revenues:						
Property taxes	12,296,117	11,982,358	-	-	12,296,117	11,982,358
Road and bridge privilege taxes	785,482	632,484	-	-	785,482	632,484
Sales taxes	9,328,681	9,064,029	-	-	9,328,681	9,064,029
Franchise taxes	1,168,922	1,174,904	-	-	1,168,922	1,174,904
Capital contributions	1,072,000	3,108,000	-	-	1,072,000	3,108,000
Other revenues	1,342,767	1,333,120	58,466	39,084	1,401,233	1,372,204
Transfers in/(out)	250,000	250,000	(250,000)	(250,000)	-	-
Total	33,179,645	33,448,186	5,596,833	5,199,996	38,776,478	38,648,182
Expenses:						
General government	1,830,187	3,255,904	-	-	1,830,187	3,255,904
Public safety	11,627,695	11,583,942	-	-	11,627,695	11,583,942
Public works	12,052,135	10,127,062	-	-	12,052,135	10,127,062
Culture and recreation	1,825,801	1,941,929	-	-	1,825,801	1,941,929
Economic development	96,118	80,961	-	-	96,118	80,961
Water and sewer	-	-	5,302,402	4,820,428	5,302,402	4,820,428
Airport	-	-	319,340	362,537	319,340	362,537
Interest on long-term debt	2,515,024	2,421,422	-	-	2,515,024	2,421,422
Total	29,946,960	29,411,220	5,621,742	5,182,965	35,568,702	34,594,185
Change in net position	3,232,685	4,036,966	(24,909)	17,031	3,207,776	4,053,997
Net position, beginning of year	31,984,996	27,948,030	9,260,500	9,243,469	41,245,496	37,191,499
Net position, end of year	\$ 35,217,681	\$ 31,984,996	\$ 9,235,591	\$ 9,260,500	\$ 44,453,272	\$ 41,245,496

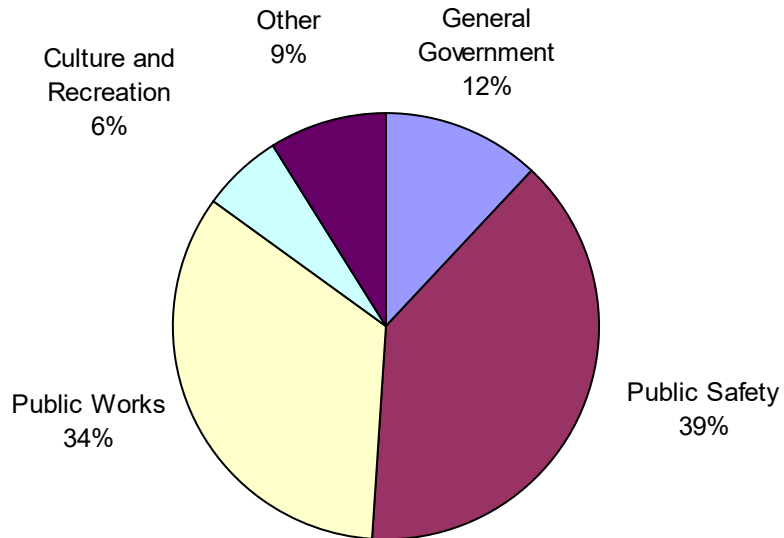
Governmental activities. Governmental activities net position increased by \$3,232,685 during fiscal year 2020, a 10% increase over prior year net position. The increase in net position in fiscal year 2019 was \$4,036,966. Grants and contributions totaled \$3,395,602 in 2020, an increase of \$898,626 over 2019. General revenues from infrastructure contributions from developers totaled \$1,072,000 during fiscal year 2020 as compared to \$3,108,000 in 2019, a decrease of \$2,036,000. Property tax revenues increased to \$12,296,117, which represents a 3% increase as compared to fiscal year 2019. The tax rate was 28.8 mills in 2020 and 2019. Sales tax revenue increased to \$9,328,681, a 3% increase from fiscal year 2019. The increases in property tax and sales tax revenues are 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, 2020

Revenues and Transfers by Source – Governmental Activities for Fiscal Year 2020



Expenses by Functions/Programs – Governmental Activities for Fiscal Year 2020



CITY OF MADISON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

Business-type activities. Business-type activities decreased the City's net position by \$24,909 during fiscal year 2020 as compared to prior year. The business-type activities include the Water and Sewer Fund and the Airport Fund. Charges for services totaled \$4,851,469 for 2020, which represents an increase of less than 1% from the previous year. Grants and contributions totaled \$936,898 for fiscal year 2020 as compared to \$592,502 in 2019, representing a 58% increase. Total expenses increased 8% to \$5,621,742 as compared to prior year.

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 \$4,679,889, total liabilities of \$4,257,969 and net position of \$421,920 at September 30, 2020. There were no revenues for 2020 and operating expenses totaled \$82,000 which produced a decrease in net position of \$82,000.

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, 2020

Financial Analysis of the Government's Funds

The City's governmental funds reported combined ending fund balances of \$18,267,587 as of September 30, 2020 as set forth below.

**Condensed Balance Sheet – Governmental Funds
As of September 30, 2020**

	General	2016 TIF Grandview	2019 G.O. Public Improvement Bonds	General Obligation Debt Service	Other Governmental Funds	Total Governmental Funds
Assets	\$ 9,940,783	\$ 5,038,579	\$ 4,157,685	\$ 184,678	\$ 71,632	\$ 19,393,357
Liabilities	1,088,721	-	1,718	35,331	-	1,125,770
Fund Balances	<u>\$ 8,852,062</u>	<u>\$ 5,038,579</u>	<u>\$ 4,155,967</u>	<u>\$ 149,347</u>	<u>\$ 71,632</u>	<u>\$ 18,267,587</u>

The combined ending fund balance for the governmental funds of \$18,267,587 represents an increase of \$5,675,227 from the prior year. This increase is primarily due to proceeds of general obligation bonds during the year for street improvements and other capital projects.

The General Fund is the chief operating fund of the City. At September 30, 2020, the total fund balance of the General Fund was \$8,852,062. The General Fund revenues totaled \$25,771,636 for 2020, which represents an increase of \$1,413,205 or 6% over the prior year. This increase is due primarily to additional property tax and sales tax collections resulting from the continued growth in the City's residential and commercial tax rolls. The General Fund expenditures increased 6% to \$25,971,220. The increase is due primarily to property purchased for future development. Other financing sources totaled \$115,416 for 2020 compared to other financing sources of \$341,708 for 2019. These changes produced a net decrease in fund balance of \$84,168 for 2020 compared to a net increase in fund balance of \$196,550 for 2019. Management expects an increase in fund balance from operations 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 \$(906,272) as of September 30, 2020. These funds are primarily supported by annual user fees.

CITY OF MADISON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

General Fund Budgetary Highlights

The General Fund original budget was amended during fiscal year 2020 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 2020 were over the budgeted amount by \$128,531 representing a 1% favorable variance, and expenditures and other financing uses were under the budgeted amount by \$1,055,462, representing a 4% favorable variance. This resulted in an overall favorable variance for the year of \$1,183,993.

