OFFICE OF THE STATE AUDITOR REPORT NOTE:

Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

CITY OF MADISON, MISSISSIPPI

AUDIT REPORT

September 30, 2025

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COLLINS, BARR & HEMBREE, LTD.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Honorable Mayor and Board of Aldermen
City of Madison, Mississippi

Report on the Audit of the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2025, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Madison, Mississippi and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Madison, Mississippi's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Madison, Mississippi's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Madison, Mississippi's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

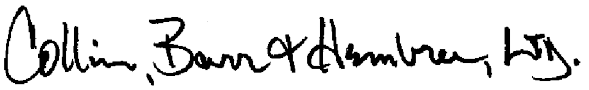
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability, schedule of the City's contributions and the notes to the required supplementary information on pages 8-19 and 57-64 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.

Supplementary 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 supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 September 29, 2026, 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.



September 29, 2026

CITY OF MADISON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MADISON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2025

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, 2025. 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 27,747, based on the 2020 census, which is a 15% increase since 2010. Over the past forty 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, 2025 by $59,281,087 (net position).

- The City's net position decreased $2,023,701 or 3%, during the 2025 fiscal year.

- At September 30, 2025, the City's governmental funds reported total fund balance of $14,261,992. Of this amount, $2,319,935 (unassigned fund balance) may be used to meet the general government's spending requirements.

- In the City's proprietary funds, revenues, capital contributions and transfers totaled $7,002,584 while expenses totaled $7,315,238, which resulted in a decrease in net position of $(312,654).

- The City's total debt decreased a net amount of $4,344,238 during the 2025 fiscal year. New debt totaling $1,567,380 was issued. Debt repayments of $5,911,618 were made during the 2025 fiscal year.

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

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, 2025. 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 21-22 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.

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 funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, the 2023 G.O. Public Improvement Fund, the ARPA Fund, and the Madison at Main 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 57 and the notes to the budgetary information at page 60.

The basic governmental funds financial statements are presented at pages 23-26.

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 27-29.

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 31-55 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 57 - 64.

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 $59,281,087 at September 30, 2025 as shown below.

Condensed Statement of Net Position
As of September 30, 2025 and 2024

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current assets	$ 18,695,991	$ 27,606,412	$ 3,904,267	$ 4,689,299	$ 22,600,258	$ 32,295,711
Capital assets, net of accumulated depreciation	109,538,690	98,359,884	19,977,406	20,665,280	129,516,096	119,025,164
Other non-current assets	-	-	225,000	225,000	225,000	225,000
Total assets	128,234,681	125,966,296	24,106,673	25,579,579	152,341,354	151,545,875
Deferred outflows of resources	8,705,984	9,486,351	653,716	711,701	9,359,700	10,198,052
Total assets and deferred outflows of resources	136,940,665	135,452,647	24,760,389	26,291,280	161,701,054	161,743,927
Current liabilities	8,747,082	7,657,138	1,375,057	2,348,477	10,122,139	10,005,615
Non-current liabilities	81,902,184	81,407,972	8,692,154	9,025,552	90,594,338	90,433,524
Total liabilities	90,649,266	89,065,110	10,067,211	11,374,029	100,716,477	100,439,139
Deferred inflows of resources	1,614,909	-	88,581	-	1,703,490	-
Total liabilities and deferred inflows of resources	92,264,175	89,065,110	10,155,792	11,374,029	102,419,967	100,439,139
Net position:						
Invested in capital assets, net of related debt	74,988,863	63,197,872	14,549,287	14,687,155	89,538,150	77,885,027
Restricted	8,122,925	10,251,323	-	-	8,122,925	10,251,323
Unrestricted	(38,435,298)	(27,061,658)	55,310	230,096	(38,379,988)	(26,831,562)
Total net position	$ 44,676,490	$ 46,387,537	$ 14,604,597	$ 14,917,251	$ 59,281,087	$ 61,304,788

Capital assets (e.g., land, construction in progress, buildings, furniture, equipment, infrastructure, and improvements) account for 85% 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. The restricted net position of $8,122,925 represents 14% of total net position.

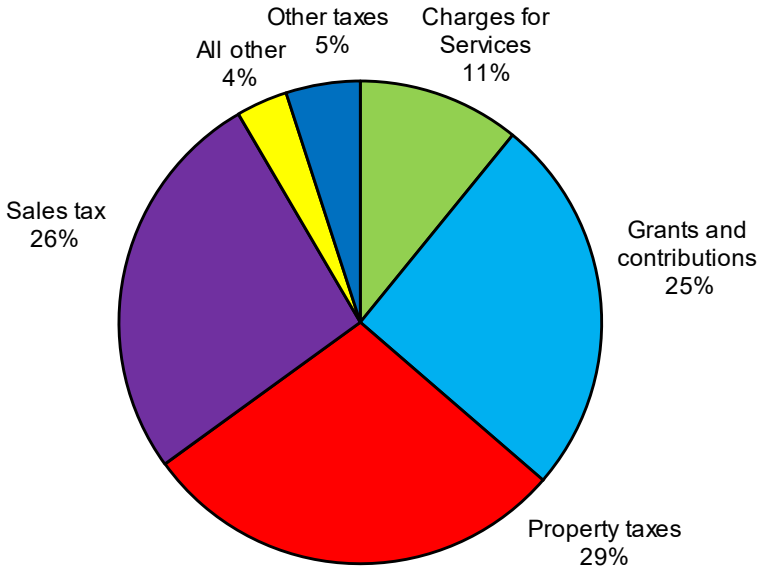
The City's total net position decreased $2,023,701 during fiscal year 2025 as summarized below.

Condensed Statement of Changes in Net Position
For the Years Ended September 30, 2025 and 2024

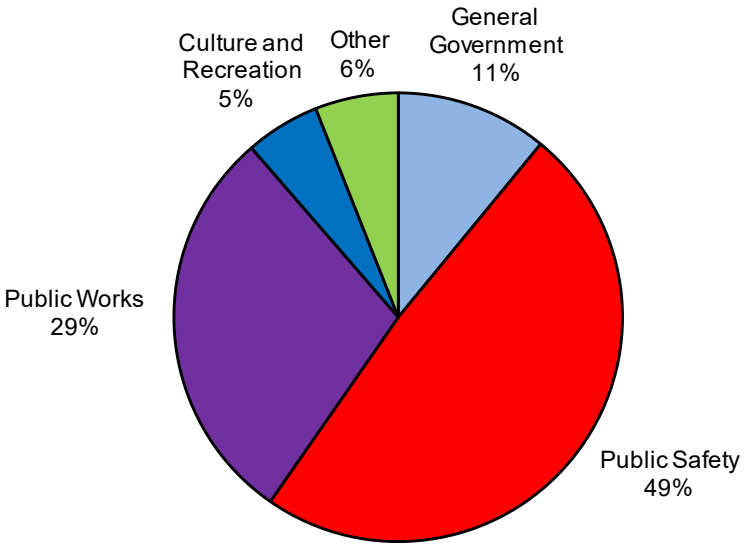
	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues and transfers:						
Program revenues:						
Charges for services	$ 5,420,191	$ 5,531,441	$ 5,533,187	$ 4,870,769	$ 10,953,378	$ 10,402,210
Grants and contributions	12,697,171	6,732,651	1,488,102	6,183,120	14,185,273	12,915,771
General revenues:						
Property taxes	14,294,481	13,608,922	-	-	14,294,481	13,608,922
Road and bridge privilege taxes	841,889	855,469	-	-	841,889	855,469
Sales taxes	13,235,587	12,985,241	-	-	13,235,587	12,985,241
Franchise taxes	1,345,102	1,331,144	-	-	1,345,102	1,331,144
Other revenues	1,716,693	2,425,364	106,295	228,293	1,822,988	2,653,657
Transfers in/(out)	125,000	125,000	(125,000)	(125,000)	-	-
Total	49,676,114	43,595,232	7,002,584	11,157,182	56,678,698	54,752,414
Expenses:						
General government	5,636,864	5,454,672	-	-	5,636,864	5,454,672
Public safety	25,080,787	22,346,165	-	-	25,080,787	22,346,165
Public works	14,907,409	13,034,420	-	-	14,907,409	13,034,420
Culture and recreation	2,770,281	3,351,699	-	-	2,770,281	3,351,699
Economic development	517,355	519,607	-	-	517,355	519,607
Water and sewer	-	-	6,670,163	5,822,711	6,670,163	5,822,711
Airport	-	-	645,075	494,723	645,075	494,723
Interest on long-term debt	2,474,465	2,610,371	-	-	2,474,465	2,610,371
Total	51,387,161	47,316,934	7,315,238	6,317,434	58,702,399	53,634,368
Change in net position	(1,711,047)	(3,721,702)	(312,654)	4,839,748	(2,023,701)	1,118,046
Net position, beginning of year	46,387,537	50,109,239	14,917,251	10,077,503	61,304,788	60,186,742
Net position, end of year	$ 44,676,490	$ 46,387,537	$ 14,604,597	$ 14,917,251	$ 59,281,087	$ 61,304,788

