

# CITY OF MADISON, ALABAMA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended  
September 30, 2010

# CITY OF MADISON, ALABAMA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED  
SEPTEMBER 30, 2010

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Madison, Alabama 35758  
256-772-5600**

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**Prepared by:  
Finance Department**



**City of Madison, Alabama  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2010**

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## **SECTION I - INTRODUCTORY**





## **FINANCE DEPARTMENT CITY OF MADISON, ALABAMA**

April 26, 2011

To the Honorable Mayor,  
Members of the City Council and  
Citizens of the City of Madison, Alabama

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Madison, Alabama (the City), for the fiscal year ended September 30, 2010. Section 11-43-85, Code of Alabama, 1975, as amended, requires the Mayor to secure, at least once a year, an independent public accountant to conduct an audit in accordance with generally accepted auditing standards of all the City's books and accounts and make a full report thereof in writing. This report complies with State law for the fiscal year ended September 30, 2010. The financial statements are presented in conformity with Generally Accepted Accounting Principles in the United States of America (GAAP) and audited in accordance with Governmental Auditing Standards generally accepted in the United States of America by a firm of licensed certified public accountants.

Management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of the City established a comprehensive internal control framework designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not go beyond the benefits resulting from them, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we affirm that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

MDA Professional Group, P.C., a firm of licensed, certified public accountants audited the City's financial statements for the fiscal year ended September 30, 2010. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2010, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statements presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified (“clean”) opinion on the City’s financial statements for the fiscal year ended September 30, 2010. The independent auditor’s report is located in the Financial Section of this report.

## **The Report**

This report is presented in four sections: Introductory, Financial, Statistical and Compliance. The Introductory Section includes this letter of transmittal, a listing of City Officials and an organizational chart of the City. The Financial Section includes the independent auditor’s report on the basic financial statements, Management’s Discussion and Analysis (MD&A), basic financial statements, the notes to the basic financial statements, and combining and individual fund statements and schedules. The MD&A is a narrative introduction, overview and analysis to accompany the basic financial statements. The City advises readers to read this letter of transmittal in conjunction with the MD&A, which is presented immediately following the independent auditor’s report. The Statistical Section includes financial and demographic information relevant to readers of the City’s financial statements. The statistical data generally has been presented on a multi-year basis. The Compliance Section includes the Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards. In addition, the Compliance Section includes the Independent Auditor’s Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133, Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs.

## **Profile of the City of Madison, Alabama**

The City of Madison was incorporated in 1869. Madison is located in the western part of Madison County in the state of Alabama, has land area of 25 square miles, and serves a population of 42,938. The City is empowered to levy taxes on real and personal property located within its boundaries. In addition, the City has the power to extend its corporate limits by annexation, which the governing council enacts periodically.

The City of Madison operates under the Mayor-Council form of government. A Mayor and a Council consisting of seven members govern the City. The Mayor serves on a full-time basis and members of the City Council serve on a part-time basis. Citizens of Madison elect the Mayor and City Council members to four-year terms. The citizens elect the Mayor at large and the seven Council members elected are from within their respective districts.

The City Council serves the citizens of Madison by adopting ordinances, resolutions, budgets, appointing committees and hiring the City Clerk-Treasurer, Police Chief, Fire Chief and City Attorney. The Mayor services the citizens of Madison by executing policies, and ordinances, appointing heads of City departments, managing the affairs of the City, supervising a staff of approximately 417 employees, including 13 department heads. An organizational chart of the City is included in this Introductory Section.

The City provides a full range of services to its citizens including police and fire protection, municipal court services, land use planning services, building permits and inspection services, and construction and maintenance of streets, sidewalks and other public facilities. The City also provides public library services, trash collection and disposal services, cemetery services, senior citizens' programs, parks and recreational programs, and facilities and general administrative services. The above services provided to the citizens by City departments, include:

General Administration	Finance
Police	Human Resources
Public Works	Mayor's Office
City Clerk	Revenue
Recreation	Engineering
Fire	Senior Center
Planning	Information Technology
Court	Legal
City Council	Building

Madison City Board of Education provides elementary and secondary educational services within the City. The Water and Wastewater Board (Madison Utilities Board) provides water and wastewater services to the citizens of Madison. The City of Madison is financially accountable for these legally separate boards, both which are reported separately within the financial statements of the City. Additional information on these component units can be found in the notes to the financial statements (See Note 1).

### **Factors Affecting Financial Condition**

**Local Economy.** The City of Madison is located in Madison County, one of the fastest-growing counties in the state of Alabama. Madison is adjacent to the City of Huntsville and located on I-565 linking an easy access to Interstate 65. Madison's economic health is tied to its location.

The City's Economic Development Team partners with the City of Madison Chamber of Commerce to promote the recruitment of retail development. In 2010, this partnership fostered the recruitment of two (2) new hotels, several restaurants, several statistically located gas stations and a Satellite County License Facility. The City's Downtown Revitalization Project attracted four (4) new businesses and two (2) new buildings to the downtown area.

In 2010, the City's Economic Development Team along with the Madison Industrial Development Board actively recruited a manufacturing company to locate in Madison. The company will provide 80 new jobs.

In 2010, construction began on a \$71 million new hospital in Madison. The hospital will provide additional health care services to the citizens and attract more retail businesses to the area.



MADISON HOSPITAL  
Economic Development | HKS |

Construction Site

In fiscal year 2010, the City issued 285 residential permits for new construction valued at \$104.1 million and 996 residential permits for additions/alternations valued at \$11.1 million. The City issued 18 new commercial permits valued at \$5.3 million and 82 commercial permits for additions/alternations valued at \$5.6 million.

During 2010, The Economic Development Team was successful in acquiring a major development for the Highway 72 corridor. In early 2011, construction will begin on the new shopping center (Shoppes of Madison). The Shoppes of Madison will have over 230,000 square feet of space for new retail businesses and restaurants. The grand opening is scheduled for 2012.



Shoppes of Madison

The unemployment rate for the metropolitan area was 8.3% in 2009 decreasing to 8.0% in 2010. The new hospital and the Shoppes of Madison will be major contributors in decreasing the unemployment rate in the metropolitan area.

### Financial Management Policies

The City of Madison is responsible to meet and constantly improve on the service needs of its citizens through sound fiscal management. Management is committed to this responsibility through the establishment of financial management policies, which demonstrate sound resource management and a high level of public accountability.

**Long-term Financing Planning.** Unreserved fund balance in the general fund (18.19% of total general fund revenues) exceeds the policy guidelines for the fiscal policy adopted by the City Council for budgetary and planning purposes (i.e. 10% of total general fund revenues). Each year the City exceeds the requirements of this policy and applies a greater percentage of the general-purpose ½-Cent Sales tax revenue to finance the long-term strategic plan.

At September 30, 2010, the City had \$5.1 million reserved for capital improvement projects. The City classifies its capital improvement projects into three (3) categories, which include:

1. Building and Facilities
  - Police Department Expansion
  - Rebuilding Fire Station #2
  - Expansion of Senior Center
  
2. Parks and Recreation
  - Bradford Creek Greenway Trail Improvements
  - Mill Creek Greenway Trail Improvements
  - Dublin Park Lighting Project
  - Palmer Park Lighting Project
  
3. Infrastructure
  - Sidewalk Improvements
  - Street and Intersection Improvements
  - Drainage Improvements

This multi-year plan will cost \$23.3 million. The plan will be funded with bond proceeds, Municipal Government Capital Improvement revenue, state and federal revenue and a portion the general-purpose ½-Cent Sales tax revenue.

The fiscal policy requires the ½-Cent Sales Tax revenues and the 5 ½ Mill Property Tax revenue provide 100% of debt service requirements on general obligation debt.

In 2010, the City completed many of its sidewalks, streets and intersections projects on a pay-as-you-go basis utilizing the revenues from gasoline taxes, which allowed the City to avoid the issuance of additional debt.

The City recognizes that many of the capital projects, after completion, will have an impact on future operating budgets in maintaining the improvements.

Section 6.8 (Nonrecurring Revenues) of the City's fiscal policy restricts the use of one-time revenues for ongoing operations. The City will use nonrecurring revenues only for nonrecurring expenditures and the City will try to avoid using nonrecurring revenue to balance budgets.

Moody's Investors Service rated the City's general obligation debt an Aa2 with a positive outlook. The rating reflects the City's fast growing residential tax base and dynamic regional economy, sound financial position and above average yet manageable debt position.

Standard & Poor's rated the City's general obligation debt an AA with a stable outlook. The rating represents the City's very strong wealth and income levels, expanding property base, improved financial position of the General Fund and good financial practices.

**Investment Policy and Cash Management.** The investment policy of the City applies to cash management and investment activities of the City of Madison. The City's investments are in securities or other obligations authorized for municipal investment by Alabama Code 11-81-19 through 21, as amended. The policy provides for retaining sufficient cash on hand to meet the daily cash flow demands. The main objective of the City investment activities is to preserve capital and liquidity, maximize investment income and comply with all state and local statutes governing the investment of public funds. The City investment policy is very conservative and details specific collateral and safekeeping requirements. Investment earnings for the year of all governmental funds were \$125,965.

**Risk Management.** The City has included risk management in the Human Resources and the City Clerk departments. These departments administer all insurance programs of the City. The City is a member of Alabama Municipal Insurance Corporation. Alabama Municipal Insurance Corporation provides the City protection in the areas of comprehensive general liability, auto liability, law enforcement, and officials' liability coverage. The City pays premiums based on coverage.

The City is an active participant in the Municipal Workers' Compensation Fund, Inc., (MWCF). MWCF provides medical and indemnity payments to workers injured while performing their duties for the City. The City pays premiums based on the City's past claims history.

Although the City uses insurance for risk financing, some loss exposure is retained by the City and paid for out of the General Fund operating budget.

**Budget.** Management of the City uses the budget as a policy document, financial plan, operational guide and a communication tool. The annual budget is a financial plan for a specific fiscal year that contains both the estimated revenues to receive during the year and the projected expenditure/expenses to incur to achieve stated objectives.

State law requires that the City Council appropriate the sums necessary for the operations of city departments and for the interest on the City's bonded and other indebtedness, not exceeding in the aggregate within 10 percent of the City's estimated revenues.

State law makes the Mayor the Chief Executive Officer in charge of municipal administration. The Mayor ensures that the budget is prepared for presentation to the City Council in ample time for consideration and adoption before October 1.

The Mayor's Office and the Finance Department coordinate the budget preparation process. Heads of departments are responsible for preparing and submitting their appropriation requests according to the budgetary guidelines and budget schedule.

The City adopts the annual budget on a basis consistent with GAAP for all governmental funds for which, an adopted budget applies. The City's budgets are prepared on the modified accrual basis of accounting. All annual appropriations lapse at fiscal year-end. The legal level of budgetary control is the departmental level.

The Revenue Department prepares revenue estimates based on historical data and other available information. The objectives of the City are to estimate revenues as accurately as possible to allow use of all available resources and to maintain the required level of reserves. An understanding of the revenue sources increases the reliability of the revenue system. Management understands its revenue sources and enacts consistent collection policies so that the revenue base will materialize according to budgets and plans.

The Mayor submits a proposed budget to the City Council Finance Committee for review and recommendations. The Committee holds meetings with the Mayor, Finance Department and Department Heads, as necessary, to review the proposed budget. The City Council Finance Committee makes recommended changes to the proposed budget. The Mayor submits the proposed budget document to the City Council for review and discussion at public work sessions. After conducting all scheduled work sessions, the City Council, at a regular council meeting, holds a public hearing and considers the proposed annual budget for adoption.

This report provides budget-to-actual comparisons for each individual governmental fund, for which the City Council adopted an appropriated annual budget. For the major funds (general, water distribution and storage fund, school bonds fund and 2006 capital improvement fund), the comparisons are presented on pages 39 through 42 as part of the basic financial statements for governmental funds. For governmental funds other than the major funds with appropriated annual budgets, the comparisons are presented in the governmental fund subsection of this report. Refer to Note 3 of the basic financial statements for further discussion of the City's budgetary information.

**General Reserves.** The City's fiscal policy requires that each year the estimated fund balance of the General Fund must be greater than or equal to ten percent (10%) of the estimated revenues.

**Single Audit.** The City of Madison receives financial assistance from federal and state agencies. The City must adequately account for and report the financial assistance received in accordance with the applicable laws and regulations as required by the agencies. The City must ensure that its internal control policies and procedures provide for compliance with applicable laws and regulations related to the programs. The agencies require the City to undergo an annual single audit in conformity with the provisions of Office of Management and Budget Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations. Information related to the City's single audit for the fiscal year ending September 30, 2010, can be found in the Compliance Section of the report.

## **Major Initiatives**

In 2010, the City approved an agreement with planning consultants to assist in developing defined strategies for the development of Key Development Areas (KDA) within the corporate limits of Madison. The KDA include County Line Road, South Madison/1565, Downtown & Midtown, Old Madison Pike, Highway 72 Corridor and Western Growth Area. This was another undertaking by the governing body to improve exactly how we will continue to grow and develop.

The Police Department expansion project is scheduled for completion in early 2011. Upon completion, the facility will have an all-inclusive training room and a fitness room in a centralized location. Madison Police Department will allow other law enforcement agencies to use the training room for a small usage fee to defray the maintenance cost. This improvement will not only provide great benefits to the Madison Police Department it will benefit other agencies in the local region.

During the year, contractors completed construction of the Eastview Drive Extension project (East/West thoroughfare). After completion, the flow of traffic improved drastically on this thoroughfare. In addition to correcting the East/West traffic flow issue, this project provided an ease for vehicles entering and exiting the parking lot of Bob Jones High School.

The Senior Center expansion is scheduled for completion in early 2011. Upon completion, this facility will have a new storm shelter, renovated restrooms, new activity room and additional parking.

### **Awards and Acknowledgments**

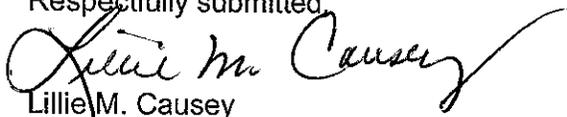
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Madison for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Madison has received a Certificate of Achievement for 1996, 1997 and 2002. We believe that the current CAFR meets the Certificate of Achievement program requirements, and we are submitting it to GFOA for review.

The preparation of this comprehensive report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Appreciation is expressed to City employees throughout the City, especially those who were instrumental in the successful completion of this report.

I would like thank the Mayor and the City Council for their support in planning and conducting the financial operations of the City in a responsible, professional and progressive manner.

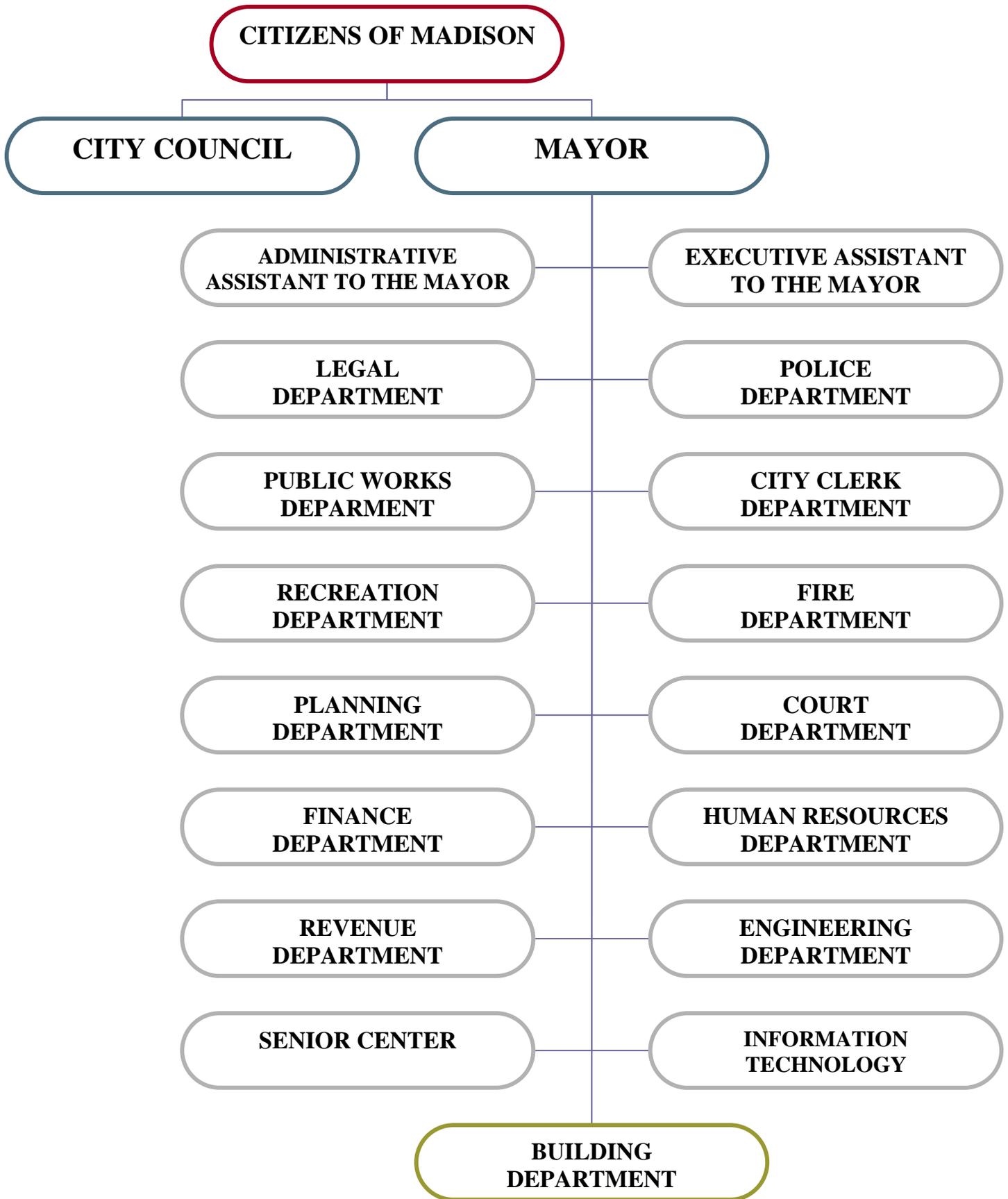
Respectfully submitted,



Lillie M. Causey  
Director of Finance

# CITY OF MADISON, ALABAMA

## ORGANIZATIONAL CHART



**CITY OF MADISON, ALABAMA**  
**List of Elected Officials, Appointed Officials, and Department Heads**  
**September 30, 2010**