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, 2020 amounts to \$104,485,595, net of accumulated depreciation of \$72,398,409. 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, 2020 and 2019

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Capital assets, not being depreciated:						
Land	\$ 7,919,392	\$ 5,022,892	\$ 2,348,463	\$ 2,348,463	\$ 10,267,855	\$ 7,371,355
Construction in progress	2,273,642	1,828,311	730,028	212,092	3,003,670	2,040,403
Total capital assets, not being depreciated	10,193,034	6,851,203	3,078,491	2,560,555	13,271,525	9,411,758
Capital assets, net of depreciation:						
Buildings	3,869,499	4,437,661	1,473,705	1,569,896	5,343,204	6,007,557
Improvements other than buildings	17,813,590	18,754,071	-	-	17,813,590	18,754,071
Infrastructure	50,589,946	51,543,294	14,639,617	15,020,070	65,229,563	66,563,364
Machinery and equipment	2,682,473	2,962,555	145,240	180,521	2,827,713	3,143,076
Total capital assets, net of depreciation	74,955,508	77,697,581	16,258,562	16,770,487	91,214,070	94,468,068
Total capital assets	\$ 85,148,542	\$ 84,548,784	\$ 19,337,053	\$ 19,331,042	\$ 104,485,595	\$ 103,879,826

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

CITY OF MADISON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

Long-term debt. The City had total outstanding debt of \$53,642,234 at September 30, 2020 which consisted of the following:

**Condensed Statement of Outstanding Debt
As of September 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Bonds:						
General obligation bonds	\$ 27,408,800	\$ 23,657,800	\$ 7,116,200	\$ 5,919,200	\$ 34,525,000	\$ 29,577,000
Tax increment financing bonds	12,560,000	13,555,000	-	-	12,560,000	13,555,000
Special obligation bonds	-	-	-	1,815,000	-	1,815,000
Total bonds	39,968,800	37,212,800	7,116,200	7,734,200	47,085,000	44,947,000
Other liabilities:						
Capital leases	2,713,099	3,083,318	99,790	129,792	2,812,889	3,213,110
Loans payable	-	-	1,974,375	2,139,145	1,974,375	2,139,145
Compensated absences	1,758,307	1,704,736	11,663	11,663	1,769,970	1,716,399
Total other liabilities	4,471,406	4,788,054	2,085,828	2,280,600	6,557,234	7,068,654
Total outstanding debt	\$ 44,440,206	\$ 42,000,854	\$ 9,202,028	\$ 10,014,800	\$ 53,642,234	\$ 52,015,654

The City had total bonded debt outstanding of \$47,085,000 at September 30, 2020. Of this amount, \$34,525,000 comprises debt backed by the full faith and credit of the government and \$12,560,000 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 \$2,812,889 are recorded as other liabilities at September 30, 2020.

The City's total debt increased a net amount of \$1,626,580 during the 2020 fiscal year. New debt totaled \$14,600,416, and an increase in the compensated absences liability of \$53,571 was recorded for fiscal year 2020. Debt payments of \$13,027,407 were made during the 2020 fiscal year.

The City has received several loans to finance various water and sewer improvement projects. Loans outstanding totaled \$1,974,375 at September 30, 2020.

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, 2020

Economic Factors and 2021 Budget Information

The 2021 General Fund budget anticipates that revenues and other financing sources will total \$29,389,821. Total 2021 expenditures are budgeted at \$29,359,193, which will result in an anticipated increase of \$30,628 for the year.

Management anticipates that property tax revenues and sales tax revenues will continue to increase in 2021 from residential and commercial growth within the City. The City's property tax rate for fiscal year 2021 has been set at 28.8 mills per thousand dollars of assessed value (\$.0288 per assessed dollar) the same as 2020.

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, 2020

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 7,622,437	\$ 1,384,108	\$ 9,006,545	\$ -
Receivables, net	2,385,601	631,833	3,017,434	-
Internal balances	154,624	(154,624)	-	-
Restricted cash and cash equivalents	9,196,264	-	9,196,264	-
Other current assets	328,825	44,359	373,184	-
Total current assets	19,687,751	1,905,676	21,593,427	-
Non-current assets:				
Restricted cash and cash equivalents	-	200,000	200,000	-
Capital assets, not being depreciated	10,193,034	3,078,491	13,271,525	3,570,000
Capital assets, being depreciated, net	74,955,508	16,258,562	91,214,070	1,109,889
Total non-current assets	85,148,542	19,537,053	104,685,595	4,679,889
Total assets	104,836,293	21,442,729	126,279,022	4,679,889
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - refunding bonds	50,447	-	50,447	-
Deferred outflows - pensions	1,804,585	130,356	1,934,941	-
Total deferred outflows of resources	1,855,032	130,356	1,985,388	-
Total assets and deferred outflows of resources	106,691,325	21,573,085	128,264,410	4,679,889
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	1,091,339	230,974	1,322,313	-
Accrued interest payable	344,101	45,503	389,604	7,969
Current portion of long-term liabilities	4,576,090	850,067	5,426,157	-
Total current liabilities	6,011,530	1,126,544	7,138,074	7,969
Non-current liabilities:				
Long-term liabilities	39,864,116	8,351,961	48,216,077	4,250,000
Customer meter deposits payable	-	560,734	560,734	-
Net pension liability	24,866,430	2,235,943	27,102,373	-
Total non-current liabilities	64,730,546	11,148,638	75,879,184	4,250,000
Total liabilities	70,742,076	12,275,182	83,017,258	4,257,969
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pensions	731,568	62,312	793,880	-
Total liabilities and deferred inflows of resources	71,473,644	12,337,494	83,811,138	4,257,969
NET POSITION				
Invested in capital assets, net of related debt	51,662,907	10,141,863	61,804,770	421,920
Restricted for:				
Unemployment benefits	71,632	-	71,632	-
Unrestricted	(16,516,858)	(906,272)	(17,423,130)	-
Total net position	\$ 35,217,681	\$ 9,235,591	\$ 44,453,272	\$ 421,920

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

CITY OF MADISON, MISSISSIPPI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 1,830,187	\$ 911,347	\$ -	\$ -	\$ (918,840)	\$ -	\$ (918,840)	
Public safety	11,627,695	755,179	676,171	-	(10,196,345)	-	(10,196,345)	
Public works	12,052,135	1,812,968	-	2,719,431	(7,519,736)	-	(7,519,736)	
Culture and recreation	1,825,801	60,580	-	-	(1,765,221)	-	(1,765,221)	
Economic development	96,118	-	-	-	(96,118)	-	(96,118)	
Interest and fiscal charges	2,515,024	-	-	-	(2,515,024)	-	(2,515,024)	
Total governmental activities	29,946,960	3,540,074	676,171	2,719,431	(23,011,284)	-	(23,011,284)	
Business-type activities:								
Water and sewer	5,302,402	4,720,551	-	93,476	-	(488,375)	(488,375)	
Airport	319,340	130,918	-	843,422	-	655,000	655,000	
Total business-type activities	5,621,742	4,851,469	-	936,898	-	166,625	166,625	
Total primary government	\$ 35,568,702	\$ 8,391,543	\$ 676,171	\$ 3,656,329	(23,011,284)	166,625	(22,844,659)	
Component unit:								
Madison Square Redevelopment Authority	\$ 82,000	\$ -	\$ -	\$ -				\$ (82,000)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					8,969,318	-	8,969,318	-
Property taxes, levied for debt purposes					3,326,799	-	3,326,799	-
Road and bridge privilege taxes					785,482	-	785,482	-
Sales taxes					9,328,681	-	9,328,681	-
Franchise taxes					1,168,922	-	1,168,922	-
Payments in lieu of taxes					257,067	-	257,067	-
Capital contributions					1,072,000	-	1,072,000	-
Unrestricted investment income					239,768	58,466	298,234	-
Unrestricted rental income					255,461	-	255,461	-
Miscellaneous					590,471	-	590,471	-
Transfers					250,000	(250,000)	-	-
Total general revenues and transfers					26,243,969	(191,534)	26,052,435	-
Change in net position					3,232,685	(24,909)	3,207,776	(82,000)
Net position, beginning of year					31,984,996	9,260,500	41,245,496	503,920
Net position, end of year					\$ 35,217,681	\$ 9,235,591	\$ 44,453,272	\$ 421,920

