

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF MADISON
JEFFERSON COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
11/29/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rick Berry	01-01-16 to 12-31-19
Mayor	Damon L. Welch	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Damon L. Welch	01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Darrell Henderson David Alcorn	01-01-16 to 12-31-17 01-01-18 to 12-31-18
Utility Office Manager	Sara Stetson Mark Hill Rob Holt	01-01-16 to 09-24-17 09-25-17 to 03-26-18 03-27-18 to 12-31-18



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF MADISON, JEFFERSON COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Madison (City), which comprises the financial position and results of operations for the year ended December 31, 2016, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement 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's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 to the financial statement, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2016.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2016, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. 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 financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


Other Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 17, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the City's 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's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

October 17, 2018



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE CITY OF MADISON, JEFFERSON COUNTY, INDIANA

We have audited, 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, the financial statement of the City of Madison (City), which comprises the financial position and results of operations for the year ended December 31, 2016, and the related notes to the financial statement, and have issued our report thereon dated October 17, 2018, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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 did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001, 2016-002, and 2016-003, that we consider to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2016-001 and 2016-002.

City of Madison's Response to Findings

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

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


Paul D. Joyce, CPA
State Examiner

October 17, 2018

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF MADISON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2016

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16
GENERAL FUND	\$ 990,318	\$ 5,645,986	\$ 5,516,085	\$ 1,120,219
MOTOR VEHICLE HIGHWAY	425,764	418,383	403,099	441,048
LOCAL ROAD & STREET	27,041	56,374	60,000	23,415
AVIATION	54,833	165,449	148,717	71,565
INVESTIGATION RE-IM. FUND	796	901	750	947
FARMERS MARKET	1,432	11,053	437	12,048
UNSAFE BLDG. FUND (35.58)	31,924	12,514	200	44,238
PARK & RECREATION-GEN.	804,180	1,280,659	1,177,331	907,508
RAINY DAY FUND(35.43)	535,191	-	-	535,191
POLICE K-9 FUND(35.55)	3,837	9,699	11,012	2,524
PARK NRO (35.18)	122,851	176,057	222,018	76,890
CUM CAP. DEV.(35.15)	315,311	194,783	233,417	276,677
COMMUNITY GARDEN (35.46)	2,429	900	490	2,839
POLICE D.A.R.E.	2,374	150	-	2,524
EQ.RESERVE NRO	91,707	117,205	98,127	110,785
COMMUNITY BAND	3,600	1,055	2,999	1,656
OLD SR 56/ MAIN ST.	260,000	255,000	-	515,000
P.A.C.E. NRO	50,850	50,000	63,814	37,036
CUM CAP IMPROV	94,217	30,501	23,084	101,634
TIF (35.27)	4,799,744	1,136,291	1,792,895	4,143,140
UST UNDERGROUND STORAGE TANKS	30,028	33	-	30,061
POLICE PENSION-CKING/INV	567,689	358,212	370,755	555,146
RIVERBOAT DIST. FUND	452,210	70,889	134,271	388,828
PETTY CASH	385	-	-	385
HISTORIC PRES. GRANT	96	-	-	96
PUBLIC SER.VIDEO (35.63)	24,871	34,670	38,049	21,492
EMER. RESPONSE TEAM	1,936	3,500	2,283	3,153
POLICE-CON'T EDUCATION	16,482	19,506	9,711	26,277
POLICE DONATION	8,734	3,623	4,756	7,601
INSURANCE	20,268	39,235	14,907	44,596
COMM DEV&EVENT (35.62)	8,536	44,085	47,674	4,947
BROADWAY FOUNTAIN	3,032	400	380	3,052
PARK DONATION	9,892	6,362	720	15,534
OPERATION PULLOVER GR	1,752	1,912	860	2,804
RIVERFRONT DEV GR (35.57)	3,000	-	-	3,000
MAD. CITY TREE (35.23)	11,909	37,000	41,840	7,069
CITY EMPLOYEE DONATION	145	5,584	117	5,612
M.A.I.N. NRO	17	-	-	17
WALNUT ST. NRO	400	25,905	5,000	21,305
AVIATION-NRO (35.38)	98,263	229,495	258,818	68,940
SCBA FIRE DEPT(35.64)	152,146	37,375	-	189,521
AVIA ST. GRANT #3900101	1,376	422,301	422,301	1,376
BI-CENTENNIAL FUND(35.51)	96,013	-	-	96,013
COUNTY TAX FUND(35.48)	156,453	839,541	687,349	308,645
STAGE FUND NRO (35.59)	3,544	-	62	3,482
SENIOR CTZN. FUND	23,922	7,977	2,886	29,013
FIRE DEPT FED GR.(35.17)	1,418	-	-	1,418
AVIATION EVENTS NONREVERTING FUND	-	5,164	2,744	2,420
LOIT SPECIAL DISTRIBUTION	-	113,512	-	113,512
MICROLOAN FUND (35.32)	87,971	7,498	25,199	70,270
HERITAGE TRAILS (35.33)	201	-	-	201
COMM DEV AC GR (35.28)	563,190	62,486	342,308	283,368
FIRE CO.INVEST. (35.19)	812,893	42,000	-	854,893
REV LOAN INV (35.16)	553,345	16,810	75,084	495,071
UTILITY INS. CKS (35.42)	500	-	-	500
PAYROLL FUND	201,443	7,263,010	7,301,035	163,418
TRANSFER STA. OPERATING	7,105	869,068	806,318	69,855
SEWAGE OPERATING	1,583,385	3,624,900	3,931,688	1,276,597
SEWER UTILITIES CAPITAL IMPROVEMENT	-	640,000	26,140	613,860
SEWAGE BOND & INTR	400,382	940,365	945,580	395,167
SEWAGE DEBT RESERVE	851,716	22,457	-	874,173
J.CO.SEWAGE OPERATING	172,955	501,717	474,317	200,355
WATER OPERATING	200,522	1,826,794	1,673,254	354,062
WATER METER DEP CKING	59,896	43,700	37,350	66,246
WATER METER INVESTMENT	35,424	-	-	35,424
99 WATER BOND & INT FUND	269,508	439,184	438,865	269,827
99 WATER BOND RESERVE FD	442,195	647	-	442,842
SEWAGE STATE REVOLVING LOAN FUNDS	5,282,063	3,685	4,441,393	844,355
Totals	\$ 21,837,610	\$ 28,173,562	\$ 32,318,489	\$ 17,692,683