Elected Officials

Mayor .....	Paul Finley
Council Member - District 1 .....	Tim Holcombe
Council Member - District 2 .....	Steve Haraway
Council Member - District 3 .....	Jerry Jennings, President Pro Tem
Council Member - District 4 .....	Tim Cowles
Council Member - District 5 .....	Tommy Overcash
Council Member - District 6 .....	Larry Vannoy
Council Member - District 7 .....	Bill Holtzclaw, President of Council

Appointed Official

Executive Assistant to the Mayor .....	Taylor Edge
--	-------------

Department Heads

Police Chief .....	Larry Muncey
Public Works Director .....	Dana Stahl
City Clerk-Treasurer .....	Melanie Williard
Recreation Director .....	Kory Alfred
Fire Chief .....	Ralph Cobb
Planning Director .....	Amy Furfori
Court Clerk .....	Rick Honea
Finance Director .....	Lillie Causey
Human Resources Director .....	Terri Towry
Engineering Director .....	Gary Chynoweth
Revenue Department Director .....	Cameron Grounds
City Attorney .....	Kelly Butler
Building Director .....	Cody Phillips

## **SECTION II - FINANCIAL**



# **INDEPENDENT AUDITORS' REPORT**



# MDA PROFESSIONAL GROUP, P.C.

*Certified Public Accountants and Business Consultants*

307 CLINTON AVENUE WEST, SUITE 500, CIVIC PLAZA, HUNTSVILLE, AL 35801-5592 • PHONE 256.533.9105 • FAX 256.539.8050

## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and City Council  
City of Madison  
Madison, Alabama

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Madison, Alabama as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Madison, Alabama's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Water and Wastewater Board of the City of Madison and the Madison Board of Education discretely presented component units, which represent 100 percent, respectively of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Madison, Alabama as of September 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 26, 2011 on our consideration of the City of Madison's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, the budgetary comparison information, and the Required Supplementary Information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Madison, Alabama's basic financial statements. The Combining Fund Statements and Other Supplementary Information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements of the City of Madison, Alabama. The Combining Fund Statements and Other Supplementary Information, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory Section and the Statistical Section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*MDA Professional Group, P.C.*

Huntsville, Alabama  
April 26, 2011

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Madison (the City) offers readers of the City's financial statements this Management's Discussion and Analysis (MD&A), which provides a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we included in our letter of transmittal on pages 3-10.

### Financial Highlights

- The assets of the City of Madison exceeded its liabilities at the close of fiscal year 2010 by \$36,385,795 (net assets). Of this amount, the City has a deficit unrestricted net assets of \$117,029,270 offset by \$7,587,146 in restricted net assets and \$145,827,919 invested in capital assets net of related debt.
- The City's total net assets increased \$2,524,810 (7%). Page 23 of this MD&A offers a detailed explanation of this increase.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,835,168, a decrease of \$5,285,591 compared to the prior year. Approximately \$4,464,500 of the ending fund balance is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$4,450,460, or 16 percent of the total general fund expenditures.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Madison's basic financial statements. The City of Madison's basic financial statements comprise three (3) components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

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

## Management's Discussion and Analysis – Continued

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. The focus of the statement of activities is to present the major program costs with the major matching resources. If the program costs are not recovered by grants and direct charges, the costs are paid from general taxes and other general revenues. This statement summarizes and simplifies the user's analysis to make a determination to which programs are self-supporting and/or subsidized by general revenues. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., uncollected taxes and earned but unused vacation leave).

Both the government-wide financial statements distinguish functions of the City of Madison 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 or charges (business type activities). The governmental activities of the City of Madison include general government, public safety, highways and streets and parks and recreation. The City has no functions classified as business-type activities. The government-wide financial statements are found on pages 34-35 of this report.

The government-wide financial statements include not only the financial statements for the City of Madison (*primary government*), but also a legally separate school board and a legally separate utility board for which the City is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government. Refer to Note 1 regarding the availability of separately issued financial statements for the component units.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Madison, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has all of its funds in one category: governmental funds.

**Governmental Funds.** The *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 government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

## Management's Discussion and Analysis – Continued

The City of Madison maintains twenty (20) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, water distribution and storage project fund, school bonds fund, and 2006 capital improvement fund, all of which are considered major funds. Data from the other sixteen (16) governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report, which can be found on pages 92-115 of this report.

The City of Madison adopted an annual appropriated budget for its general fund, water distribution and storage project, school bonds and 2006 capital improvement funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget and can be found on pages 39-42 of this report.

The basic governmental fund financial statements can be found on pages 36 through 42 of this report.

**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 are on pages 47-87 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City of Madison's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information is on page 90 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net Assets.** As noted earlier, net assets, especially net assets by category, may serve over time a useful indicator of a government's financial position. At September 30, 2010, the City's net assets were \$36,385,795 which increased by \$2,524,810 (7%) over prior fiscal year. This increase is a result of capital assets (net) donated to the City by various parties for the City to use in its operations.

Management's Discussion and Analysis – Continued

The following table reflects the Statement of Net Assets compared to the prior year:

**CITY OF MADISON'S NET ASSETS**

	<b>Governmental Activities</b>		
	<b>September 30, 2010</b>	<b>September 30, 2009</b>	<b>Change</b>
Current and other assets	\$ 26,120,269	\$ 30,589,767	\$ (4,469,498)
Capital assets	157,646,845	151,181,376	6,465,469
<b>Total assets</b>	<b>183,767,114</b>	<b>181,771,143</b>	<b>1,995,971</b>
Long term liabilities outstanding	141,976,224	143,360,095	(1,383,871)
Other liabilities	5,405,095	4,550,063	855,032
<b>Total liabilities</b>	<b>147,381,319</b>	<b>147,910,158</b>	<b>(528,839)</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	145,827,919	139,555,695	6,272,224
Restricted	7,587,146	12,321,754	(4,734,608)
Unrestricted (deficit)	(117,029,270)	(118,016,464)	987,194
<b>Total net assets</b>	<b>\$ 36,385,795</b>	<b>\$ 33,860,985</b>	<b>\$ 2,524,810</b>

By far the largest portion of the City of Madison's net assets are invested in capital assets (e.g. land, building, machinery and equipment), less any related debt used to acquire those that is still outstanding. Investments in capital assets at 2010 were \$145,827,919. The large negative unrestricted net assets in fiscal year 2009 (\$118,016,464) and 2010 (\$117,029,270) are related to the debt the City issued for the benefit of Madison City Board of Education, a component unit of the City of Madison. The City of Madison reports the debt on its books and Madison City Board of Education reports the assets on its books. The City has no legal ownership of the assets acquired through the issuance of debt for the benefit of Madison City School Board. This is a common financing practice in the State of Alabama.

Management's Discussion and Analysis – Continued

**Governmental Activities.** Governmental activities increased the City of Madison's net assets by \$2,524,810. Key elements of the increase are as follows:

**CITY OF MADISON'S CHANGES IN NET ASSETS**

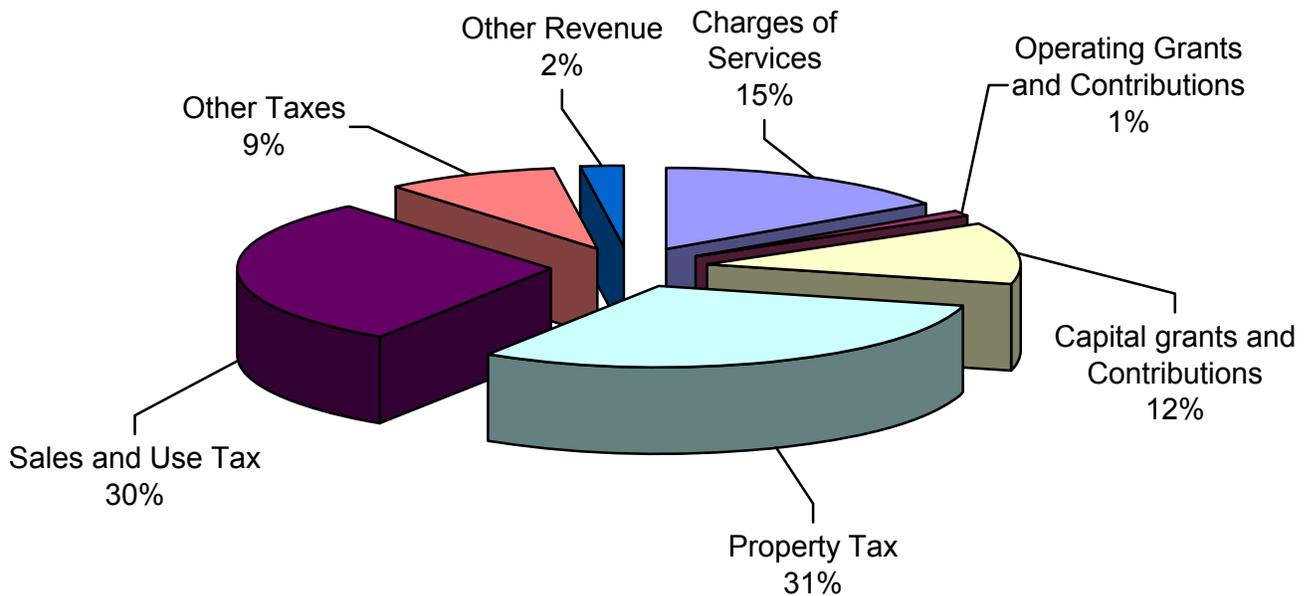
<b>Governmental Activities</b>			
	<b>September 30, 2010</b>	<b>September 30, 2009</b>	<b>Change</b>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 6,469,684	\$ 7,014,996	\$ (545,312)
Operating grants and contributions	549,698	552,339	(2,641)
Capital grants and contributions	5,109,221	4,823,739	285,482
General revenues:			
Property taxes and payments in lieu of taxes	12,696,539	7,411,800	5,284,739
Other taxes	16,114,912	16,127,803	(12,891)
Other revenue	930,393	7,077,059	(6,146,666)
Total revenues	41,870,447	43,007,736	(1,137,289)
Expenses:			
General Administration	1,909,670	24,400,173	(22,490,503)
Police	6,354,077	6,288,131	65,946
Public Works	7,073,640	7,288,697	(215,057)
City Clerk	723,726	701,582	22,144
Recreation	2,495,120	2,517,331	(22,211)
Fire	5,030,280	5,040,372	(10,092)
Planning	297,284	1,033,775	(736,491)
Court	947,423	1,009,392	(61,969)
City Council	132,518	139,128	(6,610)
Finance	641,623	783,590	(141,967)
Human Resources	3,731,814	3,513,666	218,148
Mayor's Office	362,853	534,363	(171,510)
Revenue	290,319	267,595	22,724
Engineering	607,580	522,673	84,907
Senior Center	330,938	291,083	39,855
Information Technology	322,760	-	322,760
Legal	323,660	358,047	(34,387)
Building	816,850	-	816,850
Interest on long-term debt	6,953,502	6,210,471	743,031
Total expenses	39,345,637	60,900,069	(21,554,432)
Increase (decrease) in net assets	2,524,810	(17,892,333)	20,417,143
Net assets – 10/01/2009	33,860,985	51,753,318	(17,892,333)
Net assets – 09/30/2010	\$ 36,385,795	\$ 33,860,985	\$ 2,524,810

Management's Discussion and Analysis – Continued

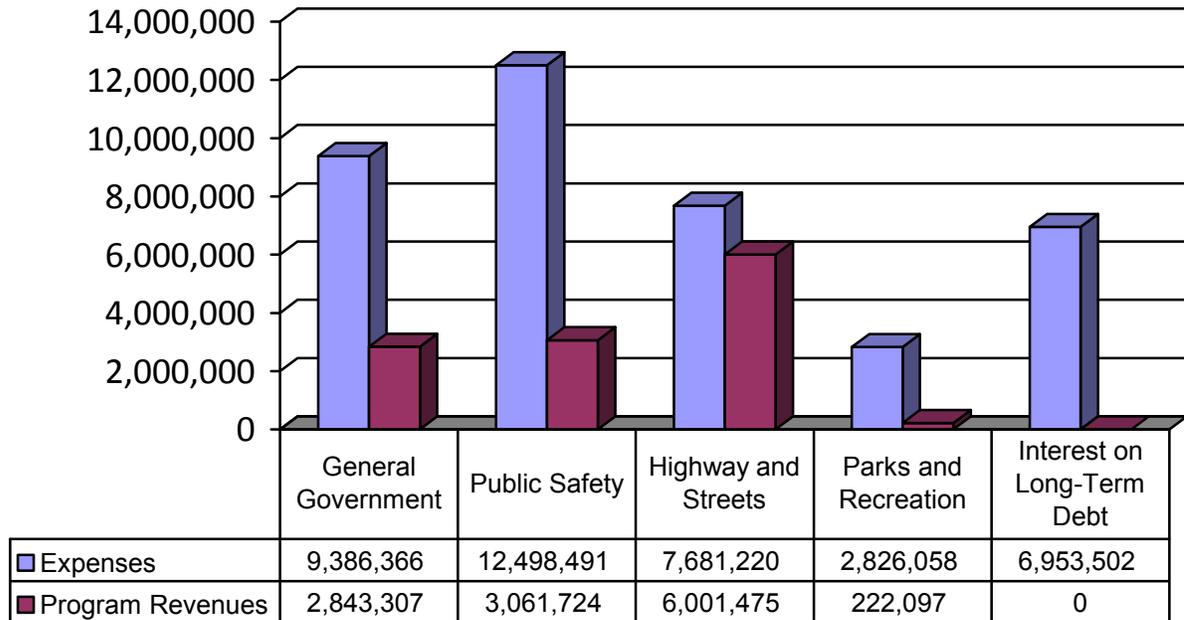
- Property taxes increased by \$116,744 (.93%) and sales taxes increased by \$12,203 (.10%) during the year. Various other taxes decreased by \$25,094 compared to 2009.
- Operating grants and contributions for governmental activities experienced a slight decrease by \$2,641. Capital grants and contribution experienced an increase by \$285,482, primarily due to contributions of capital assets made to the City of Madison by various agencies for the City to use in its operations. The capital assets contributions consist of land and infrastructure (streets, sidewalks and drainage improvements).
- Other revenues decreased by \$724,716 (47%) and investment earnings decreased by \$253,955 (68%).

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**Revenues by Source - Governmental Activities**



**Expenses and Program Revenues - Governmental Activities**



As discussed earlier, the City's governmental activities are categorized in the following programs: general government, public safety, highways and streets, and parks and recreation. All governmental programs utilize general revenue to support their functions. Various departments service the programs and the expenses for the services are allocated to each department.

**FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS**

As noted earlier, the City of Madison uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

## Management's Discussion and Analysis – Continued

At the end of the current fiscal year, the City of Madison's governmental funds reported combined ending fund balances of \$13,835,168, a decrease of \$5,285,591 or 28% in comparison with the prior year. Approximately \$4,464,492 or 32% of the total fund balances constitutes unreserved fund balance, which is generally available for spending at the City's discretion, although it is subject to certain limitations inherent in the funds where the balances are retained. The remainder (\$9,370,676) of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$3,226,155), 2) to pay debt service (\$437,031), 3) to pay for specific capital improvement (\$1,425,437), and 4) to pay a variety of other restricted purposes (\$4,282,053).

The General Fund is the chief operating fund of the City. At the end of fiscal year 2010, unreserved, fund balance of the general fund was \$4,450,460, while the total fund balance was \$6,530,802. Unreserved fund balance represents 16 percent of the total general fund expenditures, while total general fund balance represents 23 percent of that same amount.

The fund balance, of the City of Madison's general fund, decreased by \$512,708 during the current fiscal year. Key factors in this decrease are as follows:

- Charges for services revenue decreased \$76,791 or 6 percent compared to prior fiscal year.
- Fines revenue decreased \$114,721 or 14 percent compared to prior fiscal year.
- Licenses and permits revenue decreased \$315,902 or 7 percent compared to 2009.