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

CITY OF MADISON, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2020

	General	2016 TIF Grandview	2019 G.O. Public Improvement Bonds	General Obligation Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 7,401,033	\$ -	\$ -	\$ 149,772	\$ 71,632	\$ 7,622,437
Receivables, net	2,350,695	-	-	34,906	-	2,385,601
Due from other funds	189,055	-	-	-	-	189,055
Restricted cash and cash equivalents	-	5,038,579	4,157,685	-	-	9,196,264
Total assets	\$ 9,940,783	\$ 5,038,579	\$ 4,157,685	\$ 184,678	\$ 71,632	\$ 19,393,357
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ 1,088,721	\$ -	\$ 1,718	\$ 900	\$ -	\$ 1,091,339
Due to other funds	-	-	-	34,431	-	34,431
Total liabilities	1,088,721	-	1,718	35,331	-	1,125,770
Fund balance:						
Restricted for:						
Debt service	-	-	-	149,347	-	149,347
Public improvements	-	5,038,579	4,155,967	-	-	9,194,546
Unemployment benefits	-	-	-	-	71,632	71,632
Unassigned	8,852,062	-	-	-	-	8,852,062
Total fund balance	8,852,062	5,038,579	4,155,967	149,347	71,632	18,267,587
Total liabilities and fund balance	\$ 9,940,783	\$ 5,038,579	\$ 4,157,685	\$ 184,678	\$ 71,632	\$ 19,393,357

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, 2020

Total fund balance - governmental funds	\$ 18,267,587
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.	85,148,542
Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in the statement of net position.	328,825
Liabilities not due and payable in the current period are not reported in the funds:	
Long-term liabilities	(44,440,206)
Accrued interest on long-term debt	(344,101)
Net pension liability	(24,866,430)
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	1,804,585
Deferred outflows related to refunding bonds	50,447
Deferred inflows of resources related to pensions	<u>(731,568)</u>
Net position of governmental activities	<u><u>\$ 35,217,681</u></u>

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, 2020

	General	2016 TIF Grandview	2019 G.O. Public Improvement Bonds	General Obligation Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 8,969,318	\$ -	\$ -	\$ 3,326,799	\$ -	\$ 12,296,117
Payments in lieu of taxes	257,067	-	-	-	-	257,067
Licenses and permits	897,531	-	-	-	-	897,531
Intergovernmental	11,136,522	1,763,432	796,838	-	-	13,696,792
Charges for services	1,858,870	-	-	-	-	1,858,870
Fines and forfeitures	755,179	-	-	-	-	755,179
Franchise fees	1,168,922	-	-	-	-	1,168,922
Investment earnings	97,400	56,947	85,421	-	-	239,768
Miscellaneous	630,827	-	-	-	-	630,827
Total revenues	25,771,636	1,820,379	882,259	3,326,799	-	31,801,073
EXPENDITURES						
Current:						
General government	4,197,521	-	1,807,325	-	(1,807,325)	4,197,521
Public safety	11,043,601	-	13,831	-	-	11,057,432
Public works	6,451,101	14,158	918,510	-	1,807,325	9,191,094
Culture and recreation	1,548,676	-	5,053	-	-	1,553,729
Economic development	478,157	-	-	-	-	478,157
Debt service:						
Principal	1,780,635	-	-	2,409,000	-	4,189,635
Interest	471,529	-	-	605,523	-	1,077,052
Other	-	-	38,143	1,162,176	-	1,200,319
Total expenditures	25,971,220	14,158	2,782,862	4,176,699	-	32,944,939
Excess (deficiency) of revenues over expenditures	(199,584)	1,806,221	(1,900,603)	(849,900)	-	(1,143,866)
OTHER FINANCING SOURCES (USES)						
Proceeds of general obligation bonds	-	-	6,000,000	6,305,000	-	12,305,000
Lease purchase proceeds	415,416	-	-	-	-	415,416
Other financing sources	-	-	56,570	-	-	56,570
Transfers in	250,000	-	-	550,000	-	800,000
Transfers out	(550,000)	-	-	-	-	(550,000)
Payment to refunded bond escrow agent	-	-	-	(6,207,893)	-	(6,207,893)
Total other financing sources and (uses)	115,416	-	6,056,570	647,107	-	6,819,093
Net change in fund balances	(84,168)	1,806,221	4,155,967	(202,793)	-	5,675,227
Fund balances, beginning of year	8,936,230	3,232,358	-	352,140	71,632	12,592,360
Fund balances, end of year	\$ 8,852,062	\$ 5,038,579	\$ 4,155,967	\$ 149,347	\$ 71,632	\$ 18,267,587

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, 2020

Net change in fund balances - total governmental funds	\$ 5,675,227
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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.	1,072,000
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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 depreciation (\$5,064,065) and disposals (\$315,233) exceeded capital outlays (\$4,907,056) in the current period.	(472,242)
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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 (\$12,720,416) exceeded debt repayments (\$10,334,635).	(2,385,781)
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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.

Increase in accrued interest on debt	(124,310)
Increase in compensated absences payable	(53,572)
Increase in prepaid insurance	20,888

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.	(449,075)
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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.	(50,450)
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Change in net position of governmental activities	\$ 3,232,685
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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, 2020

	Enterprise Funds		
	Water and Sewer	Airport	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,384,108	\$ -	\$ 1,384,108
Receivables, net	466,166	165,667	631,833
Due from other funds	104,775	-	104,775
Other	34,607	9,752	44,359
Total current assets	1,989,656	175,419	2,165,075
Non-current assets:			
Restricted cash and cash equivalents	200,000	-	200,000
Capital assets, net	14,391,293	4,945,760	19,337,053
Total non-current assets	14,591,293	4,945,760	19,537,053
Total assets	16,580,949	5,121,179	21,702,128
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions	130,356	-	130,356
Total assets and deferred outflows of resources	16,711,305	5,121,179	21,832,484
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	224,976	5,998	230,974
Accrued interest payable	45,503	-	45,503
Due to other funds	161,749	97,650	259,399
Current portion of long-term liabilities	850,067	-	850,067
Total current liabilities	1,282,295	103,648	1,385,943
Non-current liabilities:			
Long-term liabilities	8,351,961	-	8,351,961
Customer meter deposits payable	560,734	-	560,734
Net pension liability	2,235,943	-	2,235,943
Total non-current liabilities	11,148,638	-	11,148,638
Total liabilities	12,430,933	103,648	12,534,581
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pensions	62,312	-	62,312
Total liabilities and deferred inflows of resources	12,493,245	103,648	12,596,893
NET POSITION			
Invested in capital assets, net of related debt	5,200,928	4,940,935	10,141,863
Unrestricted	(982,868)	76,596	(906,272)
Total net position	\$ 4,218,060	\$ 5,017,531	\$ 9,235,591