Governmental activities. Governmental activities net position decreased by $1,711,047 during fiscal year 2025. The decrease in net position in fiscal year 2024 was $3,721,702. Revenues and transfers increased 14% to $49,676,114 while expenses increased 9% to $51,387,161.

Revenues and Transfers by Source – Governmental Activities for Fiscal Year 2025



Expenses by Functions/Programs – Governmental Activities for Fiscal Year 2025



Business-type activities. Business-type activities decreased the City's net position by $312,654 during fiscal year 2025. The business-type activities include the Water and Sewer Fund and the Airport Fund. Charges for services totaled $5,533,187 for 2025, which represents an increase of approximately 14% from the previous year. Grants and contributions totaled $1,488,102 for fiscal year 2025 as compared to $6,183,120 in 2024. Total expenses increased 16% to $7,315,238 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 sole project undertaken by the Authority has been the acquisition and redevelopment of the Madison Station School property.

The Authority had total assets of $4,597,889, total liabilities of $4,257,969 and net position of $339,920 at September 30, 2025. There were no revenues or expenses recorded for 2025.

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 the Authority can be obtained through the contact information at the end of this discussion and analysis.

Financial Analysis of the Government's Funds

The City's governmental funds reported combined ending fund balances of $14,261,992 as of September 30, 2025 as set forth below.

Condensed Balance Sheet – Governmental Funds
As of September 30, 2025

	General	2023 G.O. Public Improvement Bonds	ARPA	Madison at Main	Other Governmental Funds	Total Governmental Funds
Assets	$ 6,789,825	$ 4,016,457	$ 5,632,202	$ 2,309,709	$ 1,496,116	$ 20,244,309
Liabilities	2,274,086	548,702	913,360	2,195,804	50,365	5,982,317
Fund Balances	$ 4,515,739	$ 3,467,755	$ 4,718,842	$ 113,905	$ 1,445,751	$ 14,261,992

The combined ending fund balance for the governmental funds of $14,261,992 represents a decrease of $10,314,601. In December 2023, the City issued $10,000,000 of general obligation public improvement bonds to provide funding for various capital projects.

The General Fund is the chief operating fund of the City. At September 30, 2025, the total fund balance of the General Fund was $4,515,739. The General Fund revenues totaled $32,315,706 for 2025, which represents a decrease of $394,228 or 1% from the prior year. The General Fund expenditures increased 4% to $38,963,461, primarily due to investing in our public safety spending in order to remain competitive and to maintain our high standards. Other financing sources (uses) totaled $3,421,413 for 2025 compared to other financing sources (uses) of $2,709,452 for 2024. These changes produced a net decrease in fund balance of $3,226,342 for 2025 compared to a net decrease in fund balance of $1,984,581 for 2024.

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 $55,310 as of September 30, 2025. These funds are primarily supported by annual user fees.

General Fund Budgetary Highlights

The General Fund original budget was amended during fiscal year 2025 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 2025 were over the budgeted amount by $250,295 representing a 1% favorable variance, and expenditures and other financing uses were under the budgeted amount by $1,079,134 representing a 3% favorable variance. This resulted in an overall favorable variance for the year of $1,329,429.

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, 2025 amounts to $129,516,096, net of accumulated depreciation of $108,641,062. 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, 2025 and 2024

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Capital assets, not being depreciated:						
Land	$ 7,200,042	$ 7,200,042	$ 2,348,463	$ 2,348,463	$ 9,548,505	$ 9,548,505
Construction in progress	7,468,385	6,120,138	395,763	5,703,323	7,864,148	11,823,461
Total capital assets, not being depreciated	14,668,427	13,320,180	2,744,226	8,051,786	17,412,653	21,371,966
Capital assets, net of depreciation:						
Buildings	8,745,853	4,129,774	992,746	1,088,938	9,738,599	5,218,712
Improvements other than buildings	16,219,326	15,636,319	-	-	16,219,326	15,636,319
Infrastructure	65,239,407	60,338,496	15,963,788	11,413,719	81,203,195	71,752,215
Machinery and equipment	4,665,677	4,935,115	276,646	110,837	4,942,323	5,045,952
Total capital assets, net of depreciation	94,870,263	85,039,704	17,233,180	12,613,494	112,103,443	97,653,198
Total capital assets	$ 109,538,690	$ 98,359,884	$ 19,977,406	$ 20,665,280	$ 129,516,096	$ 119,025,164

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

Long-term debt. The City had total outstanding debt of $44,629,067 at September 30, 2025, which consisted of the following:

Condensed Statement of Outstanding Debt
As of September 30, 2025 and 2024

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Bonds:						
General obligation bonds	$ 24,002,640	$ 26,803,400	$ 3,385,360	$ 4,223,600	$ 27,388,000	$ 31,027,000
Tax increment financing bonds	7,210,000	8,335,000	-	-	7,210,000	8,335,000
Total bonds	31,212,640	35,138,400	3,385,360	4,223,600	34,598,000	39,362,000
Other liabilities:						
Loans payable	5,080,698	4,747,850	1,692,743	1,605,829	6,773,441	6,353,679
Unamortized bond premium	810,884	855,933	-	-	810,884	855,933
Compensated absences	2,427,564	2,432,740	19,178	19,178	2,446,742	2,451,918
Total other liabilities	8,319,146	8,036,523	1,711,921	1,625,007	10,031,067	9,661,530
Total outstanding debt	$ 39,531,786	$ 43,174,923	$ 5,097,281	$ 5,848,607	$ 44,629,067	$ 49,023,530

The City had total bonded debt outstanding of $34,598,000 at September 30, 2025. Of this amount, $27,388,000 comprises debt backed by the full faith and credit of the government and $7,210,000 represents bonds secured by specified revenue sources.

The City's total debt decreased a net amount of $4,394,463 during the 2025 fiscal year. New debt totaled $1,567,380 and a decrease in the compensated absences liability of $5,176 was recorded for fiscal year 2025. Debt repayments of $5,911,618 were made during the 2025 fiscal year. The remaining decrease in outstanding debt relates to unamortized bond premium. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Amortization of general obligation bond premium was recorded in the amount of $45,049 during the 2025 fiscal year.

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

Economic Factors and 2026 Budget Information

The 2026 General Fund budget anticipates that revenues and other financing sources will total $36,553,180. Total 2026 expenditures are budgeted at $36,520,818, which will result in an anticipated increase in fund balance of $32,362 for the year.

Management anticipates that property tax revenues and sales tax revenues will continue to increase in 2026 from residential and commercial growth within the City. The City's property tax rate for fiscal year 2026 has been set at 28.8 mills per thousand dollars of assessed value ($.0288 per assessed dollar) which is the same as 2025.