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

CITY OF MADISON
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits. Amounts received from businesses, occupations, or non-businesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF MADISON
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits. Amounts received from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees. Amounts received from charges for current services.

Other receipts. Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies. Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF MADISON
NOTES TO FINANCIAL STATEMENT
(Continued)

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF MADISON
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF MADISON
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF MADISON
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

Note 7. Subsequent Events

2017 State Revolving Loan Series A

On December 15, 2017, the Wastewater Utility entered into a State Revolving Loan agreement to fund wastewater improvement projects. The agreement established a maximum drawdown of loan funds in the amount of \$871,200 at an interest rate of 2 percent. The loan is scheduled to mature on August 1, 2020; however, final repayment schedule will not be determined until construction is completed and all loan proceeds have been drawn down.

2017 State Revolving Loan Series B

On December 15, 2017, the Wastewater Utility entered into a State Revolving Loan agreement to fund wastewater improvement projects. The agreement established a maximum drawdown of loan funds in the amount of \$10,528,800 at an interest rate of 2 percent. The loan is scheduled to mature on August 1, 2020; however, final repayment schedule will not be determined until construction is completed and all loan proceeds have been drawn down.

Construction Contracts

On January 2, 2018, the City entered into contracts in the amount of \$694,000 for wastewater system improvements phase 3B Division B and \$10,186,996 for wastewater collection system improvements phase 3B Division A. The improvements are being funded from the 2017 State Revolving Loans.

Stellar Communities Program

In October 2018, the state informed the City it had been designated as a Stellar Communities Designation Program recipient. The Stellar Communities Designation Program is a collaboration between the Office of Community and Rural Affairs (OCRA), the Indiana Housing and Community Development Authority (IHCDA), and the Indiana Department of Transportation (INDOT). The program pools funding sources to assist communities in achieving their long-term comprehensive strategic goals for targeted areas of their community.