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, 2020

	Enterprise Funds		
	Water and Sewer	Airport	Total
OPERATING REVENUES			
Charges for services	\$ 4,633,675	\$ -	\$ 4,633,675
Tap and inspection fees	86,876	-	86,876
Lease revenue	-	130,918	130,918
Total operating revenues	4,720,551	130,918	4,851,469
OPERATING EXPENSES			
Personal services	761,514	-	761,514
Supplies	1,097,639	-	1,097,639
Other services and charges	747,227	74,769	821,996
Metro sewer charge	1,377,596	-	1,377,596
Depreciation	991,094	244,571	1,235,665
Total operating expenses	4,975,070	319,340	5,294,410
Operating income (loss)	(254,519)	(188,422)	(442,941)
NONOPERATING REVENUES (EXPENSES)			
Interest	58,466	-	58,466
Interest expense	(327,332)	-	(327,332)
Total nonoperating revenues (expenses)	(268,866)	-	(268,866)
Income (loss) before contributions and transfers	(523,385)	(188,422)	(711,807)
Capital contributions	93,476	843,422	936,898
Transfers out	(250,000)	-	(250,000)
Change in net position	(679,909)	655,000	(24,909)
Total net position, beginning of year	4,897,969	4,362,531	9,260,500
Total net position, ending of year	\$ 4,218,060	\$ 5,017,531	\$ 9,235,591

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

CITY OF MADISON, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2020

	Enterprise Funds		
	Water and Sewer	Airport	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 4,997,332	\$ 130,918	\$ 5,128,250
Payments to suppliers	(3,402,753)	(75,542)	(3,478,295)
Payments to employees	(733,006)	-	(733,006)
Net cash provided by operating activities	861,573	55,376	916,949
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating subsidies and transfers from (to) other funds	(250,000)	-	(250,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	93,476	861,967	955,443
Purchases of capital assets	(511,647)	(829,510)	(1,341,157)
Principal paid on general obligation bonds payable	(683,000)	-	(683,000)
Proceeds of general obligation bonds payable	1,880,000	-	1,880,000
Principal paid on loans payable	(164,770)	-	(164,770)
Principal paid on special obligation bonds payable	(1,815,000)	-	(1,815,000)
Interest paid on long-term debt	(327,332)	-	(327,332)
Payments on capital lease obligations	(30,002)	-	(30,002)
Proceeds of capital leases	85,503	-	85,503
Net interfund loan activity	210,422	(87,833)	122,589
Net cash used by capital and related financing activities	(1,262,350)	(55,376)	(1,317,726)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest revenue	58,466	-	58,466
Net decrease in cash, cash equivalents and restricted cash	(592,311)	-	(592,311)
Balances, beginning of year	2,176,419	-	2,176,419
Balances, end of year	<u>\$ 1,584,108</u>	<u>\$ -</u>	<u>\$ 1,584,108</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (254,519)	\$ (188,422)	\$ (442,941)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	991,094	244,571	1,235,665
Change in assets, liabilities and deferred outflows and inflows of resources			
Receivables, net	257,531	-	257,531
Accounts payable and accrued expenses	(159,173)	(773)	(159,946)
Net pension liability	138,482	-	138,482
Deferred outflows - pensions	(70,008)	-	(70,008)
Deferred inflows - pensions	(41,834)	-	(41,834)
Net cash provided by operating activities	<u>\$ 861,573</u>	<u>\$ 55,376</u>	<u>\$ 916,949</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, 2020

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.

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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.

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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 2016 TIF Grandview Fund is a capital projects fund that accounts for payment of the costs of constructing certain infrastructure improvements needed for commercial development from proceeds of limited obligation bonds issued in 2016.

The 2019 G.O. Public Improvement Bonds is a capital projects fund that accounts for public improvements being paid from the proceeds of general obligation bonds issued in 2019, consisting primarily of street improvements and other capital projects.

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 certain 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.

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.

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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."

3. Restricted Assets.

A portion of the cash related to customer deposits being held by the Water and Sewer Fund (approximately 35%) 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.

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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.

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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.

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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
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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 Equivalents.

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.

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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. 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 insurance corporations. As of September 30, 2020, the carrying amount of the City's deposits with financial institutions was \$18,402,809 and the bank balance was \$18,551,194. 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, 2020.

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Amounts restricted for public improvements	\$ 9,196,264	\$ -
Water department customer deposits	<u>-</u>	<u>200,000</u>
	<u>\$ 9,196,264</u>	<u>\$ 200,000</u>

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B. Receivables.

Receivables at September 30, 2020 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	Total
Property taxes	\$ 122,539	\$ 34,906	\$ 157,445
Sales tax	852,179	-	852,179
Customers	142,673	-	142,673
Franchise tax	139,883	-	139,883
Lease proceeds	415,416	-	415,416
Grants	598,102	-	598,102
Other	79,903	-	79,903
Total	<u>\$ 2,350,695</u>	<u>\$ 34,906</u>	<u>\$ 2,385,601</u>

Business-type activities:

	Water and Sewer	Airport	Total
Customers	\$ 466,166	\$ 27,236	\$ 493,402
Grant reimbursements	-	138,431	138,431
	<u>\$ 466,166</u>	<u>\$ 165,667</u>	<u>\$ 631,833</u>

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, 2020 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.

CITY OF MADISON, MISSISSIPPI
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C. Capital Assets.

Capital assets activity for the year ended September 30, 2020 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 5,022,892	\$ 2,896,500	\$ -	\$ -	\$ 7,919,392
Construction in progress	1,828,311	1,367,805	-	(922,474)	2,273,642
Total capital assets, not being depreciated	6,851,203	4,264,305	-	(922,474)	10,193,034
Capital assets, being depreciated:					
Buildings	10,423,476	-	(487,280)	62,776	9,998,972
Improvements other than buildings	27,829,564	-	-	-	27,829,564
Infrastructure	71,133,078	1,072,000	-	859,698	73,064,776
Machinery and equipment	13,378,462	642,751	(111,530)	-	13,909,683
Total capital assets, being depreciated	122,764,580	1,714,751	(598,810)	922,474	124,802,995
Less accumulated depreciation:					
Buildings	(5,985,815)	(322,222)	178,564	-	(6,129,473)
Improvements other than buildings	(9,075,493)	(940,481)	-	-	(10,015,974)
Infrastructure	(19,589,784)	(2,885,046)	-	-	(22,474,830)
Machinery and equipment	(10,415,907)	(916,316)	105,013	-	(11,227,210)
Total accumulated depreciation	(45,066,999)	(5,064,065)	283,577	-	(49,847,487)
Total capital assets, being depreciated, net	77,697,581	(3,349,314)	(315,233)	922,474	74,955,508
Governmental activities, capital assets, net	\$ 84,548,784	\$ 914,991	\$ (315,233)	\$ -	\$ 85,148,542