At September 30, 2010, the water distribution and storage project fund had a fund balance of \$1,148,900, all of which is reserved and restricted by the governing body to service the 2005 and 2006 debt service funds. This fund accounts for the resources of the 5 ½ mill property taxes and the ½-cent sales tax.

The 2006 capital improvement fund has a total fund balance of \$3,581,387, all of which reserved to pay for the funded projects in the City's capital improvement program.

### **General Fund Budgetary Highlights**

During the year, the appropriations between the original and final amended budget increased \$1,489,039. Following are the main components to the increase:

- \$536,414 supplemental appropriation to the public works department to provide equipment for the sanitation division, supplies and equipment for construction division, and contracts for street sweeping services
- \$120,903 supplemental appropriation to the finance department to complete the installation of new financial management system
- \$315,975 supplemental appropriation to the fire department for safety equipment (self-contained breathing apparatus) and reroofing of fire station #1

## Management's Discussion and Analysis - Continued

- \$286,920 supplemental appropriation to the recreation department to construct dog park, soccer fields, improvements for Dublin Park concession facility and reroofing of Dublin Park Recreation Facility

The City Council approved the supplemental appropriations because the revenues from both the property tax and sales tax showed a steady increase in 2010 and the capital items would not be reoccurring expenditures in the next fiscal year. In addition, expenditures at the end of each fiscal year projected to come under budget 5% or more. At the end of the fiscal year, expenditures were under budget by \$3,036,950 or 10%.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** The City of Madison's investment in capital assets for its governmental activities as of September 30, 2010, amounts to \$157,646,845 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to buildings, improvements other than buildings, machinery and equipment, infrastructure (streets, sidewalks, drainage improvements and bridges), and construction in progress. The total increase in the City's investment in capital assets for the governmental activities was 4% for the current fiscal year.

Major capital asset events during the current fiscal year included the following:

- Construction completed on the Eastview Drive Sidewalk project for \$124,934.
- Acquired Machinery and Equipment for \$1,102,139.
- A variety of improvements to buildings and improvements other than buildings completed for total cost of \$128,175.
- Construction completed on the Eastview Drive Extension for \$497,860.
- Construction of various improvements to buildings, infrastructure and other improvements began for a total cost of \$4,089,942.

Management's Discussion and Analysis - Continued

**CITY OF MADISON'S CAPITAL ASSETS**  
(net of depreciation)

	<b>Governmental Activities</b>		
	<b>September 30, 2010</b>	<b>September 30, 2009</b>	<b>Change</b>
Land	\$27,244,527	\$ 25,975,390	\$ 1,269,137
Buildings	7,426,353	7,646,500	(220,147)
Building improvements	1,462,277	1,435,070	27,207
Improvements other than buildings	1,135,957	1,230,251	(94,294)
Machinery and equipment	4,458,877	4,496,574	(37,697)
Infrastructure	106,166,863	104,312,12	1,854,711
Other	11,174	5,917	5,257
Construction in progress	9,740,817	6,079,522	3,661,295
	<u>\$157,646,845</u>	<u>\$151,181,376</u>	<u>\$ 6,465,469</u>

Additional information on the City's capital assets is found in Note 4 on pages 64-68 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the City of Madison had total outstanding debt of \$143,865,530. Of this amount, \$141,955,000 comprised of the general obligation warrants backed by the full faith and credit of the City and \$1,910,530 comprised of capital lease obligations collateralized by certain vehicles and equipment.

Changes in debt outstanding are as follows:

	<b>Governmental Activities</b>		
	<b>September 30, 2010</b>	<b>September 30, 2009</b>	<b>Change</b>
Capital lease obligations	\$ 1,910,530	\$ 1,653,138	\$ 257,392
General obligation warrants	141,955,000	143,715,000	(1,760,000)
Less deferred amount for:			
Issuance discounts	(1,889,306)	(2,008,043)	118,737
	<u>\$ 141,976,224</u>	<u>\$ 143,360,095</u>	<u>\$(1,383,871)</u>

## Management's Discussion and Analysis - Continued

The City of Madison's total debt decreased \$1,383,871 (.97%) during fiscal year 2010.

Other than debt paid from proprietary fund revenue sources (e.g. sewer debt and revenue bonds), State of Alabama law limits the amount of general obligation debt cities can issue for purposes other than schools and waterworks and sewers to twenty percent of the assessed value of real and personal property. Of the \$141,955,000 outstanding, the amount of \$87,670,000 is outstanding general obligation school warrants, which is not chargeable against the allowable debt limit. As of September 30, 2010, the City's allowable debt limit was \$105,475,824. The City's debt applicable to the limit was \$46,506,747 at September 30, 2010.

The City of Madison maintains a rating of "AA" from Standards & Poor's and a rating of "Aa2" from Moody's Investors Service for general obligation debt.

Additional information on the City's long-term debt is in Note 4 on pages 71-73 of this report.

### **ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES**

The unemployment rate for the Madison County was 7.2 percent in 2009 and increased to 7.9 percent in 2010. This region has the second lowest unemployment rate in the State of Alabama.

The housing market is holding its own in the region. A house was averaging 98 days on the market in 2009 and 122 days in 2010. A house was on the market almost a month longer in 2010 compared to 2009.

Revenues generated from retail sales in the metropolitan were showing a decrease of 6 percent at the end of the current fiscal year. The City's sales tax showed a slight increase of .10 percent in the end of fiscal year 2010.

The City considered all of these factors in preparing the budget for fiscal year 2011. The City conservatively approved a General Fund budget anticipating a slow growth, with a decrease of \$1,194,500 or 4 percent compared to the budget for fiscal year 2010.

The City of Madison appropriated \$2,227,316 of the unreserved fund balance in the general fund to balance the 2011 budget without a general tax increase.

Although the fund balance of the General Fund is projected to decrease in 2011, the fund balance will be more than 10 percent of the estimated revenues, which is the requirement of the City's fiscal policy.

## Management's Discussion and Analysis - Continued

### **Request for Information**

This financial report is designed to provide a general overview of the City of Madison's finances for all those with an interest in the City. Address all questions concerning any of the information provided in this report or requests for additional financial information to the Finance Department, 100 Hughes Road, City of Madison, Alabama, 35758. The City's telephone number is (256) 772-5600. Readers may obtain updated financial information on the City's website at [www.madisonal.gov](http://www.madisonal.gov).

# **BASIC FINANCIAL STATEMENTS**

**CITY OF MADISON, ALABAMA**  
**STATEMENT OF NET ASSETS**  
September 30, 2010

	Primary Government	Component Units	
	Governmental Activities	The Water and Wastewater Board	Madison City Board of Education
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,727,446	\$ 1,494,582	\$ 41,503,273
Investments	-	-	-
Receivables, net			
Tax and tax equivalents	9,307,430	-	-
Other	779,256	1,234,703	2,490,658
Inventory	-	302,587	132,220
Prepaid expenses	409,887	95,580	-
Other	-	76	23,063
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	7,303,526	-	-
Grants receivable	263,671	-	-
Other receivables	204,423	-	-
Total current assets	<u>23,995,639</u>	<u>3,127,528</u>	<u>44,149,214</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	437,031	-	-
Other assets	-	10,452,414	-
Bond issue costs, net	1,687,599	2,038,647	-
Capital assets not being depreciated	36,985,344	6,857,295	11,380,657
Capital assets net of accumulated depreciation	120,661,501	144,473,980	83,502,712
Total noncurrent assets	<u>159,771,475</u>	<u>163,822,336</u>	<u>94,883,369</u>
<b>Total assets</b>	<u>183,767,114</u>	<u>166,949,864</u>	<u>139,032,583</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and other current liabilities	3,641,516	554,164	6,640,634
Interest payable	1,748,329	839,900	-
Deferred revenue	15,250	-	209,710
Total current liabilities	<u>5,405,095</u>	<u>1,394,064</u>	<u>6,850,344</u>
Noncurrent liabilities:			
Due within one year	2,332,547	2,331,550	574,521
Due in more than one year	139,643,677	75,951,758	7,662,111
Total long-term liabilities	<u>141,976,224</u>	<u>78,283,308</u>	<u>8,236,632</u>
<b>Total liabilities</b>	<u>147,381,319</u>	<u>79,677,372</u>	<u>15,086,976</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	145,827,919	75,272,060	86,669,589
Restricted for:			
Highways and streets	347,117	-	-
Debt service	437,031	-	1,358,992
Capital Improvements	3,623,285	-	19,397,028
Water Distribution and Storage Project	1,148,900	-	-
Other purposes	2,030,813	7,582,276	-
Unrestricted (deficit)	(117,029,270)	4,418,156	16,519,998
Total net assets	<u>\$ 36,385,795</u>	<u>\$ 87,272,492</u>	<u>\$ 123,945,607</u>

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

**CITY OF MADISON, ALABAMA  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2010**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Units	
					Governmental Activities	The Water and Wastewater Board	Madison City Board of Education
Functions/Programs							
Primary government:							
Governmental activities:							
General Administration	\$ 1,909,670	\$ 2,753,816	\$ 74,051	\$ -	\$ 918,197	\$ -	\$ -
Police	6,354,077	912,124	192,700	67,704	(5,181,549)	-	-
Public Works	7,073,640	975,398	-	5,026,077	(1,072,165)	-	-
City Clerk	723,726	-	-	-	(723,726)	-	-
Recreation	2,495,120	208,430	12,134	-	(2,274,556)	-	-
Fire	5,030,280	-	269,280	-	(4,761,000)	-	-
Planning	297,284	21,887	-	-	(275,397)	-	-
Court	947,423	-	-	-	(947,423)	-	-
City Council	132,518	-	-	-	(132,518)	-	-
Finance	641,623	-	-	-	(641,623)	-	-
Human Resources	3,731,814	-	-	-	(3,731,814)	-	-
Mayor's Office	362,853	-	-	15,440	(347,413)	-	-
Revenue	290,319	-	-	-	(290,319)	-	-
Engineering	607,580	-	-	-	(607,580)	-	-
Senior Center	330,938	-	1,533	-	(329,405)	-	-
Information Technology	322,760	-	-	-	(322,760)	-	-
Legal	323,660	-	-	-	(323,660)	-	-
Building	816,850	1,598,029	-	-	781,179	-	-
Interest on long-term debt	6,953,502	-	-	-	(6,953,502)	-	-
Total governmental activities	<u>\$ 39,345,637</u>	<u>\$ 6,469,684</u>	<u>\$ 549,698</u>	<u>\$ 5,109,221</u>	(27,217,034)	-	-
Component units:							
The Water and Wastewater Board	\$ 12,005,120	\$ 13,228,301	\$ -	\$ 3,409,410	-	\$ 4,632,591	-
Madison City Board of Education	84,396,572	7,198,541	45,836,173	2,761,001	-	-	(28,600,857)
Total component units	<u>\$ 96,401,692</u>	<u>\$ 20,426,842</u>	<u>\$ 45,836,173</u>	<u>\$ 6,170,411</u>	-	4,632,591	(28,600,857)
General revenues:							
Property taxes and payments in lieu of taxes					12,696,539	-	15,135,573
Sales and use taxes					12,343,163	-	8,250,256
Franchise taxes					347,142	-	-
Motor fuel taxes					1,005,444	-	-
Alcoholic beverage taxes					826,942	-	-
Rental taxes					405,911	-	-
Lodging taxes					969,411	-	-
Other taxes					216,899	-	112,769
Unrestricted investment earnings					117,585	54,490	252,313
Miscellaneous					831,401	-	5,662,098
Gain (loss) on sale of capital assets					(18,593)	-	29,845
Total general revenues					<u>29,741,844</u>	<u>54,490</u>	<u>29,442,854</u>
Change in net assets					2,524,810	4,687,081	841,997
Net assets - beginning of year, as previously reported					-	83,087,999	-
Prior period adjustment					-	(502,588)	-
Net assets - beginning of year, restated					<u>33,860,985</u>	<u>82,585,411</u>	<u>123,103,610</u>
Net assets - end of year					<u>\$ 36,385,795</u>	<u>\$ 87,272,492</u>	<u>\$ 123,945,607</u>

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

**CITY OF MADISON, ALABAMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2010**

	General	Water Distribution and Storage Project Fund	School Bonds Fund	2006 Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 5,727,446	\$ 389,227	\$ -	\$ 4,132,637	\$ 2,105,178	\$ 12,354,488
Cash with fiscal agent	-	-	5	-	437,026	437,031
Receivables, net						
Tax and tax equivalents	5,384,713	3,612,626	-	-	310,091	9,307,430
Grants	-	-	-	-	1,174	1,174
Other	640,258	-	-	-	138,998	779,256
Prepaid items	408,800	1,050	-	-	37	409,887
Restricted assets:						
Cash and cash equivalents	676,484	-	-	-	-	676,484
Grants receivable	81,393	-	-	-	-	81,393
Other receivable	10,000	-	-	-	-	10,000
Due from other funds	286,104	209,376	-	5,232	238,422	739,134
<b>Total Assets</b>	<b>\$ 13,215,198</b>	<b>\$ 4,212,279</b>	<b>\$ 5</b>	<b>\$ 4,137,869</b>	<b>\$ 3,230,926</b>	<b>\$ 24,796,277</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 550,348	\$ -	\$ -	\$ 439,672	\$ 88,586	\$ 1,078,606
Accrued compensation and benefits	954,640	-	-	-	-	954,640
Due to other funds	405,900	30	-	43,424	289,780	739,134
Retainage payable	-	-	-	73,386	-	73,386
Deferred revenue	3,992,675	3,063,349	-	-	278,486	7,334,510
Other liabilities	780,833	-	-	-	-	780,833
<b>Total Liabilities</b>	<b>6,684,396</b>	<b>3,063,379</b>	<b>-</b>	<b>556,482</b>	<b>656,852</b>	<b>10,961,109</b>
<b>Fund balances:</b>						
Reserved for:						
Encumbrances	903,665	-	-	2,197,848	124,642	3,226,155
Prepaid expenditures	408,800	1,050	-	-	37	409,887
Restricted assets	767,877	1,147,850	-	-	1,956,439	3,872,166
Debt service	-	-	5	-	437,026	437,031
Capital projects	-	-	-	1,383,539	41,898	1,425,437
Unreserved, reported in:						
General fund	4,450,460	-	-	-	-	4,450,460
Special revenue funds	-	-	-	-	14,032	14,032
<b>Total fund balances</b>	<b>6,530,802</b>	<b>1,148,900</b>	<b>5</b>	<b>3,581,387</b>	<b>2,574,074</b>	<b>13,835,168</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 13,215,198</b>	<b>\$ 4,212,279</b>	<b>\$ 5</b>	<b>\$ 4,137,869</b>	<b>\$ 3,230,926</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	157,646,845
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	7,694,786
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(142,791,004)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 36,385,795</u></b>

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

**CITY OF MADISON, ALABAMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2010**

	General	Water Distribution and Storage Project Fund	School Bonds Fund	2006 Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes:						
Property and payments in lieu of taxes	\$ 4,045,566	\$ 3,034,662	\$ 5,050,932	\$ -	\$ 275,869	\$ 12,407,029
Sales and use	9,834,179	2,536,556	-	-	-	12,370,735
Franchise	347,142	-	-	-	-	347,142
Alcoholic beverage	826,942	-	-	-	-	826,942
Rental	405,911	-	-	-	-	405,911
Lodging	969,411	-	-	-	-	969,411
Other	216,899	-	-	-	416,710	633,609
Licenses and permits	4,351,845	-	-	-	-	4,351,845
Intergovernmental	509,782	-	-	-	675,727	1,185,509
Charges for services	1,133,569	-	-	-	96,285	1,229,854
Fines	690,945	-	-	-	197,040	887,985
Investment earnings	71,875	10,594	376	33,186	9,934	125,965
Contributions and donations	15,965	-	-	-	1,608	17,573
Other revenues	1,036,321	-	-	5,050	212,917	1,254,288
<b>Total revenues</b>	<b>24,456,352</b>	<b>5,581,812</b>	<b>5,051,308</b>	<b>38,236</b>	<b>1,886,090</b>	<b>37,013,798</b>
<b>EXPENDITURES</b>						
Current:						
General Administration	965,683	4,214	74	-	601,913	1,571,884
Police	5,979,737	-	-	4,538	20,667	6,004,942
Public Works	3,260,652	-	-	3,676	791,945	4,056,273
City Clerk	718,119	-	-	-	-	718,119
Recreation	2,246,690	-	-	-	-	2,246,690
Fire	4,647,988	-	-	402	1,465	4,649,855
Planning	293,654	-	-	-	-	293,654
Court	937,885	-	-	-	-	937,885
City Council	124,375	-	-	-	-	124,375
Finance	633,046	-	-	-	-	633,046
Human Resources	3,729,630	-	-	-	-	3,729,630
Mayor's Office	352,846	-	-	-	-	352,846
Revenue	288,707	-	-	-	-	288,707
Engineering	453,436	-	-	-	133,604	587,040
Senior Center	308,842	-	-	3,200	-	312,042
Information Technology	294,394	-	-	-	-	294,394
Legal	322,919	-	-	-	-	322,919
Building	797,627	-	-	-	-	797,627
Debt service:						
Principal	490,202	-	925,000	-	835,000	2,250,202
Interest	68,543	-	4,315,901	-	2,580,681	6,965,125
Capital outlay	1,597,222	-	-	4,301,054	44,775	5,943,051
<b>Total expenditures</b>	<b>28,512,197</b>	<b>4,214</b>	<b>5,240,975</b>	<b>4,312,870</b>	<b>5,010,050</b>	<b>43,080,306</b>
Excess (deficiency) of revenues over (under) expenditures	(4,055,845)	5,577,598	(189,667)	(4,274,634)	(3,123,960)	(6,066,508)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers from other funds	3,025,918	-	-	4,989	3,643,835	6,674,742
Transfers to other funds	(263,698)	(5,880,137)	-	-	(530,907)	(6,674,742)
Sales of capital assets	33,323	-	-	-	-	33,323
Capital leases	747,594	-	-	-	-	747,594
<b>Total other financing sources (uses)</b>	<b>3,543,137</b>	<b>(5,880,137)</b>	<b>-</b>	<b>4,989</b>	<b>3,112,928</b>	<b>780,917</b>
Net change in fund balances	(512,708)	(302,539)	(189,667)	(4,269,645)	(11,032)	(5,285,591)
<b>Fund balances - beginning of year</b>	<b>7,043,510</b>	<b>1,451,439</b>	<b>189,672</b>	<b>7,851,032</b>	<b>2,585,106</b>	<b>19,120,759</b>
<b>Fund balances - end of year</b>	<b>\$ 6,530,802</b>	<b>\$ 1,148,900</b>	<b>\$ 5</b>	<b>\$ 3,581,387</b>	<b>\$ 2,574,074</b>	<b>\$ 13,835,168</b>