Under the proposed program, the City will receive monies from the various state agencies in the amount of \$6,250,000. State monies in addition to City contributions of \$9,600,000 and private contributions of \$36,061,327 will be used to complete the following projects over a four year period:

1. Madison Connector Multi-Modular Pathways - A 3.5 mile bicycle and pedestrian loop will be constructed to complete a seven mile loop throughout the City. The proposed project is expected to cost \$2,710,836 with \$1,458,643 funding through INDOT; \$758,443 in City funds; and \$493,750 from private funding.

CITY OF MADISON
NOTES TO FINANCIAL STATEMENT
(Continued)

2. Adaptive Re-Use of Historic Buildings - Four sites in the area have been designated for repurposing. The sites will be repurposed for the following uses: hotel, brewery and tasting facility, day spa, apartments, studio and gallery, and performing arts space. The proposed project is expected to cost \$33,402,011 with \$2,000,000 funding through IHEDA; \$400,000 OCRA funding; \$4,500,000 in City funds; and \$26,502,011 in private funding.
3. Destination Development - The project focuses on improving the reputation of the City as a tourism destination. Funds will be used to extend the sidewalk along the riverfront, expand and improve existing riverfront campgrounds, redevelop an existing playground for ADA accessibility, create and develop Georgetown Memorial Park, develop Heritage Park, and develop Jaycee Park restrooms. The proposed project is expected to cost \$2,274,500 with \$1,350,000 being funded through OCRA and \$924,500 being funded by the City.
4. Inviting Gateways - In conjunction with a current INDOT project, improvements will be made to gateways at the intersection of State Road 62 and US 421 and State Road 56 and Harrison Street. Part of the project will include the implementation of public art along state routes into Madison. Project costs are estimated at \$522,942 and will be funded by the City.
5. Student Community Initiatives - Renovations will be made to five vacant historic buildings for a student business, entrepreneurship center, and mentoring program; the launch of "Technology Transfer Program" with Hanover College; and a nursing education and training facility. The proposed cost of the project is \$518,089 with \$250,000 to be funded by the City and the remaining \$268,089 from private funding.
6. Overhauled Corridors - Enhancements and improvements will be made to Lanier Drive and Clifty Drive through reenvisioning the former Madison Plaza, implementing sidewalks and improvements, and increasing beautification efforts. The proposed project is expected to cost \$11,647,702 with \$541,357 being funded through INDOT; \$2,501,868 from City funds; and \$8,604,477 in private funds.
7. Neighborhood Revitalization - The project will revitalize downtown neighborhoods Lanier Drive and Green Road and the central business district through rehabilitation of owner-occupied homes, renovation of facades and 2nd/3rd floors of buildings in downtown, sidewalk improvements, and the continuation of implementation of Habitat for Humanity housing projects. The proposed project cost is \$835,247 with \$250,000 funded by IHEDA; \$250,000 funded by OCRA; \$142,247 in City funds; and \$193,000 in private funding.

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OTHER INFORMATION - UNAUDITED

The City's Annual Financial Report information can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the City's Annual Financial Report referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the City. It is presented as intended by the City.

CITY OF MADISON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	AVIATION	INVESTIGATION RE-IM. FUND	FARMERS MARKET	UNSAFE BLDG. FUND (35.58)
Cash and investments - beginning	\$ 990,318	\$ 425,764	\$ 27,041	\$ 54,833	\$ 796	\$ 1,432	\$ 31,924
Receipts:							
Taxes	4,989,155	-	-	141,833	-	-	-
Licenses and permits	36,393	-	-	-	-	-	-
Intergovernmental receipts	335,706	417,479	55,470	8,088	-	-	-
Charges for services	28,425	-	-	14,482	-	-	-
Fines and forfeits	2,205	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	254,102	904	904	1,046	901	11,053	12,514
Total receipts	5,645,986	418,383	56,374	165,449	901	11,053	12,514
Disbursements:							
Personal services	2,627,897	403,099	-	78,588	-	-	-
Supplies	473,000	-	-	2,349	-	-	-
Other services and charges	2,239,032	-	60,000	48,927	750	437	200
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	176,156	-	-	18,853	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	5,516,085	403,099	60,000	148,717	750	437	200
Excess (deficiency) of receipts over disbursements	129,901	15,284	(3,626)	16,732	151	10,616	12,314
Cash and investments - ending	\$ 1,120,219	\$ 441,048	\$ 23,415	\$ 71,565	\$ 947	\$ 12,048	\$ 44,238