CITY OF MADISON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

C. Capital Assets (Continued).

	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	212,092	1,023,943	-	(506,007)	730,028
Total capital assets, not being depreciated	<u>2,560,555</u>	<u>1,023,943</u>	<u>-</u>	<u>(506,007)</u>	<u>3,078,491</u>
Capital assets, being depreciated:					
Buildings	2,914,890	-	-	-	2,914,890
Infrastructure	33,767,146	174,678	-	506,007	34,447,831
Machinery and equipment	1,453,088	44,463	(50,788)	-	1,446,763
Total capital assets, being depreciated	<u>38,135,124</u>	<u>219,141</u>	<u>(50,788)</u>	<u>506,007</u>	<u>38,809,484</u>
Less accumulated depreciation:					
Buildings	(1,344,994)	(96,191)	-	-	(1,441,185)
Infrastructure	(18,747,076)	(1,061,138)	-	-	(19,808,214)
Machinery and equipment	(1,272,567)	(78,336)	49,380	-	(1,301,523)
Total accumulated depreciation	<u>(21,364,637)</u>	<u>(1,235,665)</u>	<u>49,380</u>	<u>-</u>	<u>(22,550,922)</u>
Total capital assets, being depreciated, net	<u>16,770,487</u>	<u>(1,016,524)</u>	<u>(1,408)</u>	<u>506,007</u>	<u>16,258,562</u>
Business-type activities, capital assets, net	<u>\$ 19,331,042</u>	<u>\$ 7,419</u>	<u>\$ (1,408)</u>	<u>\$ -</u>	<u>\$ 19,337,053</u>

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

Governmental activities:	
General government	\$ 175,969
Public safety	836,522
Public works	3,778,764
Culture and recreation	<u>272,810</u>
Total depreciation expense - governmental activities	<u>\$ 5,064,065</u>
Business-type activities:	
Water and sewer	\$ 991,094
Airport	<u>244,571</u>
Total depreciation expense - business-type activities	<u>\$ 1,235,665</u>

CITY OF MADISON, MISSISSIPPI
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Construction in progress was composed of the following:

Project	9/30/20 Balance	Remaining Estimated Commitment
Governmental activities:		
Hoy Road	\$ 1,844,226	\$ 9,500,000
Depot District	8,110	242,000
Madison Performing Arts Center	27,433	-
Madison Town Center	393,873	-
Total	<u>\$ 2,273,642</u>	<u>\$ 9,742,000</u>
Business-type activities:		
Airport Rehab Taxiway Project	\$ 506,007	\$ 232,000
Airport Weather Reporting System and Rehab Apron	24,725	262,000
Total	<u>\$ 530,732</u>	<u>\$ 494,000</u>

Component Unit:

Capital assets activity for MSRA for the year ended September 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Component unit activities:					
Capital assets, not being depreciated:					
Land	\$ 3,570,000	\$ -	\$ -	\$ -	\$ 3,570,000
Total capital assets, not being depreciated	<u>3,570,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,570,000</u>
Capital assets, being depreciated:					
Buildings	2,460,000	-	-	-	2,460,000
Total capital assets, being depreciated	<u>2,460,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,460,000</u>
Less accumulated depreciation:					
Buildings	(1,268,111)	(82,000)	-	-	(1,350,111)
Total accumulated depreciation	<u>(1,268,111)</u>	<u>(82,000)</u>	<u>-</u>	<u>-</u>	<u>(1,350,111)</u>
Total capital assets, being depreciated, net	<u>1,191,889</u>	<u>(82,000)</u>	<u>-</u>	<u>-</u>	<u>1,109,889</u>
Component unit activities, capital assets, net	<u>\$ 4,761,889</u>	<u>\$ (82,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,679,889</u>

CITY OF MADISON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

D. Interfund Receivables, Payables and Transfers.

The composition of interfund balances as of September 30, 2020 was as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Go. Debt Service	\$ 27,306
General	Water and Sewer	161,749
Water and Sewer	G.O. Debt Service	7,125
Water and Sewer	Airport	97,650
		<u>\$ 293,830</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	\$ 250,000	\$ 550,000
Debt Service Fund	550,000	-
Water and Sewer	-	250,000
	<u>\$ 800,000</u>	<u>\$ 800,000</u>

CITY OF MADISON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
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E. Leases.

Operating Leases

The City is a party to a member payment agreement with Madison County Wastewater Authority, whereby the City provides a 20% share of costs, including debt service associated with operating certain facilities for the collection, transportation, and treatment of wastewater. As the City retains no ownership rights to the facilities, the debt service portion of the cost is considered to be operating leases. These leases expire between 2023 and 2032. Rental payments include minimum rentals, plus related interest.

<u>Year Ending September 30:</u>	
2021	\$ 132,880
2022	132,880
2023	128,650
2024	115,962
2025	115,962
2026 - 2030	236,776
2031 - 2032	<u>23,818</u>
Total	<u>\$ 886,928</u>

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, 2020 were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and equipment	\$ 4,019,841	\$ 140,117
Less: accumulated depreciation	<u>(1,848,929)</u>	<u>(67,030)</u>
Total	<u>\$ 2,170,912</u>	<u>\$ 73,087</u>

CITY OF MADISON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
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The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2020, were as follows:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2021	\$ 930,919	\$ 30,450
2022	749,154	16,721
2023	691,028	13,975
2024	288,870	12,571
2025	93,460	7,020
Thereafter	<u>105,347</u>	<u>26,703</u>
Total minimum lease payments	2,858,778	107,440
Less: amount representing interest	<u>(145,679)</u>	<u>(7,650)</u>
Present value of minimum lease payments	<u>\$ 2,713,099</u>	<u>\$ 99,790</u>

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 outstanding at year end were as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	1.3% - 5.5%	\$27,408,800
Business-type activities	1.3% - 3.6%	7,116,200

CITY OF MADISON, MISSISSIPPI
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Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30:	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 2,694,800	\$ 793,150	\$ 709,200	\$ 187,698
2022	2,773,200	645,356	727,800	171,579
2023	2,832,000	578,609	755,000	154,873
2024	2,425,800	513,527	782,200	136,186
2025	2,465,000	450,798	827,000	116,554
2026	1,960,800	393,444	560,200	95,664
2027	1,720,000	340,767	584,000	81,554
2028	1,968,800	293,823	319,200	66,711
2029	1,655,600	239,583	324,400	57,682
2030	967,800	193,306	337,200	48,229
2031	1,000,000	163,013	350,000	38,311
2032	795,000	132,190	90,000	27,826
2033	825,000	106,946	95,000	24,796
2034	860,000	80,188	100,000	21,529
2035	620,000	58,222	105,000	17,991
2036	345,000	41,597	105,000	14,316
2037	360,000	33,000	110,000	10,499
2038	370,000	23,875	115,000	6,434
2039	380,000	14,500	120,000	2,175
2040	390,000	4,870	-	-
Total	<u>\$ 27,408,800</u>	<u>\$ 5,100,764</u>	<u>\$ 7,116,200</u>	<u>\$ 1,280,607</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	2.44% - 3.85%	\$12,560,000