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

**CITY OF MADISON, ALABAMA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the year ended September 30, 2010**

---

Amounts reported for governmental activities in the statement of activities (page 35) are different because:

Net change in fund balances - total governmental funds (page 37)	\$ (5,285,591)
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. This is the amount by which capital outlay exceeded depreciation in the current period.	1,690,781
Donations of capital assets increase net assets in the statement of activities, but but do not appear in the governmental funds because they are not financial resources.	
Donations from outside parties	4,826,604
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(51,916)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	48,638
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets and statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,502,608
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(206,314)</u>
Change in net assets of governmental activities (page 35)	<u><u>\$ 2,524,810</u></u>

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

**CITY OF MADISON, ALABAMA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**For the year ended September 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Property and payments in lieu of taxes	\$ 3,963,723	\$ 4,040,051	\$ 4,045,566	\$ 5,515
Sales and use	9,800,000	10,000,000	9,834,179	(165,821)
Franchise	321,344	327,829	347,142	19,313
Alcoholic beverage	863,301	863,301	826,942	(36,359)
Rental	449,080	449,080	405,911	(43,169)
Lodging	1,036,180	1,036,180	969,411	(66,769)
Other	243,526	243,526	216,899	(26,627)
Licenses and permits	4,737,623	4,637,623	4,351,845	(285,778)
Intergovernmental	246,632	673,749	509,782	(163,967)
Charges for services	1,196,410	1,196,410	1,133,569	(62,841)
Fines	805,600	805,600	690,945	(114,655)
Investment earnings	67,000	67,000	71,875	4,875
Contribution and donations	2,100	5,161	15,965	10,804
Other revenues	667,938	920,448	1,036,321	115,873
<b>Total revenues</b>	<b>24,400,457</b>	<b>25,265,958</b>	<b>24,456,352</b>	<b>(809,606)</b>
<b>EXPENDITURES</b>				
Current:				
General Administration	946,274	944,774	965,683	(20,909)
Police	6,310,314	6,289,654	5,979,737	309,917
Public Works	3,330,495	3,375,237	3,260,652	114,585
City Clerk	803,161	778,773	718,119	60,654
Recreation	2,577,880	2,670,380	2,246,690	423,690
Fire	4,892,252	5,179,700	4,647,988	531,712
Planning	384,965	383,365	293,654	89,711
Court	1,095,813	1,096,157	937,885	158,272
City Council	160,456	160,456	124,375	36,081
Finance	629,253	632,152	633,046	(894)
Human Resources	4,207,806	4,191,141	3,729,630	461,511
Mayor's Office	406,914	401,217	352,846	48,371
Revenue	287,337	302,859	288,707	14,152
Engineering	459,764	467,063	453,436	13,627
Senior Center	293,130	293,238	308,842	(15,604)
Information Technology	293,896	293,896	294,394	(498)
Legal	332,278	358,522	322,919	35,603
Building	845,399	867,727	797,627	70,100
Debt service:				
Principal	593,666	573,024	490,202	82,822
Interest	92,332	87,750	68,543	19,207
Capital outlay	1,116,723	2,202,062	1,597,222	604,840
<b>Total expenditures</b>	<b>30,060,108</b>	<b>31,549,147</b>	<b>28,512,197</b>	<b>3,036,950</b>
Excess (deficiency) of revenues over (under) expenditures	(5,659,651)	(6,283,189)	(4,055,845)	2,227,344
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	3,093,388	3,104,013	3,025,918	(78,095)
Transfers to other funds	(277,047)	(277,047)	(263,698)	13,349
Sales of capital assets	15,000	15,000	33,323	18,323
Capital leases	838,932	1,330,782	747,594	(583,188)
<b>Total other financing sources (uses)</b>	<b>3,670,273</b>	<b>4,172,748</b>	<b>3,543,137</b>	<b>(629,611)</b>
Net change in fund balances	(1,989,378)	(2,110,441)	(512,708)	1,597,733
<b>Fund balances - beginning of year</b>	<b>7,043,510</b>	<b>7,043,510</b>	<b>7,043,510</b>	<b>-</b>
<b>Fund balances - end of year</b>	<b>\$ 5,054,132</b>	<b>\$ 4,933,069</b>	<b>\$ 6,530,802</b>	<b>\$ 1,597,733</b>

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

**CITY OF MADISON, ALABAMA**  
**WATER DISTRIBUTION AND STORAGE PROJECT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Property and payments in lieu of taxes	\$ 2,974,125	\$ 2,974,125	\$ 3,034,662	\$ 60,537
Sales and use	2,500,000	2,500,000	2,536,556	36,556
Investment earnings	13,500	1,500	10,594	9,094
<b>Total revenues</b>	<b>5,487,625</b>	<b>5,475,625</b>	<b>5,581,812</b>	<b>106,187</b>
<b>EXPENDITURES</b>				
Current:				
General Administration	5,500	5,500	4,214	1,286
<b>Total expenditures</b>	<b>5,500</b>	<b>5,500</b>	<b>4,214</b>	<b>1,286</b>
Excess of revenues over expenditures	5,482,125	5,470,125	5,577,598	107,473
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	(5,915,682)	(5,915,682)	(5,880,137)	35,545
<b>Total other financing sources (uses)</b>	<b>(5,915,682)</b>	<b>(5,915,682)</b>	<b>(5,880,137)</b>	<b>35,545</b>
Net change in fund balances	(433,557)	(445,557)	(302,539)	143,018
<b>Fund balances - beginning of year</b>	<b>1,451,439</b>	<b>1,451,439</b>	<b>1,451,439</b>	<b>-</b>
<b>Fund balances - end of year</b>	<b>\$ 1,017,882</b>	<b>\$ 1,005,882</b>	<b>\$ 1,148,900</b>	<b>\$ 143,018</b>

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

**CITY OF MADISON, ALABAMA**  
**SCHOOL BONDS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Property and payments in lieu of taxes	\$ 5,211,569	\$ 5,240,903	\$ 5,050,932	\$ (189,971)
Investment earnings	-	256	376	120
<b>Total revenues</b>	<b>5,211,569</b>	<b>5,241,159</b>	<b>5,051,308</b>	<b>(189,851)</b>
<b>EXPENDITURES</b>				
Current:				
General Administration	-	2	74	(72)
Debt service:				
Principal	2,190,000	925,000	925,000	-
Interest	3,021,569	4,315,903	4,315,901	2
<b>Total expenditures</b>	<b>5,211,569</b>	<b>5,240,905</b>	<b>5,240,975</b>	<b>(70)</b>
Net change in fund balances	-	254	(189,667)	(189,921)
<b>Fund balances - beginning of year</b>	<b>189,672</b>	<b>189,672</b>	<b>189,672</b>	<b>-</b>
<b>Fund balances - end of year</b>	<b>\$ 189,672</b>	<b>\$ 189,926</b>	<b>\$ 5</b>	<b>\$ (189,921)</b>

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

**CITY OF MADISON, ALABAMA**  
**2006 CAPITAL IMPROVEMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 2,285,043	\$ -	\$ (2,285,043)
Investment earnings	-	25,000	33,186	8,186
Other revenues	-	-	5,050	5,050
<b>Total revenues</b>	-	2,310,043	38,236	(2,271,807)
<b>EXPENDITURES</b>				
Current:				
Police	-	-	4,538	(4,538)
Public Works	-	-	3,676	(3,676)
Fire	-	-	402	(402)
Senior Center	-	-	3,200	(3,200)
Capital Outlay	-	9,936,610	4,301,054	5,635,556
<b>Total expenditures</b>	-	9,936,610	4,312,870	5,623,740
Deficiency of revenues under expenditures	-	(7,626,567)	(4,274,634)	3,351,933
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	-	1,300,000	4,989	(1,295,011)
<b>Total other financing sources</b>	-	1,300,000	4,989	(1,295,011)
Net change in fund balances	-	(6,326,567)	(4,269,645)	2,056,922
<b>Fund balances - beginning of year</b>	-	7,851,032	7,851,032	-
<b>Fund balances - end of year</b>	<u>\$ -</u>	<u>\$ 1,524,465</u>	<u>\$ 3,581,387</u>	<u>\$ 2,056,922</u>

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

## **NOTES TO FINANCIAL STATEMENTS**



**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Statement**

The City of Madison (the City) was incorporated in 1869. The City operates under an elected Mayor-Council form of government.

The accounting and reporting policies of the City conform to Generally Accepted Accounting Principles (GAAP) in the United States of America applicable to state and local governments. The generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB).

**A. REPORTING ENTITY**

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Madison (the primary government) and its component units, entities for which the City is financially accountable. Each component unit of the City is discretely presented in a separate column in the government-wide financial statements to emphasize the fact that it is legally separate from the City. Each discretely presented component unit has a September 30 year-end.

**DISCRETELY PRESENTED COMPONENT UNITS**

**Madison Water and Wastewater Board.** The Madison Water and Wastewater Board (Madison Utilities Board) of the City of Madison is a public corporation organized under Alabama Code Sections 11-50-310 through 324. The Board provides water and wastewater services to the residents and businesses in the City. The Board consists of five members who manage all property and business of this corporation. The City Council of the City of Madison appoints members to the Board. Members of the Board serve staggered six-year terms. Members of the City Council may serve on the board of Directors during their term in office. The City issued general obligation warrants, which the Board used for water and wastewater purposes. The financial statements of the Board are reported in a separate column to emphasize that they are legally separate from the City. The Board is reported as a proprietary fund type.

**Madison City Board of Education.** The Board of Education consists of five members appointed by the City Council. The Board of Education is vested with all powers necessary and proper, as authorized by the state law or regulation of the Alabama State Board of Education, for the administration and management of free public schools in the City. The City issued general obligation warrants, which Madison Board City Board of Education used for school purposes. The financial statements of Madison City Board of Education are reported in a separate column to emphasize that they are legally separate from the City. Madison City Board of Education is reported as a governmental fund type.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**A. REPORTING ENTITY - Continued -**

**DISCRETELY PRESENTED COMPONENT UNITS - continued**

Complete financial statements of Madison Utilities Board and Madison City Board of Education, discretely presented component units, are available at the administrative office of the entity.

Madison Utilities Board  
101 Ray Sanderson Drive  
Madison, Alabama 35758

Madison City Board Education  
211 Celtic Drive  
Madison, Alabama 35758

**B. BASIS OF PRESENTATION**

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

GASB Statement 34 sets minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. The non-major governmental funds are combined in a single column in the fund financial statements and detailed in the combining section.

The government-wide financial statements (i.e., statement of net assets and the statement of activities) are reported using the economic resources measurement focus. The statements report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund 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 certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B. BASIS OF PRESENTATION - continued**

When both restricted and unrestricted resources are available for use, it is the City's policy to use unrestricted resources first, and then restricted resources as they are needed, except in the case of grant monies, which are used for their required purpose.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds:**

Governmental Funds are reported using the current financial resources measurement focus. The following is a description of the Governmental Funds and the major funds of the City:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to be accounted for in some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvements costs not paid through other funds are paid from the General Fund.

Special Revenue Funds

The Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from government resources.

Capital Projects Funds

The Capital projects funds are used to account for financial resources segregated for acquisition of major capital facilities.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B. BASIS OF PRESENTATION - continued**

**Major Funds:**

The new model, as defined in Statement 34, sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. The nonmajor funds are combined in a single column in the fund financial statements.

The City reports the following major governmental funds:

General Fund

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

Water Distribution and Storage Project Fund

The Water Distribution and Storage Project Fund is used to account for the ½-cent sales tax and the 5 ½ -mill property tax.

School Bonds Fund

The School Bonds Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related cost on general obligation school warrants.

2006 Capital Improvement Fund

The 2006 Capital Improvement Fund is used to account for the construction of capital improvement projects in the City consisting of public safety, recreation, streets, drainage and other improvements. Financing was provided by the sale of general obligation warrants and dedicated revenue.

**C. BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements and the component unit financial statements are presented on an accrual basis of accounting. The Governmental Funds in the fund financial statements are presented on a modified accrual basis.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. BASIS OF ACCOUNTING - continued**

Accrual Basis

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB).

Modified Accrual Basis

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of transaction can be determined. "Available" means collectible within the current period or soon thereafter to pay liabilities of the current period.

For this purpose, the City considers revenues available if they are collected within sixty (60) days of the end of the fiscal period. Property taxes, sales and use taxes, alcoholic beverage taxes, franchise taxes, licenses, and interest associated with the current fiscal period are susceptible to accrual. All other government fund revenues are recognized when received.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences, and claims and judgments, are recorded only when payment is due.

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, State of Alabama, Alabama counties, or the general obligations of Alabama municipalities.

Investments for the City, as well as for its component units, are stated at fair market value.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY - continued**

Madison Utilities Board is authorized by its governing board to invest in U.S. governmental securities or investments secured by U.S. government securities as required and defined in the trust indentures.

Madison City Board of Education is restricted by its governing board and the State of Alabama that they may not put public funds at risk by investing in companies not insured by the federal government.

Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds". All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property taxes are levied on October 1 for the prior fiscal year beginning October 1, at which time a lien is attached. These taxes are due and payable October 1 and delinquent after December 31 each year after which a penalty and interest are required to be charged. Revenue is recognized in the year when the taxes are levied and collected at the fund level and in the year for which they are levied at the government-wide level. The taxes are collected by the Madison County Tax Collector and remitted to the City.

Madison Utilities Board adopted the allowance method. Current earnings are charged with an allowance for doubtful accounts based a percent of gross revenue, determined from prior year's bad debt experience and on an evaluation of each customer's capacity to pay Madison Utilities Board for utility services provided to them.

Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased except commodities donated by the federal government, which are expensed when consumed.

Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY - continued**

Restricted Assets

Certain proceeds of general obligation warrants, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet and statement of net assets because their use is limited by applicable warrant indentures. In addition, cash accounts and other assets restricted for specific purposes are classified as restricted assets on the balance sheet and statement of net assets.

Capital Assets

Capital assets of the City, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The City defines capital assets, other than infrastructure, as assets with an initial, individual cost of more than \$1,000 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, or if inadequate records were available to determine the actual cost. The City records donated capital assets at estimated fair market value at the date of donation.

The City does not capitalize the costs of normal maintenance and repairs which do not add to the value of the asset or materially extend the life of the asset.

The City capitalizes major outlays for capital assets and improvements as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and infrastructure	40-60
Building improvements	15-40
Machinery, equipment, and other	3-25

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY - continued**

Compensated Absences - Annual Leave and Sick Leave

It is the City's policy to permit employees to accumulate earned but unused annual and sick leave benefits. Employees can carry a maximum of 200 hours of unused annual leave forward into the next leave year. Any accumulated annual leave that exceeds this amount at the end of the leave year will be forfeited. Upon separation from City service, an employee will be paid for all accrued annual leave. Annual leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. All unused annual leave is accrued when earned by the employee in the government-wide financial statements and is considered a current liability. There is no liability for unpaid accumulated sick leave. No sick leave is paid upon separation from the City's services.

The Madison Water and Wastewater Board permits unclassified service employees to earn annual leave with pay based upon a progressive schedule of completed years of continuous service. Normally, employees are expected to take annual leave in the leave year earned. However, a total of 30 days of unused leave may be carried forward from one leave year to the next. Any leave that exceeds 30 days of unused leave year will be forfeited by the employee. Employees may elect, in writing to donate annual leave to another employee due to serious illness or disability. There is no liability for unpaid accumulated sick leave. No sick leave is paid upon separation from the Board's services.