CITY OF MADISON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	PARK & RECREATION-GEN.	RAINY DAY FUND(35.43)	POLICE K-9 FUND(35.55)	PARK NRO (35.18)	CUM CAP. DEV.(35.15)	COMMUNITY GARDEN (35.46)	POLICE D.A.R.E.
Cash and investments - beginning	\$ 804,180	\$ 535,191	\$ 3,837	\$ 122,851	\$ 315,311	\$ 2,429	\$ 2,374
Receipts:							
Taxes	739,841	-	-	4,017	184,130	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	5,262	-	-	-	10,653	900	-
Charges for services	535,423	-	-	172,040	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	133	-	9,699	-	-	-	150
Total receipts	1,280,659	-	9,699	176,057	194,783	900	150
Disbursements:							
Personal services	767,188	-	-	97,402	-	-	-
Supplies	115,460	-	10,294	70,954	9,616	-	-
Other services and charges	218,667	-	718	53,662	190,925	490	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	76,016	-	-	-	32,876	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	1,177,331	-	11,012	222,018	233,417	490	-
Excess (deficiency) of receipts over disbursements	103,328	-	(1,313)	(45,961)	(38,634)	410	150
Cash and investments - ending	\$ 907,508	\$ 535,191	\$ 2,524	\$ 76,890	\$ 276,677	\$ 2,839	\$ 2,524

CITY OF MADISON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	EQ.RESERVE NRO	COMMUNITY BAND	OLD SR 56/ MAIN ST.	P.A.C.E. NRO	CUM CAP IMPROV	TIF (35.27)	UST UNDERGROUND STORAGE TANKS
Cash and investments - beginning	\$ 91,707	\$ 3,600	\$ 260,000	\$ 50,850	\$ 94,217	\$ 4,799,744	\$ 30,028
Receipts:							
Taxes	-	-	-	-	-	1,100,416	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	50,000	30,501	-	-
Charges for services	-	1,055	255,000	-	-	2,975	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	117,205	-	-	-	-	32,900	33
Total receipts	117,205	1,055	255,000	50,000	30,501	1,136,291	33
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	98,127	2,999	-	-	1,224	1,107,199	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	21,860	685,696	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	63,814	-	-	-
Total disbursements	98,127	2,999	-	63,814	23,084	1,792,895	-
Excess (deficiency) of receipts over disbursements	19,078	(1,944)	255,000	(13,814)	7,417	(656,604)	33
Cash and investments - ending	\$ 110,785	\$ 1,656	\$ 515,000	\$ 37,036	\$ 101,634	\$ 4,143,140	\$ 30,061

CITY OF MADISON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	POLICE PENSION-CKING/INV	RIVERBOAT DIST. FUND	PETTY CASH	HISTORIC PRES. GRANT	PUBLIC SER.VIDEO (35.63)	EMER. RESPONSE TEAM
Cash and investments - beginning	\$ 567,689	\$ 452,210	\$ 385	\$ 96	\$ 24,871	\$ 1,936
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	70,889	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	358,212	-	-	-	34,670	3,500
Total receipts	358,212	70,889	-	-	34,670	3,500
Disbursements:						
Personal services	370,609	-	-	-	-	-
Supplies	-	8,206	-	-	-	-
Other services and charges	146	47,065	-	-	38,049	2,283
Debt service - principal and interest	-	39,000	-	-	-	-
Capital outlay	-	40,000	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	370,755	134,271	-	-	38,049	2,283
Excess (deficiency) of receipts over disbursements	(12,543)	(63,382)	-	-	(3,379)	1,217
Cash and investments - ending	\$ 555,146	\$ 388,828	\$ 385	\$ 96	\$ 21,492	\$ 3,153