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>
2021	\$ 1,015,000	\$ 325,960
2022	1,045,000	299,538
2023	1,070,000	271,571
2024	1,095,000	243,653
2025	1,125,000	215,507
2026	1,150,000	185,617
2027	1,145,000	153,969
2028	1,180,000	122,359
2029	1,210,000	89,644
2030	1,245,000	55,121
2031	<u>1,280,000</u>	<u>18,693</u>
Total	<u>\$ 12,560,000</u>	<u>\$ 1,981,632</u>

CITY OF MADISON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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	1.95%	\$ 1,575,102
WPC Revolving Loan Fund	1.75%	<u>399,273</u>
Total		<u><u>\$ 1,974,375</u></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>
2021	\$ 112,601	\$ 36,718
2022	114,773	34,546
2023	116,987	32,332
2024	119,243	30,075
2025	121,545	27,774
2026	123,890	25,429
2027	126,280	23,039
2028	128,716	20,603
2029	131,199	18,120
2030	133,731	15,587
2031	136,311	13,008
2032	138,942	10,377
2033	141,623	7,696
2034	144,356	4,963
2035	147,141	2,185
2036	27,696	427
2037	<u>9,341</u>	<u>33</u>
Total	<u><u>\$ 1,974,375</u></u>	<u><u>\$ 302,912</u></u>

CITY OF MADISON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Current Refunding

During the current year, the City issued \$8,185,000 in general obligation bonds with an average interest rate of 2.24% to refund certain outstanding general obligation bonds and special obligation bonds. In addition, the issuance is to provide funds for the costs associated with the issuance of the bonds. The City refunded these bonds to reduce its total debt service payments over the next nine years by approximately \$670,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$584,000.

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. MSRA and the holder of its \$4,250,000 urban renewal notes entered into an agreement extending maturity of the notes until March 1, 2023.

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>
2021	\$ -	\$ 95,625
2022	-	95,625
2023	4,250,000	47,813
	<u>\$ 4,250,000</u>	<u>\$ 239,063</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.

CITY OF MADISON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30 2020

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<u>Governmental activities:</u>					
Bonds payable:					
General obligation bonds	\$ 23,657,800	\$ 12,305,000	\$ (8,554,000)	\$ 27,408,800	\$ 2,694,800
Tax increment financing bonds	13,555,000	-	(995,000)	12,560,000	1,015,000
Total bonds payable	<u>37,212,800</u>	<u>12,305,000</u>	<u>(9,549,000)</u>	<u>39,968,800</u>	<u>3,709,800</u>
Other liabilities:					
Capital leases	3,083,318	415,416	(785,635)	2,713,099	866,290
Compensated absences	1,704,736	53,571	-	1,758,307	-
Total other liabilities	<u>4,788,054</u>	<u>468,987</u>	<u>(785,635)</u>	<u>4,471,406</u>	<u>866,290</u>
Governmental activities, long-term liabilities	<u>\$ 42,000,854</u>	<u>\$ 12,773,987</u>	<u>\$ (10,334,635)</u>	<u>\$ 44,440,206</u>	<u>\$ 4,576,090</u>
<u>Business-type activities:</u>					
Bonds payable:					
General obligation bonds	\$ 5,919,200	\$ 1,880,000	\$ (683,000)	\$ 7,116,200	\$ 709,200
Special obligation bonds	1,815,000	-	(1,815,000)	-	-
Total bonds payable	<u>7,734,200</u>	<u>1,880,000</u>	<u>(2,498,000)</u>	<u>7,116,200</u>	<u>709,200</u>
Other liabilities:					
Capital leases	129,792	-	(30,002)	99,790	28,266
Loans payable	2,139,145	-	(164,770)	1,974,375	112,601
Compensated absences	11,663	-	-	11,663	-
Total other liabilities	<u>2,280,600</u>	<u>-</u>	<u>(194,772)</u>	<u>2,085,828</u>	<u>140,867</u>
Business-type activities, long-term liabilities	<u>\$ 10,014,800</u>	<u>\$ 1,880,000</u>	<u>\$ (2,692,772)</u>	<u>\$ 9,202,028</u>	<u>\$ 850,067</u>
<u>Component Unit - MSRA</u>					
Urban renewal notes	<u>\$ 4,250,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,250,000</u>	<u>\$ 4,250,000</u>

CITY OF MADISON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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 and state governments. 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 is available at www.pers.ms.gov.

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.

CITY OF MADISON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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.

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 17.40% 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, 2020, 2019 and 2018 were approximately \$1,675,000, \$1,504,000, and \$1,460,000, 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, 2020, the City reported a liability of \$27,102,373 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the City's proportion was 0.14 percent.

CITY OF MADISON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

For the year ended September 30, 2020, the City recognized pension expense of \$2,123,016. At September 30, 2020 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	\$ 235,252	\$ -
Changes of assumptions	151,612	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	793,880
Net difference between projected and actual earnings on pension plan investments	1,113,261	-
City contributions subsequent to the measurement date	434,816	-
	<u>\$ 1,934,941</u>	<u>\$ 793,880</u>

\$434,816 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, 2021. 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:	
2021	\$ (355,272)
2022	174,955
2023	527,831
2024	358,731
	<u>\$ 706,245</u>

Actuarial Assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary Increases	3.00-18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension investment expense, including inflation

CITY OF MADISON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements for life expectancy.

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2018.

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 as of June 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27 %	4.90 %
International Equity	22	4.75
Global Equity	12	5.00
Debt Securities	20	0.50
Real Estate	10	4.00
Private Equity	8	6.25
Cash Equivalents	1	-
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 the former employer contribution 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, 2020

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	\$35,080,692	\$27,102,373	\$20,517,055

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. 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.

CITY OF MADISON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

D. 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 City through March 31, 2021, (the date the financial statements were available to be issued) and concluded that, with the exception of the matter discussed in the following paragraphs, no subsequent events have occurred that would require recognition in the financial statements.

CITY OF MADISON, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION

City of Madison, Mississippi
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 Year Ended September 30, 2020

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 9,236,000	\$ 9,236,000	\$ 8,969,318	\$ (266,682)
Payments in lieu of taxes	265,000	257,000	257,067	67
Licenses and permits	1,200,500	980,500	897,531	(82,969)
Fines and forfeitures	1,200,071	1,256,819	756,079	(500,740)
Franchise fees	1,312,500	1,225,000	1,168,922	(56,078)
Intergovernmental	11,505,549	10,575,549	11,061,662	486,113
Charges for services	1,755,000	1,702,500	1,939,749	237,249
Miscellaneous	661,790	586,175	897,746	311,571
Total revenues	<u>27,136,410</u>	<u>25,819,543</u>	<u>25,948,074</u>	<u>128,531</u>
EXPENDITURES				
General government	3,557,783	4,251,452	4,221,874	29,578
Public safety	13,721,904	12,422,478	11,342,733	1,079,745
Public works	6,483,487	6,740,743	6,590,603	150,140
Culture and recreation	1,751,687	1,655,645	1,562,713	92,932
Economic development	94,300	89,500	477,558	(388,058)
Debt service	1,346,122	1,441,747	1,350,622	91,125
Total expenditures	<u>26,955,283</u>	<u>26,601,565</u>	<u>25,546,103</u>	<u>1,055,462</u>
Excess (deficiency) of revenues over (under) expenditures	<u>181,127</u>	<u>(782,022)</u>	<u>401,971</u>	<u>1,183,993</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	250,000	250,000	250,000	-
Transfers out	(425,000)	(550,000)	(550,000)	-
Total other financing sources (uses)	<u>(175,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Net change in fund balance	6,127	(1,082,022)	101,971	1,183,993
Fund balance, beginning of year	<u>5,685,496</u>	<u>6,928,890</u>	<u>6,928,890</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,691,623</u>	<u>\$ 5,846,868</u>	<u>\$ 7,030,861</u>	<u>\$ 1,183,993</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