The compensated absences policy for Madison Board of Education states that professional and support personnel are provided 2-5 days of personal leave per year with pay depending on years of service.

The State provides funding, at the substitute rate, for up to 2 days of personal leave per employee per year. Professional employees are paid, at the Board's substitute rate, for up to 2 days of unused personal leave. Professional and support personnel may convert unused, un-reimbursed personal leave to sick leave at the end of the scholastic year. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is reported in the financial statements.

Employees with 10 years or less in service with Madison City Schools are allowed 10 working days. Employees with 11 years or greater in service with Madison City Schools are allowed 15 working days. Unused vacation leave can be carried over to succeeding years to a maximum of 2 years of accrued leave as of June 30 of each year.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY - continued**

Compensated Absences - Annual Leave and Sick Leave - Continued

Professional and support employees earn non-vesting sick leave at the rate of one day per month worked. Employees may accumulate unlimited days of sick leave. Employees may use their accrued sick leave as membership service in determining the total year of creditable service in the Teachers' Retirement System, with no additional cost to Madison Board of Education. The State provides partial funding for substitutes employed while employees are on sick leave. Most of the salaries paid to employees utilizing sick leave are paid from state and federal funds. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded in the financial statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as noncurrent assets and amortized over the term of the related debt.

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.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY - continued**

Fund Equity

Government-wide statements - Equity is classified as net assets, and displayed in three components:

- a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and outstanding balances of any bonds, mortgages, notes or other debt attributable to the acquisition, construction or improvement of those assets.
- b) Restricted net assets - Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Governmental fund equity is classified as fund balances. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates in the Preparation of Financial Statements

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

The governmental fund balance sheet includes a reconciliation between *fund balances - total governmental funds* and net assets - *governmental activities* as reported in the government-wide statement of net assets. One element of the reconciliation explains, "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$142,791,004 difference are as follows:

Bonds payable	\$141,955,000
Less: Deferred charge for issuance costs (to be amortized as interest expense)	(1,687,599)
Less: Issuance discount (to be amortized as interest expense)	(1,889,306)
Accrued interest payable	1,748,329
Capital lease payable	1,910,530
Compensated absences	699,845
Other postemployment benefits	<u>54,205</u>
Net adjustment to <i>fund balance total</i> <i>governmental funds</i> to arrive at <i>net assets</i> <i>governmental activities</i>	<u>\$142,791,004</u>

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "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."

The details of this \$1,690,781 difference are as follows:

Capital outlay	\$ 5,943,051
Depreciation expense	<u>(4,252,270)</u>
Net adjustment to increase net change in <i>fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,690,781</u>

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS -  
Continued -**

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL  
FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES -  
Continued -**

Another element of that reconciliation states "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets." The detail of this (\$51,916) difference is as follows:

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.

Sales of capital assets - revenue in fund level	\$ (33,323)
Loss on sale of capital assets	<u>(18,593)</u>
Net adjustment to decrease <i>net change in fund balance- total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (51,916)</u>

Another element of that reconciliation states, "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

The details of this \$1,502,608 difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (747,594)
Principal repayments:	
General obligation debt	1,760,000
Payments on capital leases	<u>490,202</u>
Net adjustment to <i>net change in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,502,608</u>

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS -  
Continued -**

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL  
FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES -  
Continued -**

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(206,314) difference are as follows:

Compensated absences	\$ (13,376)
Accrued interest	11,623
Amortization of issuance costs	(84,499)
Amortization of bond discounts	(118,737)
Other postemployment benefits	<u>(1,325)</u>

Net adjustment to <i>net change in fund balances</i> - total governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (206,314)</u>
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**NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGET INFORMATION**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Federal Forfeiture Fund, the Police Block Grant Fund, the Fire CPR Fund and the Recreation Tournament Fund of the special revenue funds, and the capital projects funds. The capital projects funds are budgeted over the life of the respective project and not on an annual basis. All annual appropriations lapse at fiscal year end.

The budget preparation is coordinated through the Mayor's Office and the Finance Department. Each head of the City departments is responsible for preparing and submitting their appropriation requests according to the budget schedule. The Mayor submits the proposed budget to the City Council Finance Committee. The City Council Finance Committee holds meetings to review and make recommended changes to the proposed budget. After the City Council Finance Committee completes a final review of the proposed budget, the proposed budget document is submitted to the City Council for work sessions. After all scheduled work sessions have been conducted, the proposed budget is presented to the City Council at a regular scheduled council meeting for a public hearing and consideration for adoption before October 1.

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued**

**A. BUDGET INFORMATION - continued -**

The City adopts a line item budget. There are two types of budget amendments. The first type causes a net change in the overall budget. This type of amendment may result from an increase or decrease to revenues and/or expenditures. Budget amendments of this nature are legislature and require the approval of the City Council.

The second type of budget amendment does not cause any net change in the overall budget. The effect is that it redistributes appropriated funding within a department to different line items without causing an increase or decrease in the budget. The exceptions are amendments within a department in excess of \$1,000, funding increase or decrease to the personnel compensation, and funding increase or decrease to the capital outlay line item. These types of amendments require approval of the City Council Finance Committee.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments have not been fulfilled in the current year and will be reappropriated and honored during the subsequent year.

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The City maintains a level of control at the department level. The following departments had expenditures exceeding appropriations:

<u>Fund</u>	<u>Department</u>	<u>Amount</u>
General	General Administration	\$ 20,909
	Finance	\$ 894
	Senior Center	\$ 15,604
	Information Technology	\$ 498

**C. DEFICIT FUND BALANCE**

There were no funds with a deficit fund balance as of September 30, 2010.

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 4. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

At year-end, the City's carrying amount of deposits and bank balance were covered by federal depository insurance or by collateral held as part of the Security for Alabama Funds Enhancement Act (SAFE). SAFE insures all accounts specified as public funds for the majority of banks located within the State of Alabama.

At September 30, 2010, the City had the following investments held by a trustee:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Money Market Mutual Funds comprised of U.S. Treasury Bills	<u>\$437,031</u>	44

*Interest rate risk* - In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

*Credit risk* - State statutes limit the City's investments to U.S. Treasury obligations, State of Alabama and Alabama County obligations, and general obligations of Alabama municipalities. At September 30, 2010, the City's investments consisted of Dreyfus Treasury Prime Cash Management Funds. The funds are comprised of U.S. Treasury Bills. The Dreyfus Treasury Prime Cash Management Fund is AAAM-G rated by Standard & Poor's Corporation, Aaa rating by Moody's Investor Services, AAA rating by Duff & Phelps, and AAA/v1+ by Fitch IBCA.

*Custodial credit risk* - This is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy limits its investments to no more than 50% may be invested with a single financial institution with the exception of cash, certificates of deposit, U.S. Treasury securities, and authorized pools. At September 30, 2010, the City's investments consisted solely of U.S. Treasury Bills held by one financial institution.

At September 30, 2010, all cash and cash equivalents of Madison Utilities Board, discretely presented component, are entirely insured or collateralized as provided by the Security for Alabama Funds Enhancement Act (SAFE) as prescribed in section 41-14-A of the Code of the State of Alabama with a Qualified Public Fund Depository. Funds held for the benefit of Madison Utilities Board by the depository banks' trust department or agents are invested in U. S. governmental securities or secured by U.S. government securities as required and defined by the trust indentures.

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued**

**A. DEPOSITS AND INVESTMENTS - continued**

At September 30, 2010, unrestricted deposits on hand at banks and in certificates of deposit of the Madison City Board of Education, a discretely presented component unit, were fully collateralized by banks qualifying under the Security for Alabama Funds Enhancement Act (SAFE) as qualified public depositories. Funds held by the banks' trust departments or agents are invested in U.S. Government securities or are secured by U.S. Government securities.

**B. DEFERRED REVENUES AND RECEIVABLES**

Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (general fund)	\$ 3,977,425	\$ -
Property taxes receivable (special revenue fund)	278,486	-
Property taxes receivable (water dist. Fund)	3,063,349	
Sidewalk revenue (general fund)	-	9,750
Property rental (general fund)	<u>-</u>	<u>5,500</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 7,319,260</u>	<u>\$ 15,250</u>

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued**

**B. DEFERRED REVENUES AND RECEIVABLES - continued**

Receivables

Receivables as of year-end for the City's individual major funds and non-major funds are as follows:

Receivables:	General	Water Distribution and Storage Project Fund	Other Governmental Funds	Total Governmental Funds
Taxes	\$ 5,384,713	\$ 3,612,626	\$ 310,091	\$ 9,307,430
Grants	-	-	1,174	1,174
Other	650,258	-	138,998	789,256
Grant- restricted	<u>81,393</u>	<u>-</u>	<u>-</u>	<u>81,393</u>
Total - receivables	<u>\$ 6,116,364</u>	<u>\$ 3,612,626</u>	<u>\$ 450,263</u>	<u>\$ 10,179,253</u>

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued**

**C. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2010, is as follows:

**Primary Government**

	Balance October 1, 2009	Increase	Decrease	Balance September 30, 2010
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 25,975,390	\$ 1,269,137	\$ -	\$ 27,244,527
Construction in progress	<u>6,079,522</u>	<u>4,595,908</u>	<u>(934,613)</u>	<u>9,740,817</u>
Total capital assets, not being depreciated	32,054,912	5,865,045	(934,613)	36,985,344
Capital assets, being depreciated:				
Buildings	10,933,085	-	-	10,933,085
Improvements to buildings	1,754,947	115,875	-	1,870,822
Improvements other than buildings	1,636,421	-	(17,500)	1,618,921
Machinery and equipment	14,909,773	1,102,139	(598,998)	15,412,914
Infrastructure	135,309,998	4,613,909	-	139,923,907
Other	<u>7,000</u>	<u>7,300</u>	<u>-</u>	<u>14,300</u>
Total capital assets, being depreciated	164,551,224	5,839,223	(616,498)	169,773,949
Less accumulated depreciation for:				
Buildings	(3,286,585)	(220,147)	-	(3,506,732)
Improvements to buildings	(319,877)	(88,668)	-	(408,545)
Improvements other than buildings	(406,170)	(81,096)	4,302	(482,964)
Machinery and equipment	(10,413,199)	(1,101,118)	560,280	(10,954,037)
Infrastructure	(30,997,846)	(2,759,198)	-	(33,757,044)
Other	<u>(1,083)</u>	<u>(2,043)</u>	<u>-</u>	<u>(3,126)</u>
Total accumulated depreciation	<u>(45,424,760)</u>	<u>(4,252,270)</u>	<u>564,582</u>	<u>(49,112,448)</u>
Total capital assets, being depreciated, net	<u>119,126,464</u>	<u>1,586,953</u>	<u>(51,916)</u>	<u>120,661,501</u>
Governmental activities, capital assets, net	<u>\$ 151,181,376</u>	<u>\$ 7,451,998</u>	<u>\$ (986,529)</u>	<u>\$ 157,646,845</u>

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued**

**C. CAPITAL ASSETS - continued -**

Depreciation expense was charged to functions of the primary government in the departments as follows:

General Administration	\$ 133,225
Police	345,791
Public Works	3,014,023
City Clerk	5,607
Recreation	245,086
Fire	377,081
Planning	3,630
Court	9,538
City Council	8,143
Finance	8,577
Human Resources	2,184
Mayor's Office	10,007
Revenue	1,612
Engineering	20,539
Senior Center	18,897
Information Technology	28,366
Legal	741
Building	<u>19,223</u>
 Total depreciation expense - governmental activities	 <u><u>\$4,252,270</u></u>

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued**

**C. CAPITAL ASSETS - continued -**

**Discretely presented components units**

The following is a summary of changes in the Madison Water and Wastewater Board, a discretely presented component unit, capital assets during the fiscal year:

	Balance October 1, 2009	Increase	Decrease	Balance September 30, 2010
Water system	\$ 80,811,355	\$ 4,994,771	\$ 67,568	\$ 85,738,558
Sewer system	82,052,608	19,623,166	819,337	100,856,437
General plant	4,641,196	147,095	1,015	4,787,276
Construction in progress	<u>20,958,165</u>	<u>7,488,508</u>	<u>24,765,032</u>	<u>3,681,641</u>
 Total capital assets, being depreciated	 188,463,324	 32,253,540	 25,652,952	 195,063,912
 Less accumulated depreciation for:				
Water system	16,938,738	2,084,234	55,667	18,967,305
Sewer system	20,774,696	2,061,298	818,412	22,017,582
General plant	<u>2,451,692</u>	<u>297,073</u>	<u>1,015</u>	<u>2,747,750</u>
Total accumulated depreciation	<u>40,165,126</u>	<u>4,442,605</u>	<u>875,094</u>	<u>43,732,637</u>
Madison Water and Wastewater Board capital assets, net	<u>\$ 148,298,198</u>	<u>\$27,810,935</u>	<u>\$24,777,858</u>	<u>\$151,331,275</u>

Depreciation expense charged as follows:

Expense	\$4,364,041
Other	<u>78,564</u>
	<u>\$4,442,605</u>

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued**

**C. CAPITAL ASSETS - continued -**

**Discretely presented components units - Continued -**

The following is a summary of the Madison City Board of Education's, a discretely presented component unit, capital assets during the fiscal year:

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>Retirements and Reclassifications</u>	<u>Balance September 30, 2010</u>
Governmental Activities:				
Land	\$ 7,410,334	\$ -	\$ -	\$ 7,410,334
Land improvements	7,792,688	711,100		8,503,788
Buildings	99,663,053	1,284,992	-	100,948,045
Equipment	2,707,797	147,058	-	2,854,855
Construction in progress	421,537	3,970,323	421,537	3,970,323
Vehicles, restated	<u>5,180,389</u>	<u>439,822</u>	<u>641,300</u>	<u>4,978,911</u>
Total at historic cost	123,175,798	6,553,295	1,062,837	128,666,256
Less accumulated depreciation for:				
Land improvements	3,882,900	346,515	-	4,229,415
Buildings	21,887,677	2,049,193	-	23,936,871
Equipment, restated	1,751,853	196,678	-	1,948,531
Vehicles, restated	<u>3,226,899</u>	<u>1,082,471</u>	<u>641,300</u>	<u>3,668,070</u>
Total accumulated depreciation	<u>30,749,329</u>	<u>3,674,857</u>	<u>641,300</u>	<u>33,782,887</u>
Governmental Activities Capital Assets, Net	<u>\$92,426,469</u>	<u>\$ 2,878,438</u>	<u>\$ 421,537</u>	<u>\$94,883,369</u>

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued**

**C. CAPITAL ASSETS - Continued -**

**Discretely presented components units - Continued -**

Depreciation expense charged to governmental functions as follows:

Instructional services	\$2,425,406
Instructional support services	404,234
Operational and maintenance services	73,497
Student transportation services	440,983
Food services	<u>330,737</u>
 Total governmental activities depreciation expense	 <u>\$3,674,857</u>

**D. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of inter-fund balances as of September 30, 2010, is as follows:

Due to/from other funds (Primary Government):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Gasoline Taxes Fund	\$ 180,376
	Domestic Violence Fund	1,174
	TVA Tax Distribution Fund	53,470
	Library Fund	49,528
	Water Distribution and Storage Project Fund	30
	2006 Capital Improvement Fund	1,526
Gasoline Taxes Fund	General Fund	6,029
TVA Tax Distribution Fund	General Fund	19,947
Library Fund	General Fund	188
Recreation Tournament Fund	General Fund	30,020
Water Distribution and Storage Project Fund	General Fund	209,376
Correctional Fund	General Fund	65,468
Cemetery Fund	General Fund	72,487
Domestic Violence Fund	General Fund	2,385
2001 Capital Improvement Fund	2006 Capital Improvement Fund	6,609
Forward Purchase Bond Fund	2006 Capital Improvement Fund	35,289
2006 Capital Improvement Fund	Gasoline Taxes Fund	<u>5,232</u>
	Total	<u>\$ 739,134</u>

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued**

**D. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS - continued -**

Inter-fund transfers:

Transfer From	Transfer To	
General Fund	Non-major governmental funds	\$ 263,698
Non-major governmental funds	General Fund	525,918
Non-major governmental funds	2006 Capital Improvement fund	4,989
Water Distribution and Storage Project Fund	General Fund	2,500,000
Water Distribution and Storage Project Fund	Non-major governmental funds	<u>3,380,137</u>
	Total	<u>\$ 6,674,742</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt services from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, including capital projects, in accordance with budgetary operations.

**E. CAPITAL LEASES**

The City entered into a lease agreement as lessee for financing the acquisition of a citywide communication system, police vehicles, computers, fire trucks and other equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore; were recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 3,810,815
Less: Accumulated depreciation	<u>1,317,355</u>
Total	<u>\$ 2,493,460</u>

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued**

**E. CAPITAL LEASES - continued -**

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010, are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2011	\$ 568,369
2012	432,320
2013	432,320
2014	243,056
2015	197,144
2016-2018	<u>223,903</u>
Total minimum lease payments	2,097,112
Less: amount representing interest	<u>(186,582)</u>
Present value of minimum lease payments	<u>\$1,910,530</u>

The Madison Water and Wastewater Board, a discretely presented component unit, entered into lease agreement with a financial institution to purchase equipment. The lease agreement qualifies as a capital lease for accounting purposes. At the inception of the lease obligation, the aggregate cost of the equipment was \$736,837.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010, are as follows:

<u>Year Ending September 30</u>	
2011	\$ 153,639
2012	<u>19,323</u>
Total minimum lease payments	172,962
Less: amounts due currently	<u>(153,639)</u>
	<u>\$ 19,323</u>

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued**

**F. LONG-TERM DEBT**

General Obligation Warrants

The City issues general obligation warrants providing funds for the acquisition and construction of major capital facilities. General obligation warrants have been issued for general government activities. In addition, general obligation warrants have been issued to refund general obligation warrants.