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, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	$ 3,566,411	$ 2,842,797	$ 6,409,208	$ -
Receivables, net	5,227,432	978,145	6,205,577	-
Internal balances	-	-	-	-
Restricted cash and cash equivalents	9,254,662	-	9,254,662	-
Other current assets	647,486	83,325	730,811	-
Total current assets	18,695,991	3,904,267	22,600,258	-
Non-current assets:				
Restricted cash and cash equivalents	-	225,000	225,000	-
Capital assets, not being depreciated	14,668,427	2,744,226	17,412,653	4,597,889
Capital assets, being depreciated, net	94,870,263	17,233,180	112,103,443	-
Total non-current assets	109,538,690	20,202,406	129,741,096	4,597,889
Total assets	128,234,681	24,106,673	152,341,354	4,597,889
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - refunding bonds	70,249	36,236	106,485	-
Deferred outflows - pensions	8,635,735	617,480	9,253,215	-
Total assets and deferred outflows of resources	136,940,665	24,760,389	161,701,054	4,597,889
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	3,786,513	608,898	4,395,411	-
Accrued interest payable	351,377	19,972	371,349	7,969
Current portion of long-term liabilities	4,609,192	746,187	5,355,379	-
Total current liabilities	8,747,082	1,375,057	10,122,139	7,969
Non-current liabilities:				
Long-term liabilities	34,922,594	4,351,094	39,273,688	4,250,000
Customer meter deposits payable	-	554,855	554,855	-
Net pension liability	46,979,590	3,786,205	50,765,795	-
Total non-current liabilities	81,902,184	8,692,154	90,594,338	4,250,000
Total liabilities	90,649,266	10,067,211	100,716,477	4,257,969
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pensions	1,614,909	88,581	1,703,490	-
Total liabilities and deferred inflows of resources	92,264,175	10,155,792	102,419,967	4,257,969
NET POSITION				
Invested in capital assets, net of related debt	74,988,863	14,549,287	89,538,150	339,920
Restricted for:				
Debt service	217,487	-	217,487	-
Public safety	816,101	-	816,101	-
Public improvements	7,028,551	-	7,028,551	-
Unemployment benefits	60,786	-	60,786	-
Unrestricted	(38,435,298)	55,310	(38,379,988)	-
Total net position	$ 44,676,490	$ 14,604,597	$ 59,281,087	$ 339,920

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

CITY OF MADISON, MISSISSIPPI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit
Primary government:								
Governmental activities:								
General government	$ 5,636,864	$ 1,314,814	$ -	$ 750,000	$ (3,572,050)	$ -	$ (3,572,050)	
Public safety	25,080,787	698,867	7,290	65,513	(24,309,117)	-	(24,309,117)	
Public works	14,907,409	3,135,346	23,033	11,626,974	(122,056)	-	(122,056)	
Culture and recreation	2,770,281	271,164	-	224,361	(2,274,756)	-	(2,274,756)	
Economic development	517,355	-	-	-	(517,355)	-	(517,355)	
Interest and fiscal charges	2,474,465	-	-	-	(2,474,465)	-	(2,474,465)	
Total governmental activities	51,387,161	5,420,191	30,323	12,666,848	(33,269,799)	-	(33,269,799)	
Business-type activities:								
Water and sewer	6,670,163	5,414,703	-	1,033,710	-	(221,750)	(221,750)	
Airport	645,075	118,484	-	454,392	-	(72,199)	(72,199)	
Total business-type activities	7,315,238	5,533,187	-	1,488,102	-	(293,949)	(293,949)	
Total primary government	$ 58,702,399	$ 10,953,378	$ 30,323	$ 14,154,950	(33,269,799)	(293,949)	(33,563,748)	
Component unit:								
Madison Square Redevelopment Authority	$ -	$ -	$ -	$ -				$ -
General revenues:								
Taxes:								
Property taxes, levied for general purposes					10,443,069	-	10,443,069	-
Property taxes, levied for debt purposes					3,851,412	-	3,851,412	-
Road and bridge privilege taxes					841,889	-	841,889	-
Sales taxes					13,235,587	-	13,235,587	-
Franchise taxes					1,345,102	-	1,345,102	-
Payments in lieu of taxes					267,904	-	267,904	-
Unrestricted investment income					799,851	106,295	906,146	-
Unrestricted rental income					141,020	-	141,020	-
Miscellaneous					507,918	-	507,918	-
Transfers					125,000	(125,000)	-	-
Total general revenues and transfers					31,558,752	(18,705)	31,540,047	-
Change in net position					(1,711,047)	(312,654)	(2,023,701)	-
Net position, beginning of year					46,387,537	14,917,251	61,304,788	339,920
Net position, end of year					$ 44,676,490	$ 14,604,597	$ 59,281,087	$ 339,920

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

CITY OF MADISON, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2025

	General	2023 G.O. Public Improvement Bonds	ARPA	Madison at Main	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 3,049,605	$ -	$ -	$ -	$ 516,806	$ 3,566,411
Receivables, net	1,544,416	1,661,621	1,969,337	-	52,058	5,227,432
Due from other funds	2,195,804	-	-	-	-	2,195,804
Restricted cash and cash equivalents	-	2,354,836	3,662,865	2,309,709	927,252	9,254,662
Total assets	$ 6,789,825	$ 4,016,457	$ 5,632,202	$ 2,309,709	$ 1,496,116	$ 20,244,309
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	$ 2,274,086	$ 548,702	$ 913,360	$ -	$ 50,365	$ 3,786,513
Due to other funds	-	-	-	2,195,804	-	2,195,804
Total liabilities	2,274,086	548,702	913,360	2,195,804	50,365	5,982,317
Fund balance:						
Restricted for:						
Debt service	-	-	-	-	568,864	568,864
Public safety	-	-	-	-	816,101	816,101
Public improvements	-	3,467,755	4,718,842	2,309,709	-	10,496,306
Unemployment benefits	-	-	-	-	60,786	60,786
Unassigned	4,515,739	-	-	(2,195,804)	-	2,319,935
Total fund balance	4,515,739	3,467,755	4,718,842	113,905	1,445,751	14,261,992
Total liabilities and fund balance	$ 6,789,825	$ 4,016,457	$ 5,632,202	$ 2,309,709	$ 1,496,116	$ 20,244,309

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, 2025

Total fund balance - governmental funds	$	14,261,992
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.		109,538,690
Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in the statement of net position.		647,486
Liabilities not due and payable in the current period are not reported in the funds:		
Long-term liabilities		(39,531,786)
Accrued interest on long-term debt		(351,377)
Net pension liability		(46,979,590)
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 refunding bonds		70,249
Deferred outflows of resources related to pensions		8,635,735
Deferred inflows of resources related to pensions		(1,614,909)
Net position of governmental activities	$	44,676,490