	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.14%	0.14%	0.15%	0.15%	0.15%	0.15%	0.15%
City's proportionate share of the net pension liability	\$ 27,102,373	\$ 24,629,490	\$ 24,949,457	\$ 24,935,092	\$ 26,793,746	\$ 23,187,042	\$ 18,207,254
City's covered-employee payroll	\$ 9,628,281	\$ 9,291,253	\$ 9,299,390	\$ 9,487,492	\$ 9,710,654	\$ 9,489,708	\$ 8,951,308
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	281.49%	265.08%	268.29%	262.82%	275.92%	244.34%	203.40%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

CITY OF MADISON, MISSISSIPPI
SCHEDULE OF THE CITY'S CONTRIBUTIONS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,675,321	\$ 1,504,032	\$ 1,464,654	\$ 1,494,280	\$ 1,529,428	\$ 1,494,629	\$ 1,409,831
Contributions in relation to the contractually required contribution	<u>(1,675,321)</u>	<u>(1,504,032)</u>	<u>(1,464,654)</u>	<u>(1,494,280)</u>	<u>(1,529,428)</u>	<u>(1,494,629)</u>	<u>(1,409,831)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	<u>\$ 9,628,281</u>	<u>\$ 9,291,253</u>	<u>\$ 9,299,390</u>	<u>\$ 9,487,492</u>	<u>\$ 9,710,654</u>	<u>\$ 9,489,708</u>	<u>\$ 8,951,308</u>
Contributions as a percentage of covered-employee payroll	<u>17.40%</u>	<u>16.19%</u>	<u>15.75%</u>	<u>15.75%</u>	<u>15.75%</u>	<u>15.75%</u>	<u>15.75%</u>

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, 2020

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	\$ (84,168)
Reconciling items:	
Receivables	176,438
Payables	9,701
Net change in fund balance - budgetary cash basis	<u>\$ 101,971</u>

CITY OF MADISON, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Year Ended September 30, 2020

D. Required Supplementary Pension Schedules.

The amounts presented for each year in the accompanying pension schedules were determined as of the measurement date of June 30 of the fiscal year presented. The pension schedules are 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.

Changes of assumptions

2019:

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty increased from 7% to 9%.

2017:

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.

CITY OF MADISON, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Year Ended September 30, 2020

E. Required Supplementary Pension Schedules (Continued).

- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2016:

- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2015:

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

Changes in benefit provisions

2016:

- Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

CITY OF MADISON, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Year Ended September 30, 2020

F. Required Supplementary Pension Schedules (Continued).

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2018 valuation for the September 30, 2020 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

CITY OF MADISON, MISSISSIPPI

SUPPLEMENTAL INFORMATION

CITY OF MADISON, MISSISSIPPI
SCHEDULE RECONCILING ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS
Year Ended September 30, 2020

	<u>Assessed Value</u>	<u>Tax</u>
<u>Adjusted Assessed Valuation:</u>		
City Tax:		
Realty	\$ 341,944,050	
Personal - other than auto	21,388,070	
Public utilities	8,074,704	
Personal - auto (remitted by county)	82,974,097	
Total City @ 28.8 mills	<u>\$ 454,380,921</u>	\$ 13,086,171
Less: Homestead exemption allowed	<u>(558,962)</u>	\$ 12,527,209
Add: Actual homestead reimbursement	29,869	
Penalties and interest on delinquent taxes	<u>47,763</u>	77,632
Deduct: County Tax Collector's Commissions	(189,441)	
Homestead exemption on personal-auto	<u>(100,823)</u>	<u>(290,264)</u>
<u>Total to be Accounted for</u>		<u>\$ 12,314,577</u>

	<u>Taxes</u>	<u>Homestead Reimbursement</u>	<u>Total</u>	
<u>Credits:</u>				
Collections Allocated to:				
General Fund	\$ 8,939,449	\$ 29,869	\$ 8,969,318	
Debt Service Fund	<u>3,326,799</u>	<u>-</u>	<u>3,326,799</u>	
Totals	12,266,248	29,869		\$ 12,296,117
Balance Represented by:				
Unpaid taxes			18,438	
Unaccounted for - undersettled			<u>22</u>	<u>18,460</u>
<u>Total Accounted for</u>				<u>\$ 12,314,577</u>

CITY OF MADISON, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2020

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
Paul Tankersley	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 / Finance Director	Travelers	50,000
Lisa Winstead	Chief Deputy Clerk	Travelers	50,000
Jackie Brown	Deputy Clerk	Travelers	50,000
Ruth Gibbons	Deputy Clerk	Travelers	50,000
Asjiah Fulgham	Deputy Clerk	Travelers	50,000
Helen Broockmann	Deputy Clerk	Travelers	50,000
Valeria Cotten	Utility Clerk	Travelers	50,000
Malinda Hudson	Utility Clerk	Travelers	50,000

CITY OF MADISON, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
September 30, 2020

	Interest Rates (%)	Payment Date	Issue Date	Maturity Date	Balance Outstanding 10/01/19	Transactions During Fiscal Year		Balance Outstanding 09/30/20
						Issued	Redeemed	
General Obligation Bonds:								
Public improvement bonds	5.50	May 1 Nov. 1	05/08	5/21	\$ 530,000	\$ -	\$ (260,000)	\$ 270,000
Public improvement bonds	3.38-4.80	Oct. 1 Apr. 1	10/09	10/29	6,145,000	-	(6,145,000)	-
Public improvement bonds	1.70	Feb. 1 Aug. 1	09/12	02/27	620,000	-	(70,000)	550,000
Refunding bonds	2.00	Sept. 30	08/12	09/25	5,120,000	-	(960,000)	4,160,000
Refunding bonds	2.00-2.65	Sept.1 Mar. 1	12/12	09/31	1,111,200	-	(81,600)	1,029,600
Refunding bonds	2.00-3.13	Sept.1 Mar. 1	03/13	09/31	1,377,600	-	(98,400)	1,279,200
Public improvement bonds	4.00	Sept.1 Mar. 1	03/14	03/34	2,850,000	-	(145,000)	2,705,000
Refunding bonds	1.31-2.65	May 1 Nov. 1	04/15	05/28	2,474,000	-	(36,000)	2,438,000
Public improvement bonds	2.50-3.00	Feb. 1 Aug. 1	08/15	08/35	3,430,000	-	(160,000)	3,270,000
Public improvement bonds	2.13-3.00	May 1 Nov. 1	11/19	11/39	-	6,000,000	-	6,000,000
Refunding bonds	2.24	Apr. 1 Oct. 1	01/20	10/29	-	6,305,000	(598,000)	5,707,000
					<u>23,657,800</u>	<u>12,305,000</u>	<u>(8,554,000)</u>	<u>27,408,800</u>
Special Obligation Bonds:								
Public sewer system project	4.25-5.00	Sept.1 Mar. 1	09/07	09/27	1,815,000	-	(1,815,000)	-
					<u>1,815,000</u>	<u>-</u>	<u>(1,815,000)</u>	<u>-</u>