General obligation warrants are direct obligations and pledge the full faith and credit of the government. These warrants are generally issued as 25 or 30-year serial warrants, except for refunding issues.

Source of Repayment of Long-Term Debt

The repayment of the City's general obligation long-term debt is provided by resources in the Special Revenue Funds and accounted for in the Debt Service Funds (2005 Bond Fund and 2006 Bond Fund). The repayment of the City's general obligation long-term debt, for school purposes, is provided by resources transferred from Madison City Board of Education (discretely presented component unit) and accounted for in the Debt Service Fund (School Bonds Fund).

Outstanding Debt

General obligation warrants currently outstanding as of September 30, 2010, are as follows:

	<u>Range of Interest Rates</u>	<u>Amount</u>
<u>General Obligation Warrants</u>		
Series 2005	4.70% - 5.75%	\$ 16,970,000
Series 2006-A	3.50% - 4.54%	37,315,000
<u>General Obligation School Warrants</u>		
Series 2001-A	2.15% - 5.125%	6,470,000
Series 2002	1.65% - 5.125%	18,125,000
Series 2008-A	2.40% - 4.750%	12,065,000
Series 2009	1.25% - 5.250%	<u>51,010,000</u>
		<u>\$141,955,000</u>

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued**

**F. LONG-TERM DEBT - continued -**

Annual debt service requirements to maturity for general obligation warrants and general obligation school warrants are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,830,000	\$ 6,832,953
2012	1,900,000	6,763,940
2013	2,015,000	6,701,784
2014	2,110,000	6,604,770
2015	2,345,000	6,500,236
2016-2020	15,790,000	30,576,465
2021-2025	25,545,000	25,830,084
2026-2030	29,045,000	18,862,953
2031-2035	34,275,000	11,264,996
2036-2039	<u>27,100,000</u>	<u>2,500,101</u>
	<u>\$141,955,000</u>	<u>\$122,438,282</u>

Changes in long-term liabilities

During the year ended September 30, 2010, the following changes occurred in the City's long-term liabilities:

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2010</u>
Capital lease obligations	\$ 1,653,138	\$ 747,594	\$ 490,202	\$ 1,910,530
General obligation warrants payable	143,715,000	-	1,760,000	141,955,000
Less deferred amounts for:				
Issuance discounts	<u>(2,008,043)</u>	<u>-</u>	<u>118,737</u>	<u>(1,889,306)</u>
Long-term liabilities	<u>\$143,360,095</u>	<u>\$ 747,594</u>	<u>\$ 2,131,465</u>	<u>\$141,976,224</u>

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued**

**F. LONG-TERM DEBT - Continued -**

Revenue bonds

The Madison Water and Wastewater Board, a discretely presented component unit, issues bonds where the Board pledges income derived from the acquired or constructed assets to pay debt service.

Annual debt service requirements to maturity for revenue bonds outstanding at September 30, 2010, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,960,000	\$ 3,124,549
2012	2,030,000	3,056,632
2013	2,105,000	2,986,235
2014	2,180,000	2,913,481
2015	2,265,000	2,831,295
2016-2020	12,425,000	12,864,375
2021-2025	14,660,000	10,288,987
2026-2030	18,210,000	6,733,035
2031-2035	<u>21,250,000</u>	<u>2,263,139</u>
	<u>\$77,085,000</u>	<u>\$47,061,728</u>

Changes in long-term liabilities

During the year ended September 30, 2010, the following changes in the liabilities reported for the Madison Water and Wastewater Board, a discretely presented component unit:

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2010</u>
Revenue bonds	<u>\$78,980,000</u>	<u>\$ -</u>	<u>\$1,895,000</u>	<u>\$77,085,000</u>
Long-term liabilities	<u>\$78,980,000</u>	<u>\$ -</u>	<u>\$1,895,000</u>	<u>\$77,085,000</u>

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued**

**G. RESTRICTED ASSETS**

The statement of net assets shows certain amounts as restricted net assets. These amounts are restricted, in their uses, by parties outside the City such as creditors, grantors, or contributors, or restricted by law or regulation.

Components of restricted net assets include:

<u>Activity</u>	<u>Restricted By</u>	
Highways and streets	Law	\$ 347,117
Debt service	General Obligation Warrants	437,031
Senior Center	Law	6,258
Library	Law	14,469
Capital Improvements	Law	3,623,285
Federal Forfeiture	Law	63,726
Domestic Violence	Grantor	2,385
Grants	Grantor	263,671
Water Distribution	Law	1,148,900
Non-major special revenue funds	Law	<u>1,680,304</u>
Total restricted assets		<u>\$ 7,587,146</u>

The balance sheet - governmental funds shows reserved fund balances for the following:

The reserve for restricted assets and prepaid expenditures in the general fund (\$1,176,677 at September 30, 2010) is designated to be available for special purposes.

The reserve for encumbrances (\$903,665) is reserved for the payment of encumbered goods and services.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 5. OTHER INFORMATION**

**A. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from the past three fiscal years have not exceeded commercial insurance coverage.

The Madison Board of Education is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. The Madison Board of Education has insurance for its buildings and contents through the State Insurance Fund (SIF), Alabama Department of Finance, Division of Risk Management, a public entity risk pool, which operates as a common risk management and insurance program for state-owned properties and boards of education. The SIF is self-insured up to \$2 million per occurrence. The SIF purchases commercial insurance for claims that in the aggregate exceed \$2 million. Errors and omissions insurance is purchased from the Alabama School Boards Insurance Trust (ASBIT), a public entity risk pool. The ASBIT collects the premiums and purchases commercial insurance for coverage requested by pool participants. The Madison Board of Education purchases commercial insurance for fidelity bonds and automobile coverage. Settled claims in the past three years have not exceeded the commercial insurance coverage.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board. The plan was established to provide a uniform plan of health insurance for current and retired employees of state education institutions and a self-sustaining plan. Monthly premiums for employee and dependent coverage are set annually based on the amounts necessary to fund coverage. The Board contributes the specified amount monthly to the PEEHIF for each employee.

The State Board of Adjustments is a state agency with which people can file claims against the Board to collect reimbursement for damages when all other means have been exhausted. The Board does not have insurance coverage for job-related injuries. Claims for employee job-related injuries may be filed with the State Board of Adjustment. The Board of Adjustment determines if a claim is valid and determines the proper amount of compensation. Payments are made from state appropriated funds at no cost to the Board.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 5. OTHER INFORMATION - Continued**

**B. RELATED PARTY TRANSACTIONS**

On September 23, 1991, the City and the Water and Wastewater Board, a discretely presented component unit, entered into a franchise agreement for the operation of certain utility systems from the City. This franchise agreement was granted for confirming and clarifying the holder of ownership interest in and to water and sewer improvements and fire hydrants previously dedicated to the City, which were transferred to the Board by the City. The Water and Wastewater Board pays the City, no later than September 1 of each year, a sum of money equal to three percent of its gross revenues from sales of utility services for the preceding fiscal year (exclusive of impact, administrative and tap fees) whether such sales occur within or outside the corporate limits of the City. The City received \$270,864 from the Water and Wastewater Board for the year ended September 30, 2010.

A Board of Directors composed of five members, two of whom are members of the City Council, governs the North Alabama Gas District. The City received distributions based on the District's annual income. The City has no significant influence over the management, budget or policies of the District. During the fiscal year ended September 30, 2010, the City received \$294,715 from the North Alabama Gas District.

**C. RELATED ORGANIZATIONS**

The City's elected officials are responsible for appointing members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City's elected officials appoint the board members of the Architectural Review Board, Beautification Board, Community Education Committee, Industrial Development Board, Recreation Advisory Board and Madison City Disability Advocacy Board.

**D. SUBSEQUENT EVENTS**

On November 8, 2010, the City of Madison approved payment of \$252,105 to Moon Construction for work completed on Madison Police Department Addition Project.

On November 8, 2010, the City of Madison approved the purchase of two (2) police vehicles for \$43,832.

On December 13, 2010, the City of Madison approved payment of \$114,594 to Moon Construction for work completed on Madison Police Department Addition Project.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 5. OTHER INFORMATION - Continued**

**D. SUBSEQUENT EVENTS - continued**

On December 13, 2010, the City of Madison approved payment of \$150,227 to Miller & Miller for work completed on the Gillespie Road Bridge Replacement Project.

On December 13, 2010, the City of Madison approved payment of \$83,222 to SJ & L for work completed on the Bradford Creek Greenway Phase I Project.

On January 24, 2011, the City of Madison approved payment of \$73,636 to Moon Construction for work completed on Madison Police Department Addition Project.

On January 24, 2011, the City of Madison approved payment of 18,141 to Stewart Electric Company, Inc. for work completed on the LED Street Lights-5<sup>th</sup> Seasons Subdivision Project.

On January 24, 2011, the City of Madison approved payment of \$25,543 to Reed Contracting for work completed on the Wall Triana Improvements-Madison Blvd. to Cleghorn Project.

On January 24, 2011, the City of Madison approved payment of \$30,554 to Florence and Hutcheson for engineering services provided on the U.S. 72 Improvements Project.

On January 24, 2011, the City of Madison approved payment of \$26,726 to Florence and Hutcheson for engineering services provided on the U.S. 72 Improvements Project.

On January 31, 2011, the City of Madison awarded a bid to Building Construction Associates, Inc. for \$115,400 to construct improvements to Dublin Park Concession/Restroom Facility.

On February 14, 2011, the City of Madison approved payment of \$19,699 to Pearce Construction for work completed on the Senior Center Addition Project.

On February 14, 2011, the City of Madison awarded a bid to S & G Waldrop Electric, Inc. for \$181,480 to construct lighting improvements at Madison Youth Soccer Field at Palmer Park.

On February 14, 2011, the City of Madison approved a funding agreement with Madison Board of Education supporting the issuance of \$36,000,000 of Qualified School Construction Bonds for financing the construction and equipment costs of a new City High School.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 5. OTHER INFORMATION - Continued**

**D. SUBSEQUENT EVENTS - continued**

On February 28, 2011, the City of Madison approved payment of \$56,730 to Reed Contracting for work completed on the Gillespie Road/Hughes Road Intersection Improvements Project.

On February 28, 2011, the City of Madison approved payment of \$68,522 to Moon Construction for work completed on Madison Police Department Addition Project.

On February 28, 2011, the City of Madison approved a \$31,134 change order for Moon Construction for construction of Madison Police Department Addition Project.

On February 28, 2011, the City of Madison approved an agreement with Turner Universal, Inc. to provide construction management services for the construction of Fire Station #2.

On March 9, 2011, the City of Madison issued \$7,300,000 of general obligation taxable warrants, dated March 1, 2011. The issue is a public/private venture to develop real property in the City for retail development.

On March 14, 2011, the City of Madison awarded a bid to Angelo Lafrate in the amount of \$207,940 for the Gillespie Road Bridge Replacement Project.

The City evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. The City evaluated subsequent events through April 26, 2011, which is the date the financial statements were available to be issued

**E. COMMITMENTS AND CONTINGENCIES**

The City is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion the resolution of these matters will not have a material adverse effect on the financial condition of the City.

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

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 5. OTHER INFORMATION - Continued**

**F. DEFINED BENEFITS PENSION PLAN**

**Primary Government**

Plan Description

The City contributes to the Employees' Retirement System of Alabama (the System), an agent multiple-employer public employee retirement system, which acts as a common investment and administrative agent for the various state agencies, departments and on an elective basis to all cities, counties, towns and quasi-public organizations. All regular full-time and part-time employees are eligible to participate in the System. Membership is mandatory for covered or eligible employees of the City. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. The System defined benefit pension plan provides service retirement benefits, disability benefits to members, and survivor benefits to qualified beneficiaries. The System defined benefit pension plan provides the employee with a specific benefit at retirement by calculating the retirement benefit based on a formula. The System issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. Readers may obtain the report by writing to The Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150.

Funding Policy

The System members are required to contribute five percent (5%) of their annual covered salary. Effective January 1, 2001, the member contribution rate for correctional officers, certified full-time firefighters and certified full-time law enforcement officers increased to 6% of employees' compensation. The City is required to contribute at an actuarially determined rate. The City's contribution rate at September 30, 2010, was 9.12% of covered payroll.

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 5. OTHER INFORMATION - Continued**

**F. DEFINED BENEFITS PENSION PLAN - continued**

Annual Pension Cost

For fiscal year September 30, 2010, the City's annual pension cost of \$1,395,946 was equal to the City's required and actual annual contributions. Trend information of the Annual Pension Cost for the latest available is as follows:

**Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2007	\$982,017	100%	\$0
9/30/2008	\$1,112,014	100%	\$0
9/30/2009	\$1,358,593	100%	\$0

The required contribution was determined as part of the September 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, and (b) projected salary increases of 4.61% to 7.75% per year. There are no cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.50%. The actuarial valuation of System assets was determined using 5-year smoothed market values. The System's unfunded actuarial accrued liability is amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at September 30, 2009 was 29 years.

**Discretely Presented Component Units**

Madison Utilities Board

Plan Description

The Madison Utilities Board contributes to the Employees' Retirement System of Alabama (the System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments. Substantially all employees of Madison Utilities Board are members of the Employees' Retirement System of Alabama (the System). The employee retirement system was established as of October 1, 1945, and placed under the management of the board of control (currently 10 members) by Act 515, Acts of Alabama 1945. Membership is mandatory for covered or eligible employees. Primary authority to amend the Plan is retained by the Legislature of the State of Alabama. However, the Legislature granted authority to RSA and then to each agency to accept or reject cost-of-living adjustments (COLA) available to retirees. The System issues a publicly available

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 5. OTHER INFORMATION - Continued**

**F. DEFINED BENEFITS PENSION PLAN - continued**

**Discretely Presented Component Units**

Madison Utilities Board - continued

financial report that includes financial statements and required supplementary information. Readers may obtain the report by writing to the Retirement Systems of Alabama, P.O. Box 302150, Montgomery, AL 36130-2150.

Funding Policy

The System provides pension benefits, deferred allowances, death and disability benefits and surviving spouse benefits. A member may retire after reaching the age of 60 or accumulating 25 years of eligible service. Benefits vest after 10 years of service. Employees of Madison Utilities Board are required to pay 5% of their gross earnings to the pension plan. Madison Utilities Board is required to contribute the remaining amounts necessary to fund the plan, using the actuarial method, "entry age normal".

Annual Pension Cost

Madison Utilities Board Funding Progress in the schedule below is equal to the Board's required and actual contributions. The required contribution was determined as part of the September 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administration expenses), (b) projected salary increases of 4.61% to 7.75% per year and (c) 0% per year cost of living adjustment. Both (a) and (b) included an inflation component of 4.50%.

The actuarial value of Madison Utilities Board assets was determined using techniques that smooth the effects of short-term volatility in the market value of investment over 5-year smoothed market period.

**Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2007	\$143,073	100%	\$0
9/30/2008	\$156,390	100%	\$0
9/30/2009	\$177,895	100%	\$0

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 5. OTHER INFORMATION - Continued**

**F. DEFINED BENEFITS PENSION PLAN - continued**

**Discretely Presented Component Units**

Madison Utilities Board - continued

Schedule of Funding Progress for the System

Madison Utilities Board's unfunded actuarial liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2009 was 30 years.

Based on an actuarial valuation completed as of September 30, 2009, the Annual Pension cost for the System is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) *</u>	<u>Funding Under (Over) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL Percentage of Payroll</u>
9/30/2007	\$4,257,166	\$5,314,271	\$1,057,105	80.1%	\$2,116,047	50.0%
9/30/2008	\$4,673,705	\$5,988,885	\$1,315,180	78.0%	\$2,515,776	52.3%
9/30/2009	\$4,856,431***	\$6,513,169	\$1,656,738	74.6%	\$2,474,933	66.9%

\* Reflects liability for cost of living increases granted on or before October 1, 1978.

\*\* Reflect changes in actuarial assumptions.

\*\*\* Market Value of Assets as of September 30, 2009: \$3,752,717

Discretely Presented Component Unit

Madison City Board of Education

The Madison City Board of Education contributed to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system of the various state-supported education agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

Substantially all employees of the Madison City Board of Education are members of the Teachers' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of Madison City Board of Education. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retirees receiving payment under the method that yields the highest monthly benefit.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 5. OTHER INFORMATION – Continued**

**F. DEFINED BENEFITS PENSION PLAN – continued**

**Discretely Presented Component Unit**

Madison City Board of Education – continued

The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Pre-retirement death benefits in the amount of annual salary for the fiscal year preceding death are provided to plan members.