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, 2025

	General	2023 G.O. Public Improvement Bonds	ARPA	Madison at Main	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	$ 10,443,069	$ -	$ -	$ -	$ 3,851,412	$ 14,294,481
Payments in lieu of taxes	267,904	-	-	-	-	267,904
Licenses and permits	1,300,934	-	-	-	-	1,300,934
Intergovernmental	14,378,543	3,606,581	2,609,429	750,000	-	21,344,553
Charges for services	3,197,811	-	-	-	-	3,197,811
Fines and forfeitures	459,305	-	-	-	239,562	698,867
Franchise fees	1,345,102	-	-	-	-	1,345,102
Investment earnings	256,252	128,194	299,667	78,576	37,162	799,851
Miscellaneous	666,786	-	-	-	-	666,786
Total revenues	32,315,706	3,734,775	2,909,096	828,576	4,128,136	43,916,289
EXPENDITURES						
Current:						
General government	4,941,986	14,995	-	-	4,913	4,961,894
Public safety	18,978,389	82,263	-	-	450,244	19,510,896
Public works	9,913,943	4,320,654	4,712,857	-	-	18,947,454
Culture and recreation	2,166,161	2,054,088	-	121,709	-	4,341,958
Economic development	462,235	-	-	1,960,460	-	2,422,695
Debt service:						
Principal	2,128,105	-	-	-	2,800,760	4,928,865
Interest	372,642	-	-	235,344	862,539	1,470,525
Other	-	-	-	-	1,068,016	1,068,016
Total expenditures	38,963,461	6,472,000	4,712,857	2,317,513	5,186,472	57,652,303
Excess (deficiency) of revenues over expenditures	(6,647,755)	(2,737,225)	(1,803,761)	(1,488,937)	(1,058,336)	(13,736,014)
OTHER FINANCING SOURCES (USES)						
Proceeds of loans	1,335,953	-	-	-	-	1,335,953
Other financing sources	1,960,460	-	-	-	-	1,960,460
Transfers in	125,000	-	-	-	-	125,000
Transfers out	-	-	-	-	-	-
Total other financing sources and (uses)	3,421,413	-	-	-	-	3,421,413
Net change in fund balances	(3,226,342)	(2,737,225)	(1,803,761)	(1,488,937)	(1,058,336)	(10,314,601)
Fund balances, beginning of year	7,742,081	6,204,980	6,522,603	1,602,842	2,504,087	24,576,593
Fund balances, end of year	$ 4,515,739	$ 3,467,755	$ 4,718,842	$ 113,905	$ 1,445,751	$ 14,261,992

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, 2025

Net change in fund balances - total governmental funds	$ (10,314,601)
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 activites do not provide current financial resources and are not reported as revenues in the funds	5,634,825
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays ($12,953,628) exceeded depreciation ($7,407,378) and disposals ($2,269) in the current period.	5,543,981
Debt proceeds, including any premium on bonds issued, 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. In addition, the amortization of bond premiums is reported as a reduction to expense on the statement of activities. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds ($1,335,953) exceeded debt repayments and amortization of bond premium ($4,973,914).	3,637,961
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues.	
Decrease in accrued interest on debt	26,832
Decrease in compensated absences payable	5,176
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.	(6,237,416)
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.	(7,805)
Change in net position of governmental activities	$ (1,711,047)

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, 2025

	Enterprise Funds		
	Water and Sewer	Airport	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 2,612,332	$ 230,465	$ 2,842,797
Receivables, net	584,684	393,461	978,145
Due from other funds	300,000	-	300,000
Other	61,858	21,467	83,325
Total current assets	3,558,874	645,393	4,204,267
Non-current assets:			
Restricted cash and cash equivalents	225,000	-	225,000
Capital assets, net	10,186,899	9,790,507	19,977,406
Total non-current assets	10,411,899	9,790,507	20,202,406
Total assets	13,970,773	10,435,900	24,406,673
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - refunding bonds	36,236	-	36,236
Deferred outflows - pensions	617,480	-	617,480
Total assets and deferred outflows of resources	14,624,489	10,435,900	25,060,389
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	258,882	350,016	608,898
Accrued interest payable	19,972	-	19,972
Due to other funds	-	300,000	300,000
Current portion of long-term liabilities	746,187	-	746,187
Total current liabilities	1,025,041	650,016	1,675,057
Non-current liabilities:			
Long-term liabilities	4,351,094	-	4,351,094
Customer meter deposits payable	554,855	-	554,855
Net pension liability	3,786,205	-	3,786,205
Total non-current liabilities	8,692,154	-	8,692,154
Total liabilities	9,717,195	650,016	10,367,211
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pensions	88,581	-	88,581
Total liabilities and deferred inflows of resources	9,805,776	650,016	10,455,792
NET POSITION			
Invested in capital assets, net of related debt	5,108,796	9,440,491	14,549,287
Unrestricted	(290,083)	345,393	55,310
Total net position	$ 4,818,713	$ 9,785,884	$ 14,604,597

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, 2025

	Enterprise Funds		
	Water and Sewer	Airport	Total
OPERATING REVENUES			
Charges for services	$ 5,335,553	$ 118,484	$ 5,454,037
Tap and inspection fees	79,150	-	79,150
Total operating revenues	5,414,703	118,484	5,533,187
OPERATING EXPENSES			
Personal services	1,477,628	-	1,477,628
Supplies	1,026,031	-	1,026,031
Other services and charges	1,148,867	66,709	1,215,576
Metro sewer charge	1,924,298	-	1,924,298
Depreciation	961,197	578,366	1,539,563
Total operating expenses	6,538,021	645,075	7,183,096
Operating income (loss)	(1,123,318)	(526,591)	(1,649,909)
NONOPERATING REVENUES (EXPENSES)			
Interest	106,295	-	106,295
Interest expense	(132,142)	-	(132,142)
Total nonoperating revenues (expenses)	(25,847)	-	(25,847)
Income (loss) before contributions and transfers	(1,149,165)	(526,591)	(1,675,756)
Capital contributions	1,033,710	454,392	1,488,102
Transfers out	(125,000)	-	(125,000)
Change in net position	(240,455)	(72,199)	(312,654)
Total net position, beginning of year	5,059,168	9,858,083	14,917,251
Total net position, ending of year	$ 4,818,713	$ 9,785,884	$ 14,604,597

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, 2025

	Enterprise Funds		
	Water and Sewer	Airport	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	$ 5,331,536	$ 118,484	$ 5,450,020
Payments to suppliers	(4,039,588)	(66,258)	(4,105,846)
Payments to employees	(1,148,912)	-	(1,148,912)
Net cash provided by operating activities	143,036	52,226	195,262
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating subsidies and transfers from (to) other funds	(125,000)	-	(125,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	1,033,710	5,363,554	6,397,264
Proceeds of loans	231,427	-	231,427
Purchases of capital assets	(450,642)	(1,210,631)	(1,661,273)
Principal paid on general obligation bonds payable	(838,240)	-	(838,240)
Principal paid on loans payable	(144,513)	-	(144,513)
Interest paid on long-term debt	(129,554)	-	(129,554)
Net interfund loan activity	1,488,765	(3,974,684)	(2,485,919)
Net cash provided by capital and related financing activities	1,190,953	178,239	1,369,192
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest revenue	106,295	-	106,295
Net increase in cash, cash equivalents and restricted cash	1,315,284	230,465	1,545,749
Balances, beginning of year	1,522,048	-	1,522,048
Balances, end of year	$ 2,837,332	$ 230,465	$ 3,067,797
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ (1,123,318)	$ (526,591)	$ (1,649,909)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	961,197	578,366	1,539,563
Change in assets, liabilities and deferred outflows and inflows of resources			
Receivables, net	(92,462)	-	(92,462)
Accounts payable and accrued expenses	79,158	451	79,609
Net pension liability	174,483	-	174,483
Deferred outflows - pensions	55,397	-	55,397
Deferred inflows - pensions	88,581	-	88,581
Net cash provided by operating activities	$ 143,036	$ 52,226	$ 195,262

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

CITY OF MADISON, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

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 sole project undertaken by the Authority has been 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.

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.

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 2023 G.O. Public Improvement Bonds Fund is a capital projects fund used to account for public improvements being paid from the proceeds of general obligation bonds issued in 2023, consisting primarily of street improvements and other capital projects.

The ARPA Fund is a capital projects fund used to account for public improvements being paid from proceeds of funding authorized by The American Rescue Plan Act of 2021. These public improvements will consist of various infrastructure improvements.

The Madison at Main Fund is a capital projects fund used to account for public improvements being paid from the proceeds of various capital grants and redevelopment of the property held by Madison Square Redevelopment Authority. These public improvements will consist of various infrastructure improvements.