CITY OF MADISON, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT - (Cont'd.)
September 30, 2020

	Interest Rates (%)	Payment Date	Issue Date	Maturity Date	Balance Outstanding 10/01/19	Transactions During Fiscal Year		Balance Outstanding 09/30/20
						Issued	Redeemed	
General Obligation Bonds (Water & Sewer):								
Refunding bonds	2.00-2.65	Sept.1 Mar. 1	12/12	09/31	1,203,800	-	(88,400)	1,115,400
Refunding bonds	2.00-3.13	Sept.1 Mar. 1	03/13	09/31	1,492,400	-	(106,600)	1,385,800
Refunding bonds	1.31 - 2.65	May 1 Nov. 1	04/15	05/28	1,523,000	-	(231,000)	1,292,000
Utility bonds	2.60 - 3.63	May 1 Nov 1	11/18	11/38	1,700,000	-	(60,000)	1,640,000
Refunding bonds	2.24	Apr. 1 Oct. 1	01/20	10/29	-	1,880,000	(197,000)	1,683,000
					<u>5,919,200</u>	<u>1,880,000</u>	<u>(683,000)</u>	<u>7,116,200</u>
Limited Obligation Bonds:								
Tax increment financing bonds	3.85	May 1 Nov. 1	05/11	05/26	245,000	-	(35,000)	210,000
Tax increment financing bonds	3.81	May 1 Nov. 1	05/11	11/25	370,000	-	(60,000)	310,000
Tax increment financing bonds	3.75	Nov. 1 May 1	11/11	05/26	840,000	-	(90,000)	750,000
Tax increment financing refunding bonds	2.97	May 1 Nov. 1	12/13	11/22	1,425,000	-	(340,000)	1,085,000
Tax increment financing bonds	2.80	May 1 Nov. 1	12/15	11/30	4,035,000	-	(170,000)	3,865,000
Tax increment financing bonds	2.44	May 1 Nov. 1	03/16	11/30	6,640,000	-	(300,000)	6,340,000
					<u>13,555,000</u>	<u>-</u>	<u>(995,000)</u>	<u>12,560,000</u>
Other Loans Payable:								
State revolving fund loan	1.95	Monthly	08/13	11/34	1,664,635	-	(89,533)	1,575,102
Capital improvements loan	3.00	Monthly	12/98	11/21	54,300	-	(54,300)	-
Water pollution control revolving loan fund	1.75	Monthly	12/15	09/35	420,210	-	(20,937)	399,273
					<u>2,139,145</u>	<u>-</u>	<u>(164,770)</u>	<u>1,974,375</u>
					<u>\$ 47,086,145</u>	<u>\$ 14,185,000</u>	<u>\$ (12,211,770)</u>	<u>\$ 49,059,375</u>

CITY OF MADISON, MISSISSIPPI
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

Federal Agency/ Pass-through Entity/ Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Justice</u>				
Passed-through the Mississippi Department of Public Safety: Edward Byrne Memorial Justice Assistance Grant Program	16.738	020867909	\$ -	\$ 3,731
<u>U.S. Department of Transportation</u>				
Direct Program:				
Airport Improvement Project	20.106	N/A	-	738,204
COVID-19 - Airport Improvement Project	20.106	N/A	-	30,000
Total Airport Improvement Project			-	768,204
Passed-through the Mississippi Department of Public Safety: State and Community Highway Safety	20.600	020867909	-	40,399
Total U.S. Department of Transportation			-	808,603
<u>U.S. Department of the Treasury</u>				
Passed-through the Mississippi Emergency Management Agency: COVID-19 - Coronavirus Relief Fund	21.019	78	-	565,618
<u>U.S. Department of Homeland Security</u>				
Passed-through the Mississippi Department of Public Safety: Homeland Security Grant Program	97.067	020867909	-	42,215
Total for All Federal Awards			\$ -	\$ 1,420,167

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Madison under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Madison, 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Madison has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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, 2020, 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 31, 2021.

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.

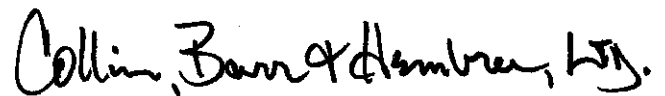
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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.

A handwritten signature in black ink, reading "Collin, Barr & Hambree, LLP." The signature is written in a cursive, flowing style.

March 31, 2021



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 THE UNIFORM GUIDANCE

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 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, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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, 2020.

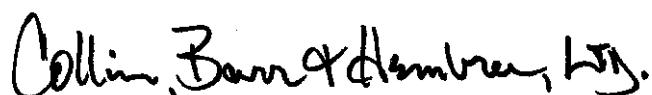
Report on Internal Control Over Compliance

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, reading "Collin, Barr & Hambrecht, LLP." The signature is written in a cursive, flowing style.

March 31, 2021



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, 2020, and have issued our report thereon dated March 31, 2021. 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 31, 2021

CITY OF MADISON, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF MADISON, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

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 | None Reported |
| 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 2 CFR 200.516(a) | No |
| 7. Federal programs identified as a major program: | |
| Airport Improvement Project | CFDA No. 20.106 |
| 8. Dollar threshold to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee | No |

CITY OF MADISON, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section II – Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

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, MISSISSIPPI

OTHER ITEMS



CITY OF MADISON

Mary Hawkins Butler

Mayor

mayor@madisonthecity.com

1004 MADISON AVENUE ♦ POST OFFICE BOX 40 ♦ MADISON, MISSISSIPPI 39130-0040 ♦ (601) 856-7116 ♦ FAX (601) 853-4766



AUDITEE'S CORRECTIVE ACTION PLAN

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

Paul Tankersley

WARD V

Michael L. Hudgins

WARD VI

Guy Bowering

As required by Section 2 CFR Section 200.511 of the Uniform Guidance, 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, 2020:

There are no current year findings.





CITY OF MADISON

Mary Hawkins Butler

Mayor

mayor@madisonthecity.com

1004 MADISON AVENUE ♦ POST OFFICE BOX 40 ♦ MADISON, MISSISSIPPI 39130-0040 ♦ (601) 856-7116 ♦ FAX (601) 853-4766



AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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
Paul Tankersley

WARD V
Michael L. Hudgins

WARD VI
Guy Bowering

As required by 2 CFR Section 200.511 of the Uniform Guidance, the City of Madison, Mississippi has prepared and hereby submits the following summary schedule of prior audit findings for the year ended September 30, 2020:

Finding	Status
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No findings were reported in the prior year.	
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