CITY OF MADISON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	POLICE-CON'T EDUCATION	POLICE DONATION	INSURANCE	COMM DEV&EVENT (35.62)	BROADWAY FOUNTAIN	PARK DONATION
Cash and investments - beginning	\$ 16,482	\$ 8,734	\$ 20,268	\$ 8,536	\$ 3,032	\$ 9,892
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	9,850	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	6,362
Fines and forfeits	75	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	9,581	3,623	39,235	44,085	400	-
Total receipts	19,506	3,623	39,235	44,085	400	6,362
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	53	-	-	115	-
Other services and charges	9,711	4,703	14,907	47,674	265	720
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	9,711	4,756	14,907	47,674	380	720
Excess (deficiency) of receipts over disbursements	9,795	(1,133)	24,328	(3,589)	20	5,642
Cash and investments - ending	\$ 26,277	\$ 7,601	\$ 44,596	\$ 4,947	\$ 3,052	\$ 15,534

CITY OF MADISON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	OPERATION PULLOVER GR	RIVERFRONT DEV GR (35.57)	MAD. CITY TREE (35.23)	CITY EMPLOYEE DONATION	M.A.I.N. NRO	WALNUT ST. NRO
Cash and investments - beginning	\$ 1,752	\$ 3,000	\$ 11,909	\$ 145	\$ 17	\$ 400
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	37,000	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1,912	-	-	5,584	-	25,905
Total receipts	1,912	-	37,000	5,584	-	25,905
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	860	-	41,840	-	-	-
Other services and charges	-	-	-	117	-	5,000
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	860	-	41,840	117	-	5,000
Excess (deficiency) of receipts over disbursements	1,052	-	(4,840)	5,467	-	20,905
Cash and investments - ending	\$ 2,804	\$ 3,000	\$ 7,069	\$ 5,612	\$ 17	\$ 21,305

CITY OF MADISON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	AVIATION-NRO (35.38)	SCBA FIRE DEPT(35.64)	AVIA ST. GRANT #3900101	BI-CENTENNIAL FUND(35.51)	COUNTY TAX FUND(35.48)	STAGE FUND NRO (35.59)
Cash and investments - beginning	\$ 98,263	\$ 152,146	\$ 1,376	\$ 96,013	\$ 156,453	\$ 3,544
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	229,495	-	422,301	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	37,375	-	-	839,541	-
Total receipts	229,495	37,375	422,301	-	839,541	-
Disbursements:						
Personal services	-	-	-	-	35,000	-
Supplies	258,818	-	-	-	15,699	-
Other services and charges	-	-	422,301	-	411,650	62
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	225,000	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	258,818	-	422,301	-	687,349	62
Excess (deficiency) of receipts over disbursements	(29,323)	37,375	-	-	152,192	(62)
Cash and investments - ending	\$ 68,940	\$ 189,521	\$ 1,376	\$ 96,013	\$ 308,645	\$ 3,482

CITY OF MADISON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	SENIOR CTZN. FUND	FIRE DEPT FED GR.(35.17)	AVIATION EVENTS NONREVERTING FUND	LOIT SPECIAL DISTRIBUTION	MICROLOAN FUND (35.32)	HERITAGE TRAILS (35.33)
Cash and investments - beginning	\$ 23,922	\$ 1,418	\$ -	\$ -	\$ 87,971	\$ 201
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	113,512	-	-
Charges for services	7,977	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	5,164	-	7,498	-
Total receipts	7,977	-	5,164	113,512	7,498	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	2,886	-	-	-	150	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	2,744	-	25,049	-
Total disbursements	2,886	-	2,744	-	25,199	-
Excess (deficiency) of receipts over disbursements	5,091	-	2,420	113,512	(17,701)	-
Cash and investments - ending	\$ 29,013	\$ 1,418	\$ 2,420	\$ 113,512	\$ 70,270	\$ 201

CITY OF MADISON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	COMM DEV AC GR (35.28)	FIRE CO.INVEST. (35.19)	REV LOAN INV (35.16)	UTILITY INS. CKS (35.42)	PAYROLL FUND	TRANSFER STA. OPERATING
Cash and investments - beginning	\$ 563,190	\$ 812,893	\$ 553,345	\$ 500	\$ 201,443	\$ 7,105
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	864,197
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	62,486	42,000	16,810	-	7,263,010	4,871
Total receipts	62,486	42,000	16,810	-	7,263,010	869,068
Disbursements:						
Personal services	-	-	-	-	3,886,873	492,246
Supplies	-	-	-	-	-	35,907
Other services and charges	342,308	-	75,084	-	2,641,661	278,165
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	772,501	-
Total disbursements	342,308	-	75,084	-	7,301,035	806,318
Excess (deficiency) of receipts over disbursements	(279,822)	42,000	(58,274)	-	(38,025)	62,750
Cash and investments - ending	\$ 283,368	\$ 854,893	\$ 495,071	\$ 500	\$ 163,418	\$ 69,855