The Teachers' Retirement System was established October 1, 1941, under the provisions of Act Number 419, Acts of Alabama 1939, for providing retirement allowances and other specified benefits for qualified persons employed by the state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently 14 members). Benefits provisions are established by the Code of Alabama 1975, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. Readers may obtain the report by writing the Teachers' Retirement System of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

Funding Policy

Employees of the Madison City Board of Education are required to contribute 5 percent of their salary to the Teachers' Retirement System. The Madison City Board of Education is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Alabama Legislature the contribution rate for the following fiscal year, with the legislature setting this rate in the annual appropriation bill.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 5. OTHER INFORMATION - Continued**

**F. DEFINED BENEFITS PENSION PLAN - continued**

**Discretely Presented Component Unit**

Madison City Board of Education - continued

Funding Policy - continued

The percentages of the contributions and the amount of contributions made by the Madison City Board of Education and the Madison City Board of Education's employees equal the required contribution for each year as follows:

Fiscal Year Ended September 30	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Contributions:</u>			
Percentage contributed by the Board	12.51%	12.07%	11.75%
Percentage contributed by employees	5.00%	5.00%	5.00%
Amount contributed by the Board	\$ 5,186,889	\$ 4,851,708	\$ 4,618,622
Amount contributed by employees	<u>2,073,097</u>	<u>2,009,825</u>	<u>1,965,375</u>
Total contributions	<u>\$ 7,259,986</u>	<u>\$ 6,861,533</u>	<u>\$ 6,583,997</u>

**G. OTHER POSTEMPLOYMENT BENEFITS**

**Primary Government**

In fiscal year 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (OPEB). This standard addresses how the City should account for and report its cost related to OPEB. The City recognizes the cost of OPEB during the period of employees' active employment, while the benefits are being earned, and disclose the accumulated liability from prior years to account accurately for the total future cost of OPEB and the financial impact on the City. The accumulated liability will be phased over 30 years beginning with the liability for fiscal year 2009.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 5. OTHER INFORMATION - Continued**

**G. OTHER POSTEMPLOYMENT BENEFITS - continued**

Plan Description

The City's policies govern the City's Medical Plan (City's group health insurance plan), with regard to postemployment healthcare coverage. Management established the benefits.

The City provides postemployment medical and vision benefits under the City's OPEB Plan to eligible retirees as described in the policies. To be eligible, an employee must retire with the City of Madison and be eligible for retirement through Employees' Retirement System of Alabama (the System). The System retirement eligibility requirements are described in detailed in Note 5 (F). At retirement, the City offers a retiree major medical insurance coverage through the City's group plan. If the retiree elects to participate in the City's group plan and is age 58 1/2 with 10 years of creditable service with the City, or 25 years of service with the City, regardless of age, the retiree pays 100% of the premium cost. The City allows the retiree to participate in the City's group plan until the retiree becomes eligible for Medicare. The City pays 50% of the premium cost for an employee who retires at age 60 with 25 years of creditable service with the City.

The City's OPEB plan is a single-employer defined benefit plan administered by the Human Resources Department. At September 30, 2008, the City's OPEB plan had 3 retired members and 331 active members. The City does not issue separate financial statements for its OPEB plan, but included the plan in this report.

Funding Policy

The City has chosen to pay 100% of the OPEB benefits on a pay-as-you-go basis. The City pays 50% of the premium cost for employees who retires at age 60 with 25 years of creditable service with the City. The City's policies stipulate the amount subjected to annual appropriation by the City.

Annual OPEB Cost

The City's annual required contribution (ARC) is an amount actuarially determined in accordance with GASB No. 45. The ARC is the sum of the normal cost plus the contribution to amortize the actuarial accrued liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB No. 45) has been used for the OPEB.

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 5. OTHER INFORMATION - Continued**

**G. OTHER POSTEMPLOYMENT BENEFITS - continued**

Annual OPEB Cost - continued

The following information below shows the Annual Required Contribution (ARC) for the fiscal year ended September 30, 2010:

	<b>Rate as % of Compensation</b>	<b>Annual Amount</b>
Normal Cost	0.26%	\$37,496
Accrued Liability	<u>0.12%</u>	<u>16,709</u>
Total	.038%	\$54,205

The tables below show the City's net other postemployment benefit (OPEB) obligation as of September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Annual required contribution	\$ 54,205	\$ 54,205
Interest on net OPEB obligation	-	-
ARC adjustment	<u>-</u>	<u>-</u>
OPEB cost	54,205	54,205
Contribution	-	-
Current year retiree premium	<u>-</u>	<u>(1,324)</u>
Change in net OPEB obligation	54,205	52,881
Beginning net OPEB obligation	<u>52,881</u>	<u>-</u>
Ending net OPEB obligation	<u>\$ 107,086</u>	<u>\$ 52,881</u>

Funding Status and Funding Progress

As of September 30, 2008, the most recent actuarial valuation date, the City's OPEB plan was 100% unfunded. Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include, but are not limited to, future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results compared with past expectations and new estimates made about the future. As of September 30, 2010, the actuarial accrued liability was \$537,826. The City's OPEB plan funding progress is as follows:

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 5. OTHER INFORMATION - Continued**

**G. OTHER POSTEMPLOYMENT BENEFITS - continued**

Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) Projected Unit Credit <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as % of Covered Payroll <u>((b-a)/c)</u>
\$ -	\$ 537,826	\$ 537,826	0.0%	\$14,318,376	3.8%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial liability and the actuarial value of the plan assets, consistent with the long-term perspective of the calculations.

At September 30, 2008, actuarial valuation costs were determined using the Projected Unit Credit Actuarial Cost Method. The actuarial assumptions include (1) 4% investment rate of return with an inflation rate of 4.50%, (2) 11.00% - 5.00% medical cost trend over 8 years, (3) a 25% participation by retirees and 0% participation by spouses of participating retirees, and (4) unfunded accrued liability is being amortized over a thirty-year period utilizing a level percentage of projected payroll on an open basis.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MADISON, ALABAMA  
SCHEDULE OF FUNDING PROGRESS – EMPLOYEES’ RETIREMENT  
SYSTEM OF ALABAMA  
September 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/04**	\$15,065,617	\$18,645,556	\$3,579,939	80.8%	\$10,763,008	33.3%
9/30/05	\$17,063,082	\$21,641,106	\$4,578,024	78.8%	\$11,030,637	41.5%
9/30/06***	\$19,217,250	\$25,715,396	\$6,498,146	74.7%	\$11,844,287	54.9%
9/30/07	\$21,965,631	\$29,197,548	\$7,231,917	75.2%	\$13,225,948	54.7%
9/30/08	\$24,205,496	\$33,258,128	\$9,052,632	72.8%	\$14,636,269	61.9%
9/30/09****	\$26,167,044	\$37,862,188	\$11,695,144	69.1%	\$15,174,051	77.1%

\*Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

\*\*Reflects effect of Drop if unit elected to enroll prior to August 4, 2005.

\*\*\*Reflects changes in actuarial assumptions.

\*\*\*\*Market Value of Assets as of September 30, 2009: \$20,369,763

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**CITY OF MADISON, ALABAMA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,105,178	\$ -	\$ -	\$ 2,105,178
Cash with fiscal agent	-	437,026	-	437,026
Receivables, net				
Taxes and tax equivalents	310,091	-	-	310,091
Grants	1,174	-	-	1,174
Other	138,998	-	-	138,998
Prepaid items	37	-	-	37
Due from other funds	196,524	-	41,898	238,422
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total assets</b>	<u><u>\$ 2,752,002</u></u>	<u><u>\$ 437,026</u></u>	<u><u>\$ 41,898</u></u>	<u><u>\$ 3,230,926</u></u>
<b>LIABILITIES</b>				
Accounts payable	\$ 88,586	\$ -	\$ -	\$ 88,586
Due to other funds	289,780	-	-	289,780
Deferred revenue	278,486	-	-	278,486
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total liabilities</b>	656,852	-	-	656,852
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances	124,642	-	-	124,642
Prepaid expenditures	37	-	-	37
Restricted assets	1,956,439	-	-	1,956,439
Debt Service	-	437,026	-	437,026
Capital projects	-	-	41,898	41,898
Unreserved	14,032	-	-	14,032
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total fund balances</b>	<u>2,095,150</u>	<u>437,026</u>	<u>41,898</u>	<u>2,574,074</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 2,752,002</u></u>	<u><u>\$ 437,026</u></u>	<u><u>\$ 41,898</u></u>	<u><u>\$ 3,230,926</u></u>

**CITY OF MADISON, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>				
Taxes:				
Property and payments in lieu of taxes	\$ 275,869	\$ -	\$ -	\$ 275,869
Local gasoline taxes	416,710	-	-	416,710
Intergovernmental	675,727	-	-	675,727
Charges for services	96,285	-	-	96,285
Fines	197,040	-	-	197,040
Investment earnings	9,897	27	10	9,934
Contributions and donations	1,608	-	-	1,608
Other	212,917	-	-	212,917
<b>Total revenues</b>	<u>1,886,053</u>	<u>27</u>	<u>10</u>	<u>1,886,090</u>
<b>EXPENDITURES</b>				
General Administration	601,888	25	-	601,913
Police	20,667	-	-	20,667
Public Works	791,945	-	-	791,945
Fire	1,465	-	-	1,465
Engineering	133,604	-	-	133,604
Debt service:				
Principal	-	835,000	-	835,000
Interest	-	2,580,681	-	2,580,681
Capital outlay	44,775	-	-	44,775
<b>Total expenditures</b>	<u>1,594,344</u>	<u>3,415,706</u>	<u>-</u>	<u>5,010,050</u>
Excess (deficiency) of revenues over (under) expenditures	291,709	(3,415,679)	10	(3,123,960)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	263,698	3,380,137	-	3,643,835
Transfers to other funds	<u>(525,918)</u>	<u>-</u>	<u>(4,989)</u>	<u>(530,907)</u>
<b>Total other financing sources (uses)</b>	<u>(262,220)</u>	<u>3,380,137</u>	<u>(4,989)</u>	<u>3,112,928</u>
Net change in fund balances	29,489	(35,542)	(4,979)	(11,032)
Fund balances - beginning of year	<u>2,065,661</u>	<u>472,568</u>	<u>46,877</u>	<u>2,585,106</u>
Fund balances - end of year	<u>\$ 2,095,150</u>	<u>\$ 437,026</u>	<u>\$ 41,898</u>	<u>\$ 2,574,074</u>



## DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE

**Special revenue funds** are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**Gasoline Taxes and Inspection Fees Fund** - This fund is used to account for the City's share of the State 7-cent, 5-cent, 4-cent, petroleum inspection fees and the City's 2-cent gasoline taxes. State law requires these gasoline taxes be used for the operation and maintenance of streets and highways. The state limits the use of the 4-cent gasoline tax to resurfacing, restoring and rehabilitating roads and bridges.

The City's 2-cent gasoline tax is used for the operation and maintenance of streets.

**TVA Tax Distribution Fund** - This fund is used to account for contributions to the school system.

**Senior Center Donation Fund** - This fund is used to account for the operation of the City's senior center. Funds provided to the City for the senior center may be used only for that purpose.

**Library Fund** - This fund is used to account for the operation of the City Public Library.

**Correctional Fund** - This fund is used to account for correction fines restricted by the State to be used for the operation and maintenance of municipal jail services and court related purposes.

**Municipal Government Capital Improvement Fund** - This fund is used to account for expenditures of revenues received from the state solely for capital improvements.

**Federal Forfeiture Fund** - This fund is used to account for sharing funds received from the U.S. Department of Justice and the U.S. Department of the Treasury. There is no approved budget for this fund.

**Cemetery Fund** - This fund used to account for expenditures of revenues received from cemetery services.

**Domestic Violence Fund** - This fund is used to account for revenues and expenditures for the Violence Against Women grant.

**Police Block Grant Fund** - This fund is used to account for funds received from the State solely for police protection. There is no approved budget for this fund.

**Fire CPR Fund** - This fund is used to account for expenditures of revenues received from CPR services. There is no approved budget for this fund.

**Recreation Tournament Fund** - This fund used to account for revenues received from recreational tournaments. There is no approved budget for this fund.

CITY OF MADISON, ALABAMA  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010

	Gasoline Taxes and Inspection Fees Fund	TVA Tax Distribution Fund	Senior Center Donation Fund	Library Fund	Correctional Fund	Municipal Government Capital Improvement Fund	Federal Forfeiture Fund	Cemetery Fund	Domestic Violence Fund	Police Block Grant Fund	Fire CPR Fund	Recreation Tournament Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>													
Cash and cash equivalents	\$ 434,060	\$ 88,965	\$ 6,258	\$ 32,981	\$ -	\$ 1,477,921	\$ 63,726	\$ -	\$ -	\$ 1	\$ 1,266	\$ -	\$ 2,105,178
Receivables, net													
Tax and tax equivalents	-	-	-	310,091	-	-	-	-	-	-	-	-	310,091
Grants	-	-	-	-	-	-	-	-	1,174	-	-	-	1,174
Other	132,275	6,723	-	-	-	-	-	-	-	-	-	-	138,998
Prepaid items	-	-	-	37	-	-	-	-	-	-	-	-	37
Due from other funds	6,029	19,947	-	188	65,468	-	-	72,487	2,385	-	-	30,020	196,524
<b>Total assets</b>	<b>\$ 572,364</b>	<b>\$ 115,635</b>	<b>\$ 6,258</b>	<b>\$ 343,297</b>	<b>\$ 65,468</b>	<b>\$ 1,477,921</b>	<b>\$ 63,726</b>	<b>\$ 72,487</b>	<b>\$ 3,559</b>	<b>\$ 1</b>	<b>\$ 1,266</b>	<b>\$ 30,020</b>	<b>\$ 2,752,002</b>
<b>LIABILITIES</b>													
Accounts payable	\$ 39,639	\$ 48,133	\$ -	\$ 814	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,586
Due to other funds	185,608	53,470	-	49,528	-	-	-	-	1,174	-	-	-	289,780
Deferred revenue	-	-	-	278,486	-	-	-	-	-	-	-	-	278,486
<b>Total liabilities</b>	<b>225,247</b>	<b>101,603</b>	<b>-</b>	<b>328,828</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>656,852</b>
<b>FUND BALANCES</b>													
Reserved for:													
Encumbrances	124,642	-	-	-	-	-	-	-	-	-	-	-	124,642
Prepaid expenditures	-	-	-	37	-	-	-	-	-	-	-	-	37
Restricted assets	222,475	-	6,258	14,432	65,468	1,477,921	63,726	72,487	2,385	1	1,266	30,020	1,956,439
Unreserved	-	14,032	-	-	-	-	-	-	-	-	-	-	14,032
<b>Total fund balances</b>	<b>347,117</b>	<b>14,032</b>	<b>6,258</b>	<b>14,469</b>	<b>65,468</b>	<b>1,477,921</b>	<b>63,726</b>	<b>72,487</b>	<b>2,385</b>	<b>1</b>	<b>1,266</b>	<b>30,020</b>	<b>2,095,150</b>
<b>Total liabilities and fund balances</b>	<b>\$ 572,364</b>	<b>\$ 115,635</b>	<b>\$ 6,258</b>	<b>\$ 343,297</b>	<b>\$ 65,468</b>	<b>\$ 1,477,921</b>	<b>\$ 63,726</b>	<b>\$ 72,487</b>	<b>\$ 3,559</b>	<b>\$ 1</b>	<b>\$ 1,266</b>	<b>\$ 30,020</b>	<b>\$ 2,752,002</b>