In addition to the major funds, the City also reports on the debt service fund, various non-major capital projects funds and special revenue funds. The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for certain purposes.

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.

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 40%) is reported as restricted assets on the statement of net position and the balance sheet. Unspent grant and debt proceeds are also recorded as restricted assets because their use is limited by debt covenants and other agreements.

4. Capital Assets.

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

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

Assets	Years
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.

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. Issuance costs are expensed, even if paid out of debt proceeds. 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.

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.

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, Special Revenue, 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.

A. Cash and Cash Equivalents (Continued).

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, 2025, the carrying amount of the City's deposits with financial institutions was $15,888,870 and the bank balance was $15,995,038. 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, 2025.

	Governmental Funds	Enterprise Funds
Amounts restricted for public safety	$ 866,466	$ -
Amounts restricted for public improvements	8,327,410	-
Amounts restricted for unemployment benefits	60,786	-
Water department customer deposits	-	225,000
	$ 9,254,662	$ 225,000

B. Receivables.

Receivables at September 30, 2025 for the City's individual major funds and non-major funds in the aggregate consisted of the following:

Governmental activities:

	General	2023 G.O. Public Improvement Bonds	ARPA	Other Governmental Funds	Total
Property taxes	$ 140,157	$ -	$ -	$ 52,058	$ 192,215
Sales tax	991,473	-	-	-	991,473
Customers	294,306	-	-	-	294,306
Franchise tax	107,645	-	-	-	107,645
Grants	-	1,331,160	1,969,337	-	3,300,497
Other	10,835	330,461	-	-	341,296
Total	$ 1,544,416	$ 1,661,621	$ 1,969,337	$ 52,058	$ 5,227,432

Business-type activities:

	Water and Sewer	Airport	Total
Customers	$ 584,684	$ 17,486	$ 602,170
Grants	-	375,975	375,975
	$ 584,684	$ 393,461	$ 978,145

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, 2025 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.

C. Capital Assets.

Capital assets activity for the year ended September 30, 2025 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 7,200,042	$ -	$ -	$ -	$ 7,200,042
Construction in progress	6,120,138	11,306,566	-	(9,958,319)	7,468,385
Total capital assets, not being depreciated	13,320,180	11,306,566	-	(9,958,319)	14,668,427
Capital assets, being depreciated:					
Buildings	11,618,950	-	-	5,143,284	16,762,234
Improvements other than buildings	29,481,663	-	-	1,664,003	31,145,666
Infrastructure	96,822,172	5,634,825	-	3,151,032	105,608,029
Machinery and equipment	20,033,761	1,647,062	(538,257)	-	21,142,566
Total capital assets, being depreciated	157,956,546	7,281,887	(538,257)	9,958,319	174,658,495
Less accumulated depreciation:					
Buildings	(7,489,176)	(527,205)	-	-	(8,016,381)
Improvements other than buildings	(13,845,344)	(1,080,996)	-	-	(14,926,340)
Infrastructure	(36,483,676)	(3,884,946)	-	-	(40,368,622)
Machinery and equipment	(15,098,646)	(1,914,231)	535,988	-	(16,476,889)
Total accumulated depreciation	(72,916,842)	(7,407,378)	535,988	-	(79,788,232)
Total capital assets, being depreciated, net	85,039,704	(125,491)	(2,269)	9,958,319	94,870,263
Governmental activities, capital assets, net	$ 98,359,884	$ 11,181,075	$ (2,269)	$ -	$ 109,538,690

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	5,703,323	401,047	-	-	395,763
Total capital assets, not being depreciated	8,051,786	401,047	-	(5,708,607)	2,744,226
Capital assets, being depreciated:					
Buildings	2,914,890	-	-	-	2,914,890
Infrastructure	35,569,357	219,215	-	5,708,607	41,497,179
Machinery and equipment	1,586,544	231,427	(144,030)	-	1,673,941
Total capital assets, being depreciated	40,070,791	450,642	(144,030)	5,708,607	46,086,010
Less accumulated depreciation:					
Buildings	(1,825,952)	(96,192)	-	-	(1,922,144)
Infrastructure	(24,155,638)	(1,377,753)	-	-	(25,533,391)
Machinery and equipment	(1,475,707)	(65,618)	144,030	-	(1,397,295)
Total accumulated depreciation	(27,457,297)	(1,539,563)	144,030	-	(28,852,830)
Total capital assets, being depreciated, net	12,613,494	(1,088,921)	-	5,708,607	17,233,180
Business-type activities, capital assets, net	$ 20,665,280	$ (687,874)	$ -	$ -	$ 19,977,406

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

Governmental activities:	
General government	$ 333,083
Public safety	1,803,360
Public works	4,873,278
Culture and recreation	397,657
Total depreciation expense - governmental activities	$ 7,407,378
Business-type activities:	
Water and sewer	$ 961,197
Airport	578,366
Total depreciation expense - business-type activities	$ 1,539,563

C. Capital Assets (Continued).

Construction in progress was composed of the following:

Project	9/30/25 Balance	Remaining Estimated Commitment
Governmental activities:		
Madison Town Center	$ 4,458,724	$ 4,130,153
Park Improvements	1,443,236	84,332
Other	1,566,425	86,503
Total	$ 7,468,385	$ 4,300,988
Business-type activities:		
PAPI	$ 334,443	$ 32,571
Runway Rehabilitation	61,320	85,680
Total	$ 395,763	$ 118,251

Component Unit:

Capital assets activity for MSRA for the year ended September 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Component unit activities:					
Capital assets, not being depreciated					
Land	$ 4,597,889	$ -	$ -		$ 4,597,889

D. Interfund Receivables, Payables and Transfers.

The composition of interfund balances as of September 30, 2025 was as follows:

Receivable Fund	Payable Fund	Amount
General	Madison at Main	$ 2,195,804
Water and Sewer	Airport	300,000

Interfund receivable and payable balances are due primarily to short-term loans and the reallocation of expenditures paid by the General Fund in prior years to the Madison at Main Fund (See Note 4D).

Interfund transfers:

	Transfers In	Transfers Out
General Fund	$ 125,000	$ -
Water and Sewer Fund	-	125,000
	$ 125,000	$ 125,000

E. Madison County Wastewater Authority.

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 expenses. Minimum payments under the agreement are as follows.

Year Ending September 30:	
2026	$ 57,864
2027	46,244
2028	46,244
2029	46,244
2030	40,180
Thereafter	23,818
Total	$ 260,594

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:

Purpose	Interest Rates	Amount
Governmental activities	1.3% - 5.5%	$24,002,640
Business-type activities	1.3% - 3.6%	3,385,360

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

Year Ending	Governmental Activities		Business-type Activities	
September 30:	Principal	Interest	Principal	Interest
2026	$ 2,307,600	$ 780,665	$ 570,400	$ 76,557
2027	2,076,360	716,620	592,640	63,671
2028	2,335,720	658,106	326,280	50,137
2029	2,036,560	591,845	333,440	39,862
2030	1,362,320	533,082	346,680	29,783
2031	1,403,080	490,092	356,920	22,494
2032	1,219,000	446,531	98,000	14,985
2033	1,262,000	406,280	101,000	13,144
2034	1,315,000	364,029	105,000	11,239
2035	1,110,000	321,972	109,000	9,259
2036	860,000	280,222	107,000	7,261
2037	905,000	245,125	110,000	5,254
2038	940,000	208,125	113,000	3,191
2039	980,000	169,500	116,000	1,073
2040	1,020,000	132,270	-	-
2041	665,000	101,500	-	-
2042	700,000	74,200	-	-
2043	735,000	45,500	-	-
2044	770,000	15,400	-	-
	$ 24,002,640	$ 6,581,064	$ 3,385,360	$ 347,910

F. Long-term Debt (Continued).

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:

Purpose	Interest Rates	Amount
Governmental activities	2.44% - 3.85%	$7,210,000

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

Year Ending September 30:	Governmental Activities Principal	Interest
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	1,280,000	18,693
	$ 7,210,000	$ 625,403

F. Long-term Debt (Continued).

Loans Payable

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

Loan Type	Interest Rates	Governmental Activities	Business-Type Activities
State Revolving Fund	1.95%	$ -	$ 1,100,308
WPC Revolving Loan Fund	1.75%	-	288,917
Equipment	Various	5,080,698	303,518
Total		$ 5,080,698	$ 1,692,743

Loan debt service requirements to maturity are as follows:

Year Ending	Governmental Activities		Business-type Activities	
September 30	Principal	Interest	Principal	Interest
2026	$ 1,151,592	$ 189,831	$ 175,787	$ 35,810
2027	1,173,723	141,657	182,285	31,728
2028	1,132,221	92,535	178,441	27,298
2029	902,175	47,108	182,843	22,896
2030	435,364	21,258	170,069	20,327
2031	226,981	7,226	163,518	14,798
2032	56,914	928	167,238	11,078
2033	1,728	6	144,029	7,704
2034	-	-	144,356	4,963
2035	-	-	147,141	2,185
2036	-	-	27,696	427
2037	-	-	9,340	33
	$ 5,080,698	$ 500,549	$ 1,692,743	$ 179,247

F. Long-term Debt (Continued).

Madison Square Redevelopment Authority (Urban Renewal Notes)

Madison Square Redevelopment Authority issued urban renewal notes to finance the acquisition and redevelopment of the Madison Station School property. The outstanding Series 2023-A Notes were originally scheduled to mature on May 1, 2025, and provide for interest-only payments at a rate of 4.5% per annum. In April 2025, MSRA and the sole holder of its $4,250,000 urban renewal notes entered into an agreement extending maturity of the notes until August 1, 2025. In July 2025, the parties agreed to further extend the maturity of the notes until August 1, 2027, and modify the interest rate on the notes to equal 5.25% per annum from August 1, 2025, through maturity or payment.

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

September 30:	Principal	Interest
2026	$ -	$ 223,125
2027	4,250,000	223,125
	$ 4,250,000	$ 446,250

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.

F. Long-term Debt (Continued).

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 26,803,400	$ -	$ (2,800,760)	$ 24,002,640	$ 2,307,600
Tax increment financing bonds	8,335,000	-	(1,125,000)	7,210,000	1,150,000
Total bonds payable	35,138,400	-	(3,925,760)	31,212,640	3,457,600
Other liabilities:					
Loans payable	4,747,850	1,335,953	(1,003,105)	5,080,698	1,151,592
Unamortized bond premium	855,933	-	(45,049)	810,884	-
Compensated absences	2,432,740	-	(5,176)	2,427,564	-
Total other liabilities	8,036,523	1,335,953	(1,053,330)	8,319,146	1,151,592
Governmental activities, long-term liabilities	$ 43,174,923	$ 1,335,953	$ (4,979,090)	$ 39,531,786	$ 4,609,192
Business-type activities:					
Bonds payable:					
General obligation bonds	$ 4,223,600	$ -	$ (838,240)	$ 3,385,360	$ 570,400
Other liabilities:					
Loans payable	1,605,829	231,427	(144,513)	1,692,743	175,787
Compensated absences	19,178	-	-	19,178	-
Total other liabilities	1,625,007	231,427	(144,513)	1,711,921	175,787
Business-type activities, long-term liabilities	$ 5,848,607	$ 231,427	$ (982,753)	$ 5,097,281	$ 746,187
Component Unit - MSRA					
Urban renewal notes	$ 4,250,000	$ -	$ -	$ 4,250,000	$ -

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 including officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts, and other public employees whose employers have elected to participate. 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 System's Board of Trustees. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. Current rates are 18.40 percent for employers and 9.00 percent for members.

B. Defined Benefit Pension Plan (Continued).

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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

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 18.40% 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, 2025, 2024 and 2023 were approximately $2,938,000, $2,533,000, and $2,118,000, 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, 2025, the City reported a liability of $50,765,795 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2025, the City's proportion was 0.20 percent, an increase of 0.02 percent from the prior year.

B. Defined Benefit Pension Plan (Continued).

For the year ended September 30, 2025, the City recognized pension expense of $9,062,177. At September 30, 2025 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	$ 2,441,258	-
Changes of assumptions	1,193,668	$ 484,968
Changes in proportion and differences between City contributions and proportionate share of contributions	4,917,411	-
Net difference between projected and actual earnings on pension plan investments	-	1,218,522
City contributions subsequent to the measurement date	700,878	-
	$ 9,253,215	$ 1,703,490

$700,878 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, 2026. 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:	
2026	$ 6,270,391
2027	1,355,388
2028	(222,786)
2029	(554,146)
	$ 6,848,847

Actuarial Assumptions. The total pension liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	2.65-17.90 percent, including inflation
Investment rate of return	7.00 percent, net of pension investment expense, including inflation

B. Defined Benefit Pension Plan (Continued).

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males, 107% of all rates. For females, 97% of female rates up to age 82, 100% for ages 83 to 87 and 110% for ages above 87. Mortality rates will be projected generationally using the MP-2021 projection scale to account for future improvements in life expectancy.

The actuarial assumptions are based on the results of an actuarial experience study for the four-year period ending June 30, 2024. The experience report is dated April 16, 2025.

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, 2025, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27 %	4.75 %
International Equity	20	4.75
Global Equity	12	4.95
Fixed Income	20	2.25
Real Estate	10	3.75
Private Equity	10	6.00
Cash Equivalents	1	0.50
Total	100 %	

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00 percent) and that employer contributions will be phased in over five years to 19.90 for the years ended June 30, 2029 and beyond. 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.

B. Defined Benefit Pension Plan (Continued).

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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	$ 66,013,682	$ 50,765,795	$ 38,240,526

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is included in the Annual Comprehensive Financial Report of the Public Employees' Retirement System available at www.pers.ms.gov.

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.

D. Other Financing Sources.

In September 2025, the City determined that expenditures paid by the General Fund in prior years related to the development of the downtown area should be reallocated to the Madison at Main Fund, a capital projects fund. The total of the reallocated expenditures was $1,960,400. In the fund financial statements, this amount has been recorded as other financing sources by the General Fund and as a current year expenditure by the Madison at Main Fund.

E. Subsequent Events.

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the City through September 29, 2026, (the date the financial statements were available to be issued) and concluded, with the exception of the matter discussed in the following paragraph, no subsequent events have occurred that would require recognition or disclosure in the financial statements.

In December 2025, the City adopted a resolution of the Mayor and Board of Aldermen declaring the intention to issue general obligation public improvement bonds in the principal amount of $10,000,000 to provide funding for various capital projects. The sale of these approved bonds is expected to occur in October 2026. The terms and pricing of the bonds were being negotiated at the date the financial statements were available to be issued.