CITY OF MADISON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	SEWAGE OPERATING	SEWER UTILITIES CAPITAL IMPROVEMENT	SEWAGE BOND & INTR	SEWAGE DEBT RESERVE	J.CO.SEWAGE OPERATING	WATER OPERATING
Cash and investments - beginning	\$ 1,583,385	\$ -	\$ 400,382	\$ 851,716	\$ 172,955	\$ 200,522
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	3,565,797	-	-	-	501,717	1,787,949
Other receipts	59,103	640,000	940,365	22,457	-	38,845
Total receipts	3,624,900	640,000	940,365	22,457	501,717	1,826,794
Disbursements:						
Personal services	1,089,031	-	-	-	99,699	449,086
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	79,998
Debt service - principal and interest	940,020	-	945,580	-	-	-
Capital outlay	640,000	-	-	-	-	-
Utility operating expenses	1,159,368	26,140	-	-	374,618	863,921
Other disbursements	103,269	-	-	-	-	280,249
Total disbursements	3,931,688	26,140	945,580	-	474,317	1,673,254
Excess (deficiency) of receipts over disbursements	(306,788)	613,860	(5,215)	22,457	27,400	153,540
Cash and investments - ending	\$ 1,276,597	\$ 613,860	\$ 395,167	\$ 874,173	\$ 200,355	\$ 354,062

CITY OF MADISON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	WATER METER DEP CKING	WATER METER INVESTMENT	99 WATER BOND & INT FUND	99 WATER BOND RESERVE FD	SEWAGE STATE REVOLVING LOAN FUNDS	Totals
Cash and investments - beginning	\$ 59,896	\$ 35,424	\$ 269,508	\$ 442,195	\$ 5,282,063	\$ 21,837,610
Receipts:						
Taxes	-	-	-	-	-	7,159,392
Licenses and permits	-	-	-	-	-	46,243
Intergovernmental receipts	-	-	-	-	-	1,135,460
Charges for services	-	-	-	-	-	2,539,732
Fines and forfeits	-	-	-	-	-	2,280
Utility fees	-	-	-	-	-	5,855,463
Other receipts	43,700	-	439,184	647	3,685	11,434,992
Total receipts	43,700	-	439,184	647	3,685	28,173,562
Disbursements:						
Personal services	-	-	-	-	-	10,396,718
Supplies	-	-	-	-	-	1,043,171
Other services and charges	-	-	-	-	-	8,448,262
Debt service - principal and interest	-	-	438,865	-	-	2,363,465
Capital outlay	-	-	-	-	4,441,393	6,357,850
Utility operating expenses	37,350	-	-	-	-	2,461,397
Other disbursements	-	-	-	-	-	1,247,626
Total disbursements	37,350	-	438,865	-	4,441,393	32,318,489
Excess (deficiency) of receipts over disbursements	6,350	-	319	647	(4,437,708)	(4,144,927)
Cash and investments - ending	\$ 66,246	\$ 35,424	\$ 269,827	\$ 442,842	\$ 844,355	\$ 17,692,683

CITY OF MADISON
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2016

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 69,318	\$ 296,656
Water	39,126	181,366
Governmental activities	<u>147,830</u>	<u>-</u>
Totals	<u>\$ 256,274</u>	<u>\$ 478,022</u>

CITY OF MADISON
SCHEDULE OF LEASES AND DEBT
December 31, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
German American Bank	Police Vehicles	\$ 10,365	9/23/2016	9/23/2019
German American Bank	Police Vehicles	10,365	9/23/2016	9/23/2019
PNC Equipment Finance	Golf Carts	24,955	3/24/2016	1/24/2021
PNC Finance	General Improvements	54,578	1/1/2009	7/17/2018
PNC Finance List	General Improvements	<u>41,097</u>	5/6/2006	7/15/2018
Total governmental activities		<u>141,360</u>		
Wastewater:				
TCF Equipment Finance	Camera Sewer Inspection System	<u>31,927</u>	4/1/2015	4/7/2017
Total of annual lease payments		<u>\$ 173,287</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Notes and loans payable	Brownfield Loan Payment	\$ 61,144	\$ 4,326
Notes and loans payable	Kansas State Bank-Recycling Truck Contract #3344747	19,364	19,782
Notes and loans payable	Main Source-Golf Course Equipment #15000825	<u>139,997</u>	<u>33,034</u>
Total governmental activities		<u>220,505</u>	<u>57,142</u>
Wastewater:			
Notes and loans payable	2010 State Revolving Forgivable Loan(SRF)	1,000,000	-
Notes and loans payable	2015 Series B-1 Sewage Bonds	372,255	117,722
Notes and loans payable	2015 Series B-2 SRF Bonds	2,196,784	44,828
Notes and loans payable	2015 Series C SRF Bonds	<u>14,229,826</u>	<u>783,434</u>
Total Wastewater		<u>17,798,865</u>	<u>945,984</u>
Water:			
Notes and loans payable	1999 State Revolving Loan (SRF) DW199111 01	1,428,000	383,412
Notes and loans payable	2009 State Revolving Loan(SRF)	<u>528,500</u>	<u>55,506</u>
Total Water		<u>1,956,500</u>	<u>438,918</u>
Totals		<u>\$ 19,975,870</u>	<u>\$ 1,442,044</u>

CITY OF MADISON
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2016

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 2,813,041
Infrastructure	7,794,215
Buildings	4,415,455
Improvements other than buildings	6,316,516
Machinery, equipment, and vehicles	<u>8,595,291</u>
Total governmental activities	<u>29,934,518</u>
Wastewater:	
Land	70,500
Infrastructure	265,860
Buildings	10,368,654
Improvements other than buildings	2,876,031
Machinery, equipment, and vehicles	11,207,706
Construction in progress	<u>793,987</u>
Total Wastewater	<u>25,582,738</u>
Water:	
Land	9,148,236
Infrastructure	331,870
Buildings	1,900,522
Improvements other than buildings	821,872
Machinery, equipment, and vehicles	<u>2,869,887</u>
Total Water	<u>15,072,387</u>
Total capital assets	<u>\$ 70,589,643</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE CITY OF MADISON, JEFFERSON COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the City of Madison's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2016. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)


Report on Internal Control over Compliance

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

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

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

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


Paul D. Joyce, CPA
State Examiner

October 17, 2018

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF MADISON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
Department of Transportation					
Airport Improvement Program	Direct	20.106			
AIP 3-18-0052-1714				\$ -	\$ 43,708
AIP 3-18-0052-1815				-	51,803
AIP 3-18-0052-1916				-	317,340
Total - Airport Improvement Program				-	412,851
Highway Planning and Construction Cluster	Indiana Department of Transportation	20.205			
Highway Planning and Construction					
Signing Replacement			A249-14-320802	-	8,225
Total - Highway Planning and Construction Cluster				-	8,225
Highway Safety Cluster					
State Community Highway Safety	Indiana Criminal Justice Institute	20.600			
Operation Pullover			D3-15-8949	-	1,912
Total - Highway Safety Cluster				-	1,912
Total - Department of Transportation				-	422,988
Department of Health and Human Services					
Assistance Programs for Chronic Disease Prevention and Control	Indiana State Department of Health	93.945			
Bicycle and Pedestrian Master Plan			13890	-	20,000
Total - Department of Health and Human Services				-	20,000
Environmental Protection Agency					
Clean Water State Revolving Fund Cluster					
Capitalization Grants for Clean Water State Revolving Funds	Indiana Finance Authority	66.458			
State Revolving Fund - 2015 Series B-2 Bonds			WW16028705	-	1,674,514
Total - Capitalization Grants for Clean Water State Revolving Funds				-	1,674,514
Total - Environmental Protection Agency				-	1,674,514
Total federal awards expended				\$ -	\$ 2,117,502

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MADISON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2016. The information in the SEFA 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 SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

Note 2. *Summary of Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The City has elected not to use the 10 percent de minimis indirect cost rate under the Uniform Guidance.