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, 2025

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 10,570,000	$ 10,733,000	$ 10,443,069	$ (289,931)
Payments in lieu of taxes	260,295	267,900	267,904	4
Licenses and permits	1,464,000	1,464,000	1,300,934	(163,066)
Fines and forfeitures	844,870	910,250	459,305	(450,945)
Franchise fees	1,325,000	1,325,000	1,527,340	202,340
Intergovernmental	14,872,430	15,097,430	14,316,849	(780,581)
Charges for services	3,242,500	3,489,500	3,202,976	(286,524)
Miscellaneous	969,500	864,500	923,038	58,538
Total revenues	33,548,595	34,151,580	32,441,415	(1,710,165)
EXPENDITURES				
General government	4,220,234	4,958,533	4,904,209	54,324
Public safety	19,383,156	19,114,977	19,058,875	56,102
Public works	8,230,979	10,126,194	9,501,944	624,250
Culture and recreation	2,281,680	2,268,760	2,137,490	131,270
Economic development	584,208	464,869	462,235	2,634
Debt service	1,535,507	1,531,757	1,321,203	210,554
Total expenditures	36,235,764	38,465,090	37,385,956	1,079,134
Excess (deficiency) of revenues over (under) expenditures	(2,687,169)	(4,313,510)	(4,944,541)	(631,031)
OTHER FINANCING SOURCES (USES)				
Other financing sources	2,575,000	-	1,960,460	1,960,460
Transfers in	125,000	125,000	125,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	2,700,000	125,000	2,085,460	1,960,460
Net change in fund balance	12,831	(4,188,510)	(2,859,081)	1,329,429
Fund balance, beginning of year	8,840,180	6,892,211	6,892,211	-
Fund balance, end of year	$ 8,853,011	$ 2,703,701	$ 4,033,130	$ 1,329,429

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the net pension liability	0.20%	0.18%	0.16%	0.15%	0.14%	0.14%	0.14%	0.15%	0.15%	0.15%
City's proportionate share of the net pension liability	$ 50,765,795	$ 46,741,367	$ 40,242,112	$ 30,875,458	$ 20,692,611	$ 27,102,373	$ 24,629,490	$ 24,949,457	$ 24,935,092	$ 26,793,746
City's covered-employee payroll	$ 16,303,713	$ 14,457,839	$ 12,173,425	$ 10,622,931	$ 9,558,259	$ 9,628,281	$ 9,291,253	$ 9,299,390	$ 9,487,492	$ 9,710,654
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	311.38%	323.29%	330.57%	290.65%	216.49%	281.49%	265.08%	268.29%	262.82%	275.92%
Plan fiduciary net position as a percentage of the total pension liability	58.38%	56.30%	55.70%	59.93%	70.40%	58.97%	61.59%	62.54%	61.49%	57.47%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 2,937,920	$ 2,532,903	$ 2,118,176	$ 1,848,390	$ 1,663,137	$ 1,675,321	$ 1,504,032	$ 1,464,654	$ 1,494,280	$ 1,529,428
Contributions in relation to the contractually required contribution	(2,937,920)	(2,532,903)	(2,118,176)	(1,848,390)	(1,663,137)	(1,675,321)	(1,504,032)	(1,464,654)	(1,494,280)	(1,529,428)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 16,303,713	$ 14,457,839	$ 12,173,425	$ 10,622,931	$ 9,558,259	$ 9,628,281	$ 9,291,253	$ 9,299,390	$ 9,487,492	$ 9,710,654
Contributions as a percentage of covered-employee payroll	18.02%	17.52%	17.40%	17.40%	17.40%	17.40%	16.19%	15.75%	15.75%	15.75%

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, 2025

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	$ (3,226,342)
Reconciling items:	
Receivables	125,709
Accounts payable	241,552
Net change in fund balance - budgetary cash basis	$ (2,859,081)

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.

Changes of Assumptions

2025:

- Mortality, withdrawal, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
- The assumed load for administrative expenses was decreased from 0.26% to 0.25% of payroll.

2023:

- The investment rate of return assumption was changed from 7.55% to 7.00%.
- The assumed load for administrative expenses was decreased from 0.28% to 0.26% of payroll.
- Withdrawal rates, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
- The percentage of participants assumed to receive a deferred benefit upon attaining the eligibility requirements for retirement was increased from 60% to 65%.
- For married members, the number of years that a male is assumed to be older than his spouse was changed from 3 years to 2 years.
- The assumed amount of unused sick leave at retirement was increased from 0.50 years to 0.55 years.
- The assumed average number of years of military service that participants will have at retirement was decreased from 0.25 years to 0.20 years.

D. Required Supplementary Pension Schedules (Continued).

2021:

- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, mortality rates, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

2019:

- 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, mortality rates, and service retirement rates were adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

D. Required Supplementary Pension Schedules (Continued).

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 rather than projected with Scale BB to 2016, which was used prior to 2017. Small adjustments were also made to the Mortality Table for disabled lives.

- The wage inflation assumption was reduced from 3.75% to 3.25%.

- Withdrawal rates, pre-retirement mortality rates, disability rates and service requirement rates were adjusted to reflect actual experience more closely.

- 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%.

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.

D. 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, 2023 valuation for the September 30, 2025 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	24.7 years
Asset valuation method	5-year smoothed market
Price inflation	2.40 percent
Salary increase	2.65 percent to 17.90 percent, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

CITY OF MADISON, MISSISSIPPI

SUPPLEMENTARY INFORMATION

CITY OF MADISON, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2025

Name	Position	Bonding Company	Amount of Bond
Mary Hawkins Butler	Mayor	Travelers	$ 100,000
Sandra Strain	Alderman-At-Large	Travelers	100,000
Tawanna Tatum	Alderman-Ward 1	Travelers	100,000
Patricia Peeler	Alderman-Ward 2	Travelers	100,000
Janie Jarvis	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
Nathan Hanson	City Clerk / Finance Director	Travelers	50,000
Cynthia Robinson Mays	Chief Deputy Clerk	Travelers	50,000
Sally Hodges	Deputy Clerk	Travelers	50,000
Ruth Gibbons	Deputy Clerk	Travelers	50,000
Victoria Oliver	Utility Clerk	Travelers	50,000
Anna Cannon	Utility Clerk	Travelers	50,000
Eugene Waldrop	Chief of Police	Travelers	50,000
Police Officers		Travelers & CNA Surety	50,000
Employees Handling Cash		Travelers & CNA Surety	50,000

CITY OF MADISON, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
September 30, 2025

	Interest Rates (%)	Payment Date	Issue Date	Maturity Date	Balance Outstanding 10/01/24	Transactions During Fiscal Year Issued	Transactions During Fiscal Year Redeemed	Balance Outstanding 09/30/25
General Obligation Bonds:								
Public improvement bonds	1.70	Feb/Aug	09/12	02/27	$ 250,000	$ -	$ (80,000)	$ 170,000
Refunding bonds	2.00	Mar/Sept	08/12	09/25	570,000	-	(570,000)	-
Refunding bonds	2.00-2.65	Mar/Sept	12/12	09/31	1,430,000	-	(190,000)	1,240,000
Refunding bonds	1.31-2.65	May/Nov	04/15	05/28	1,695,000	-	(612,000)	1,083,000
Public improvement bonds	2.50-3.00	Feb/Aug	08/15	08/35	2,575,000	-	(190,000)	2,385,000
Utility bonds	2.60-3.63	May/Nov	11/18	11/38	375,000	-	(70,000)	305,000
Public improvement bonds	2.13-3.00	May/Nov	11/19	11/39	5,065,000	-	(250,000)	4,815,000
Refunding bonds	2.24	Apr/Oct	01/20	10/29	3,965,000	-	(925,000)	3,040,000
Refunding bonds	1.85	Sept/Mar	3/22	9/31	1,825,000	-	(247,000)	1,578,000
Refunding bonds	1.85	Sept/Mar	5/22	3/34	2,196,000	-	(200,000)	1,996,000
Refunding bonds	1.85-2.34	Sept/Mar	5/22	11/38	1,081,000	-	(5,000)	1,076,000
Public improvement bonds	4.0-5.0	May/Nov	12/23	11/43	10,000,000	-	(300,000)	9,700,000
					31,027,000	-	(3,639,000)	27,388,000

CITY OF MADISON, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT - (Cont'd.)
September 30, 2025