CITY OF MADISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weakness identified?	no
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	no

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Clean Water State Revolving Fund Cluster	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

FINDING 2016-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition

The City did not have a proper system of controls in place to ensure all financial activity was included in financial statement.

CITY OF MADISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Context

Financial activity associated with the City's State Revolving Loan funds was not reported in the financial statement. Disbursement for wastewater improvements handled by a trust agent in the amount of \$4,441,393 and interest earned on monies held in the trust account in the amount of \$3,685 were not included in the financial statements. A loan was obtained by the City in the amount of \$157,955 to purchase various equipment. The financial activity associated with the loan was not recorded in the financial records. Instead, the financial institution from which the loan was obtained disbursed the loan proceeds directly to the vendor from whom the City purchased the equipment.

Audit adjustments were proposed, accepted by the City, and made to the financial statements.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Cause

Management of the City had not established a proper system of internal control.

Effect

The failure to establish controls enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the City establish a system of internal controls related to financial transactions and reporting.

CITY OF MADISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Condition

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). As a result, material misstatements of the SEFA remained undetected.

Context

The SEFA contained the following errors:

1. The Airport Improvement Program expenditures were understated in the amount of \$317,340.
2. Expenditures for the Assistance Programs for Chronic Disease Prevention and Control in the amount of \$20,000 were omitted.
3. The Highway Planning and Construction expenditures in the amount of \$8,225 were not reported.
4. Expenditures of the State Community Highway Safety program in the amount of \$1,912 were not reported.
5. The Capitalization Grants for Clean Water State Revolving Funds expenditures in the amount of \$1,674,514 were excluded.

Audit adjustments were proposed, accepted by the City, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

CITY OF MADISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

CITY OF MADISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the City's management establish controls related to the preparation of the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-003

Subject: Internal Controls - Receipts
Audit Finding: Material Weakness

Condition

Deficiencies in the internal control system of the City related to financial transactions and reporting were identified. There was a lack of segregation of duties related to receipts. The Receipts Clerk was responsible for issuing receipts, recording receipts, and making bank deposits. The same individual responsible for receipts also performed monthly bank reconciliations. There was no oversight or review over the receipts issued to ensure all receipt activity was recorded to the records and deposited.

Context

The lack of controls was a systemic issue throughout the audit period.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

CITY OF MADISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management of the City had not established a proper system of internal control.

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the City establish a system of internal controls related to financial transactions and reporting for receipts.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

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AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.

Rick Berry

CLERK • TREASURER
CLERKTREASURER@MADISON-IN.GOV



101 WEST MAIN STREET
MADISON, INDIANA 47250-3775
(812) 265-8316
FAX: (812) 273-6089

City of Madison

October 2, 2018

Finding 2016-001-Financial Transactions and Reporting

Contact person responsible for corrective action: Rick Berry

Contact phone number: 812-265-8316

Anticipated Completion Date: 10/01/2018

Description of Corrective Action Plan: We are now tracking all SRF Fund activity and balancing monthly.

Finding 2016-002-Preparation of the Schedule of Expenditure of Federal Awards

Contact person responsible for corrective action: Rick Berry

Contact phone number: 812-265-8316

Anticipated Completion Date: 10/01/2018

Description of Corrective Action Plan: We will have the council approve all grants and we will keep copies and track them by creating new revenue numbers. Once the grant information is put into Gateway based upon the review of the financial records, it is reviewed by the department heads responsible for administrating the grants to insure its accuracy.

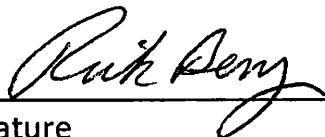
Finding 2016-003-Controls over Financial Transactions and Reporting


Contact person responsible for corrective action: Rick Berry

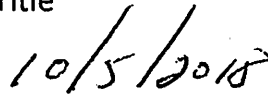
Contact phone number: 812-265-8316

Anticipated Completion Date: 10/01/2018

Description of Corrective Action Plan: Rick has in the past and will continue to make all bank deposits. Barb will do them in case of Rick's absence. Rick has and will continue to review and sign off on all bank reconciliations. Rick will start as of today comparing deposit slips with the receipts to make sure they agree. In Rick's absence, Barb will do this.



Signature


Title


Date

OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.