	Interest Rates (%)	Payment Date	Issue Date	Maturity Date	Balance Outstanding 10/01/24	Transactions During Fiscal Year		Balance Outstanding 09/30/25
						Issued	Redeemed	
Limited Obligation Bonds:								
Tax increment financing bonds	3.85	May/Nov	05/11	05/26	70,000	-	(35,000)	35,000
Tax increment financing bonds	3.81	May/Nov	05/11	11/25	70,000	-	(60,000)	10,000
Tax increment financing bonds	3.75	May/Nov	11/11	05/26	345,000	-	(110,000)	235,000
Tax increment financing bonds	2.80	May/Nov	12/15	11/30	2,990,000	-	(345,000)	2,645,000
Tax increment financing bonds	2.44	May/Nov	03/16	11/30	4,860,000	-	(575,000)	4,285,000
					8,335,000	-	(1,125,000)	7,210,000
Other Loans Payable:								
Equipment	Various	Various	Various	Various	4,842,909	1,567,380	(1,026,073)	5,384,216
State revolving fund loan	1.95	Monthly	08/13	11/34	1,199,003	-	(98,695)	1,100,308
Water pollution control loan	1.75	Monthly	12/15	09/35	311,767	-	(22,850)	288,917
					6,353,679	1,567,380	(1,147,618)	6,773,441
					$ 45,715,679	$ 1,567,380	$ (5,911,618)	$ 41,371,441

CITY OF MADISON, MISSISSIPPI

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2025

Federal Agency/ Pass-through Entity/ Program Title	Assistance Listing Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Direct Program -				
Emergency Watershed Protection Program	10.923	N/A	$ -	$ 273,172
U.S. Department of Transportation				
Direct Program -				
Airport Improvement Project	20.106	N/A	-	357,539
Passed-through Mississippi Department of Transportation:				
Highway Planning and Construction	20.205	STP-0047-00(043)LPA STP-6940-00(001)LPA STP-0047-00(035)LPA	-	1,721,434
Total U.S. Department of Transportation			-	2,078,973
U.S. Department of the Treasury				
Direct Program -				
COVID-19-Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	2,103,428
Passed-through Mississippi Department of Environmental Quality				
COVID-19-Coronavirus State and Local Fiscal Recovery Funds	21.027	72-2-CW-5.5 161-2-DW-5.15	-	2,609,429
Total U.S. Department of the Treasury			-	4,712,857
Total for All Federal Awards			$ -	$ 7,065,002

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, 2025. 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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 29, 2026.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

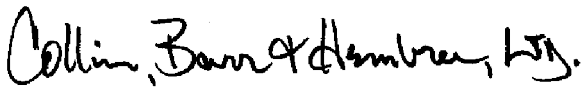
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002.

City of Madison, Mississippi's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



September 29, 2026

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

Opinion on Each Major Federal Program

We have audited City of Madison Mississippi's (the City) compliance with the types of compliance requirements identified as subject to audit 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, 2025. 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.

In our opinion, the City of Madison 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, 2025.

Basis for Opinion on Each Major Federal Program

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 State, 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Madison, Mississippi, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts for grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Madison, Mississippi's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Madison, Mississippi's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City of Madison, Mississippi's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 of the effectiveness of the City of Madison, Mississippi's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

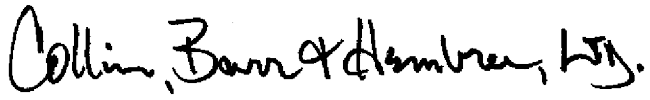
Report on Internal Control Over Compliance

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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



September 29, 2026

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, 2025, and have issued our report thereon dated September 29, 2026. 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 Mississippi 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.

The results of those procedures and our audit of the financial statements disclosed instances of noncompliance with state laws and regulations which are described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002.

This report is intended solely for the information and use of the Mayor and Board of Aldermen of the City of Madison, Mississippi, its management, the Mississippi Office of the State Auditor, federal awarding agencies and pass-through entities 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.

September 29, 2026

7731 Old Canton Road, Suite B, Madison, Mississippi 39110
Phone (601) 707-7536 Fax (601) 707-7556

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, 2025

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	Yes
b. Significant deficiencies identified	None Reported
3. Noncompliance material to financial statements noted	Yes

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:	
Coronavirus State and Local Fiscal Recovery Funds	ALN 21.027
8. Dollar threshold to distinguish between type A and type B programs:	$1,000,000
9. Auditee qualified as low-risk auditee	No

CITY OF MADISON, MISSISSIPPI

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2025

Section II – Financial Statement Findings

Finding 2025-001

Repeat Finding – This finding is not a repeat finding.

Criteria – The City's accounting system must comply with Mississippi requirements in order to present information to the officers and employees for the operation and management of the municipality. Section 21-35-13, Mississippi Code Annotated requires the municipal clerk to prepare a budget report to be presented to the governing authority at the regular meeting each month.

Condition – Bank reconciliations were not prepared and agreed to the general ledger in a timely manner for some months during the year. The required budget reports were not submitted to the governing authority for these months.

Cause – The City's internal control did not ensure bank accounts were properly reconciled to the general ledger in a timely manner for all months during the year.

Effect – The City has not complied with Section 21-35-13 for some months during the year.

Recommendation – The City should strengthen controls sufficient to ensure bank reconciliations are completed in a timely manner and the budget report is presented to the governing authority at the regular meeting each month as required by Section 21-35-13.

CITY OF MADISON, MISSISSIPPI

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2025

Section II – Financial Statement Findings

Finding 2025-002

Repeat Finding – This finding is not a repeat finding.

Criteria – The City is required, by state statutes, to prepare a budget for all required funds and to monitor and modify the budget as necessary to ensure all expenditures are within the budgeted amounts.

Condition – Expenditures exceeded budgeted amounts for some categories in the General Fund during the year ended September 30, 2025. Total expenditures for the General Fund were under the budgeted amount; however, compliance with state statutes is determined at the lowest level adopted by the governing authority.

Cause – The City did not amend the budget in a sufficient amount for all categories in the General Fund.

Effect – The City has not complied with Section 21-35-15 for some categories during the year.

Recommendation – The City should ensure all expenditures are within the final amended budget amounts as required by Section 21-35-15.

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

2103 MAIN ST. ◆ POST OFFICE BOX 40 ◆ MADISON, MISSISSIPPI 39130-0040 ◆ (601) 856-7116 ◆ FAX (601) 853-4766

FamilyCircle BEST TOWN FOR FAMILIES

MAYOR
Mary Hawkins Butler

CITY CLERK/DIRECTOR
J. Nathan Hanson

BOARD OF ALDERMEN
AT LARGE
Sandra Strain

WARD I
Tawanna Tatum

WARD II
Patricia H. Peeler

WARD III
Janie Jarvis

WARD IV
Paul Tankersley

WARD V
Michael L. Hudgins

WARD VI
Guy Bowering

AUDITEE'S CORRECTIVE ACTION PLAN

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, 2025:

Finding 2025-001

Compliance Requirement – The City's accounting system must comply with Mississippi requirements in order to present information to the officers and employees for the operation and management of the municipality. Section 21-35-13, Mississippi Code Annotated requires the municipal clerk to prepare a budget report to be presented to the governing authority at the regular meeting each month.

Recommendation – The City should strengthen controls sufficient to ensure bank reconciliations are completed in a timely manner and the budget report is presented to the governing authority at the regular meeting each month as required by Section 21-35-13.

Corrective Action Plan – The City has initiated the necessary steps to ensure that bank reconciliations are prepared in a timely manner each month and the budget report is presented to the governing authority at the regular meeting each month.

Finding 2025-002

Compliance Requirement – The City is required, by state statutes, to prepare a budget for all required funds and to monitor and modify the budget as necessary to ensure all expenditures are within the budgeted amounts.

Recommendation – The City should ensure all expenditures are within the final amended budget amounts as required by Section 21-35-15.

Corrective Action Plan – The City will take the steps necessary to ensure that budgets are amended prior to any expenditures that will exceed the amounts budgeted. Budget reports will be reviewed monthly to determine if there is a need to consider any amendments.

CITY OF MADISON

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AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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, 2025:

No findings were reported in the prior year.