CITY OF MADISON, ALABAMA  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Gasoline Taxes and Inspection Fees Fund	TVA Tax Distribution Fund	Senior Center Donation Fund	Library Fund	Correctional Fund	Municipal Government Capital Improvement Fund	Federal Forfeiture Fund	Cemetery Fund	Domestic Violence Fund	Police Block Grant Fund	Fire CPR Fund	Recreation Tournament Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>													
Taxes:													
Property and payments in lieu of taxes	\$ -	\$ -	\$ -	\$ 275,869	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 275,869
Local gasoline taxes	416,710	-	-	-	-	-	-	-	-	-	-	-	416,710
Intergovernmental:													
Gasoline taxes	588,734	-	-	-	-	-	-	-	-	-	-	-	588,734
TVA tax proceeds	-	74,051	-	-	-	-	-	-	-	-	-	-	74,051
Grant	-	-	-	-	-	-	-	-	12,942	-	-	-	12,942
Charges for services	-	-	-	-	-	-	-	70,765	-	-	-	25,520	96,285
Fines	-	-	-	-	197,040	-	-	-	-	-	-	-	197,040
Contributions and donations	-	-	1,533	-	-	-	-	-	-	-	75	-	1,608
Other	-	-	-	-	-	194,423	17,136	-	-	-	1,358	-	212,917
Investment earnings	2,030	360	30	375	-	6,834	264	-	-	-	4	-	9,897
<b>Total revenues</b>	<b>1,007,474</b>	<b>74,411</b>	<b>1,563</b>	<b>276,244</b>	<b>197,040</b>	<b>201,257</b>	<b>17,400</b>	<b>70,765</b>	<b>12,942</b>	<b>-</b>	<b>1,437</b>	<b>25,520</b>	<b>1,886,053</b>
<b>EXPENDITURES</b>													
Current:													
General Administration	-	48,133	-	553,755	-	-	-	-	-	-	-	-	601,888
Police	-	-	-	-	-	-	3,411	-	17,256	-	-	-	20,667
Public Works	755,107	-	-	-	-	-	-	36,838	-	-	-	-	791,945
Fire	-	-	-	-	-	-	-	-	-	-	1,465	-	1,465
Engineering	133,604	-	-	-	-	-	-	-	-	-	-	-	133,604
Capital outlay	31,685	-	-	-	-	3,336	9,754	-	-	-	-	-	44,775
<b>Total expenditures</b>	<b>920,396</b>	<b>48,133</b>	<b>-</b>	<b>553,755</b>	<b>-</b>	<b>3,336</b>	<b>13,165</b>	<b>36,838</b>	<b>17,256</b>	<b>-</b>	<b>1,465</b>	<b>-</b>	<b>1,594,344</b>
Excess (deficiency) of revenues over (under) expenditures	87,078	26,278	1,563	(277,511)	197,040	197,921	4,235	33,927	(4,314)	-	(28)	25,520	291,709
<b>OTHER FINANCING SOURCES (USES)</b>													
Transfers from other funds	-	-	-	259,384	-	-	-	-	4,314	-	-	-	263,698
Transfers to other funds	-	(25,918)	-	-	(500,000)	-	-	-	-	-	-	-	(525,918)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(25,918)</b>	<b>-</b>	<b>259,384</b>	<b>(500,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,314</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(262,220)</b>
Net change in fund balances	87,078	360	1,563	(18,127)	(302,960)	197,921	4,235	33,927	-	-	(28)	25,520	29,489
<b>Fund balances - beginning of year</b>	<b>260,039</b>	<b>13,672</b>	<b>4,695</b>	<b>32,596</b>	<b>368,428</b>	<b>1,280,000</b>	<b>59,491</b>	<b>38,560</b>	<b>2,385</b>	<b>1</b>	<b>1,294</b>	<b>4,500</b>	<b>2,065,661</b>
<b>Fund balances - end of year</b>	<b>\$ 347,117</b>	<b>\$ 14,032</b>	<b>\$ 6,258</b>	<b>\$ 14,469</b>	<b>\$ 65,468</b>	<b>\$ 1,477,921</b>	<b>\$ 63,726</b>	<b>\$ 72,487</b>	<b>\$ 2,385</b>	<b>\$ 1</b>	<b>\$ 1,266</b>	<b>\$ 30,020</b>	<b>\$ 2,095,150</b>

**CITY OF MADISON, ALABAMA**  
**GASOLINE TAXES AND INSPECTION FEES FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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	<b>Final Amended Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>			
Taxes:			
Local 2-cent gasoline taxes	\$ 390,390	\$ 416,710	\$ 26,320
Intergovernmental:			
State gasoline taxes	581,291	588,734	7,443
Investment earnings	1,000	2,030	1,030
<b>Total revenues</b>	972,681	1,007,474	34,793
<b>EXPENDITURES</b>			
Current:			
Public Works	793,220	755,107	38,113
Engineering	320,000	133,604	186,396
Capital Outlay	69,500	31,685	37,815
<b>Total expenditures</b>	1,182,720	920,396	262,324
Net change in fund balances	(210,039)	87,078	297,117
<b>Fund balances - beginning of year</b>	260,039	260,039	-
<b>Fund balances - end of year</b>	\$ 50,000	\$ 347,117	\$ 297,117

CITY OF MADISON, ALABAMA  
TVA TAX DISTRIBUTION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>			
Intergovernmental:			
TVA tax proceeds	\$ 65,641	\$ 74,051	\$ 8,410
Investment earnings	312	360	48
	65,953	74,411	8,458
<b>Total revenues</b>			
<b>EXPENDITURES</b>			
Current:			
General Administration	42,667	48,133	(5,466)
	42,667	48,133	(5,466)
<b>Total expenditures</b>			
Excess of revenues over expenditures	23,286	26,278	2,992
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to other funds	(32,974)	(25,918)	7,056
	(32,974)	(25,918)	7,056
<b>Total other financing sources (uses)</b>			
Net change in fund balances	(9,688)	360	10,048
<b>Fund balances - beginning of year</b>	13,672	13,672	-
<b>Fund balances - end of year</b>	\$ 3,984	\$ 14,032	\$ 10,048

CITY OF MADISON, ALABAMA  
 SENIOR CENTER DONATION FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

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	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Contributions and donations	\$ 1,533	\$ 1,533	\$ -
Investment earnings	22	30	8
<b>Total revenues</b>	1,555	1,563	8
<b>EXPENDITURES</b>			
	-	-	-
Net change in fund balances	1,555	1,563	8
<b>Fund balances - beginning of year</b>	4,695	4,695	-
<b>Fund balances - end of year</b>	<u>\$ 6,250</u>	<u>\$ 6,258</u>	<u>\$ 8</u>

**CITY OF MADISON, ALABAMA  
LIBRARY FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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	<b>Final Amended Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>			
Taxes:			
Property and payments in lieu of taxes	\$ 270,375	\$ 275,869	\$ 5,494
Investment earnings	635	375	(260)
	<b>Total revenues</b>	276,244	5,234
<b>EXPENDITURES</b>			
Current:			
General Administration	556,046	553,755	2,291
	<b>Total expenditures</b>	553,755	2,291
Deficiency of revenues uner expenditures	(285,036)	(277,511)	7,525
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds	269,047	259,384	(9,663)
	<b>Total other financing sources</b>	259,384	(9,663)
Net change in fund balances	(15,989)	(18,127)	(2,138)
<b>Fund balances - beginning of year</b>	32,596	32,596	-
<b>Fund balances - end of year</b>	\$ 16,607	\$ 14,469	\$ (2,138)

CITY OF MADISON, ALABAMA  
CORRECTIONAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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	<b>Final Amended Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>			
Fines	\$ 274,863	\$ 197,040	\$ (77,823)
<b>Total revenues</b>	274,863	197,040	(77,823)
 <b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to other funds	(571,039)	(500,000)	71,039
<b>Total other financing sources (uses)</b>	(571,039)	(500,000)	71,039
Net change in fund balances	(296,176)	(302,960)	(6,784)
<b>Fund balances - beginning of year</b>	368,428	368,428	-
<b>Fund balances - end of year</b>	\$ 72,252	\$ 65,468	\$ (6,784)

**CITY OF MADISON, ALABAMA  
MUNICIPAL GOVERNMENT CAPITAL IMPROVEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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	<b>Final Amended Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>			
Other	\$ 194,423	\$ 194,423	\$ -
Investment earnings	1,611	6,834	5,223
	<b>Total revenues</b>	201,257	5,223
<b>EXPENDITURES</b>			
Capital Outlay	22,550	3,336	19,214
	<b>Total expenditures</b>	3,336	19,214
Excess of revenues over expenditures	173,484	197,921	24,437
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to other funds	(1,300,000)	-	1,300,000
	<b>Total other financing sources (uses)</b>	-	1,300,000
Net change in fund balances	(1,126,516)	197,921	1,324,437
<b>Fund balances - beginning of year</b>	1,280,000	1,280,000	-
<b>Fund balances - end of year</b>	\$ 153,484	\$ 1,477,921	\$ 1,324,437

CITY OF MADISON, ALABAMA  
CEMETERY FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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	<b>Final Amended Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>			
Charges for services	\$ 32,350	\$ 70,765	\$ 38,415
<b>Total revenues</b>	32,350	70,765	38,415
<b>EXPENDITURES</b>			
Current:			
Public Works	50,300	36,838	13,462
<b>Total expenditures</b>	50,300	36,838	13,462
Net change in fund balances	(17,950)	33,927	51,877
<b>Fund balances - beginning of year</b>	38,560	38,560	-
<b>Fund balances - end of year</b>	\$ 20,610	\$ 72,487	\$ 51,877

**CITY OF MADISON, ALABAMA  
DOMESTIC VIOLENCE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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	<b>Final Amended Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>			
Intergovernmental:			
Grant	\$ 21,000	\$ 12,942	\$ (8,058)
<b>Total revenues</b>	21,000	12,942	(8,058)
<b>EXPENDITURES</b>			
Current:			
Police	29,000	17,256	11,744
<b>Total expenditures</b>	29,000	17,256	11,744
Deficiency of revenues under expenditures	(8,000)	(4,314)	3,686
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds	8,000	4,314	(3,686)
<b>Total other financing sources</b>	8,000	4,314	(3,686)
Net change in fund balances	-	-	-
<b>Fund balances - beginning of year</b>	2,385	2,385	-
<b>Fund balances - end of year</b>	\$ 2,385	\$ 2,385	\$ -



## DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS

### DEBT SERVICE

**Debt service funds** are used to account for the accumulation of resources and payment of general obligation bond principal and interest from government resources.

**2005 Bond Fund** - This fund is used to account for the accumulation of resources for the payment of the general obligation school warrants dated April 1, 2005. The ½-cent sales tax and the 5½-mill property tax will provide 100% of the debt service requirements for the outstanding general obligation warrants.

**2006 Bond Fund** - This fund is used to account for the accumulation of resources for the payment of the general obligation school warrants dated December 1, 2006. The ½-cent sales tax and the 5½-mill property tax will provide 100% of the debt service requirements for the outstanding general obligation warrants.

**CITY OF MADISON, ALABAMA**  
**DEBT SERVICE FUNDS**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2010**

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	<b>2005</b>	<b>2006</b>	<b>Total</b>
	<b>Bond</b>	<b>Bond</b>	<b>Nonmajor</b>
	<b>Fund</b>	<b>Fund</b>	<b>Governmental</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash with fiscal agent	\$ 436,813	\$ 213	\$ 437,026
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total assets</b>	<u>\$ 436,813</u>	<u>\$ 213</u>	<u>\$ 437,026</u>
<b>FUND BALANCES</b>			
Reserved	\$ 436,813	\$ 213	\$ 437,026
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total fund balances</b>	<u>\$ 436,813</u>	<u>\$ 213</u>	<u>\$ 437,026</u>

**CITY OF MADISON, ALABAMA  
DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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	<b>2005 Bond Fund</b>	<b>2006 Bond Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>			
Investment earnings	\$ 2	\$ 25	\$ 27
<b>Total revenues</b>	2	25	27
<b>EXPENDITURES</b>			
Current:			
General Administration	-	25	25
Debt service:			
Principal	170,000	665,000	835,000
Interest	883,400	1,697,281	2,580,681
<b>Total expenditures</b>	1,053,400	2,362,306	3,415,706
Deficiency of revenues under expenditures	(1,053,398)	(2,362,281)	(3,415,679)
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds	1,017,856	2,362,281	3,380,137
<b>Total other financing sources</b>	1,017,856	2,362,281	3,380,137
Net change in fund balances	(35,542)	-	(35,542)
<b>Fund balances - beginning of year</b>	472,355	213	472,568
<b>Fund balances - end of year</b>	\$ 436,813	\$ 213	\$ 437,026

CITY OF MADISON, ALABAMA  
2005 BOND FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>			
Investment earnings	\$ 3	\$ 2	\$ (1)
<b>Total revenues</b>	3	2	(1)
<b>EXPENDITURES</b>			
Debt Service:			
Principal	170,000	170,000	-
Interest	883,400	883,400	-
<b>Total expenditures</b>	1,053,400	1,053,400	-
Deficiency of revenues under expenditures	(1,053,397)	(1,053,398)	(1)
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds	1,053,400	1,017,856	(35,544)
<b>Total other financing sources</b>	1,053,400	1,017,856	(35,544)
Net change in fund balances	3	(35,542)	(35,545)
<b>Fund balances - beginning of year</b>	472,355	472,355	-
<b>Fund balances - end of year</b>	\$ 472,358	\$ 436,813	\$ (35,545)

CITY OF MADISON, ALABAMA  
2006 BOND FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

	<b>Final Amended Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>			
Investment earnings	\$ 2	\$ 25	\$ 23
<b>Total revenues</b>	2	25	23
<b>EXPENDITURES</b>			
Current:			
General Administration	-	25	(25)
Debt Service:			
Principal	665,000	665,000	-
Interest	1,697,282	1,697,281	1
<b>Total expenditures</b>	2,362,282	2,362,306	(24)
Deficiency of revenues under expenditures	(2,362,280)	(2,362,281)	(1)
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds	2,362,282	2,362,281	(1)
<b>Total other financing sources</b>	2,362,282	2,362,281	(1)
Net change in fund balances	2	-	(2)
<b>Fund balances - beginning of year</b>	213	213	-
<b>Fund balances - end of year</b>	\$ 215	\$ 213	\$ (2)



## DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS

### CAPITAL PROJECTS

**Capital Projects Funds** are used to account for financial resources segregated for the acquisition and construction of major capital facilities.

**Forward Purchase Bond Account** - This fund is used to account for the Forward Purchase contract fees for the series 1995 General Obligation Warrants.

**2001 Capital Improvement Fund** - This fund is used to account for a variety of public works projects and various capital improvements in the City consisting of public safety, recreation and other improvements. Financing was provided by the sale of general obligation warrants dated June 1, 2001, \$10,890,000 (advance refunding of the general obligation warrants dated August 1, 1997).

**CITY OF MADISON, ALABAMA**  
**CAPITAL PROJECTS FUNDS**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2010**

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	Forward Purchase Bond Fund	2001 Capital Improvement Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Due from other funds	\$ 35,289	\$ 6,609	\$ 41,898
<b>Total assets</b>	<b>\$ 35,289</b>	<b>\$ 6,609</b>	<b>\$ 41,898</b>
 <b>FUND BALANCES</b>			
Reserved for:			
Capital projects	\$ 35,289	\$ 6,609	\$ 41,898
<b>Total fund balances</b>	<b>\$ 35,289</b>	<b>\$ 6,609</b>	<b>\$ 41,898</b>

**CITY OF MADISON, ALABAMA**  
**CAPITAL PROJECTS FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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	<u>Forward Purchase Bond Account</u>	<u>2001 Capital Improvement Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>			
Investment earnings	\$ -	\$ 10	\$ 10
<b>Total revenues</b>	-	10	10
<b>EXPENDITURES</b>	-	-	-
Excess of revenues over expenditures	-	10	10
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to other funds	-	(4,989)	(4,989)
<b>Total other financing sources (uses)</b>	-	(4,989)	(4,989)
Net change in fund balances	-	(4,979)	(4,979)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>35,289</u>	<u>11,588</u>	<u>46,877</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 35,289</u>	<u>\$ 6,609</u>	<u>\$ 41,898</u>



**CAPITAL ASSETS  
USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS**

**CITY OF MADISON, ALABAMA  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
COMPARATIVE SCHEDULES BY SOURCE  
SEPTEMBER 30, 2010 and 2009**

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	<u>2010</u>	<u>2009</u>
<b>Governmental funds capital assets:</b>		
Land	\$ 27,244,527	\$ 25,975,390
Buildings	10,933,085	10,933,085
Improvements to buildings	1,870,822	1,754,947
Improvements other than buildings	1,618,921	1,636,421
Machinery and equipment	15,412,914	14,909,773
Infrastructure	139,923,907	135,309,998
Other	14,300	7,000
Construction in progress	<u>9,740,817</u>	<u>6,079,522</u>
 Total governmental funds capital assets	 <u>\$ 206,759,293</u>	 <u>\$ 196,606,136</u>
 Investments in governmental funds capital assets by source:		
Current revenues	\$ 60,467,518	\$ 56,203,539
Federal and state grants	2,073,991	2,011,417
Donations	<u>144,217,784</u>	<u>138,391,180</u>
 Total investments in governmental funds capital assets	 <u>\$ 206,759,293</u>	 <u>\$ 196,606,136</u>

**CITY OF MADISON, ALABAMA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**September 30, 2010**

Function and Activity	Land	Buildings	Improvements to Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Other	Construction in Progress	Total
<b>General Government:</b>									
General Administration	\$ 1,642,270	\$ 3,275,439	\$ 1,320,643	\$ 22,552	\$ 521,138	\$ 3,694	\$ -	\$ 73,323	\$ 6,859,059
City Clerk	-	-	-	-	77,142	-	-	-	77,142
Court	-	-	39,638	-	77,377	-	-	-	117,015
City Council	-	-	-	-	66,894	-	-	-	66,894
Finance	-	2,175	-	22,707	175,147	-	-	101,110	301,139
Human Resources	-	-	-	-	40,669	-	-	-	40,669
Mayor's Office	-	-	-	-	54,613	-	-	-	54,613
Revenue	-	-	5,512	-	28,555	-	-	-	34,067
Information Technology	-	-	-	-	262,272	-	-	-	262,272
Legal	-	-	-	-	9,189	-	-	-	9,189
<b>Total General Government</b>	<b>1,642,270</b>	<b>3,277,614</b>	<b>1,365,793</b>	<b>45,259</b>	<b>1,312,996</b>	<b>3,694</b>	<b>-</b>	<b>174,433</b>	<b>7,822,059</b>
<b>Public Safety:</b>									
Police	-	6,139	51,627	-	3,957,505	-	14,300	1,072,452	5,102,023
Fire	264,712	2,133,097	191,686	153,501	4,429,050	-	-	108,115	7,280,161
Planning	-	-	-	-	75,863	-	-	-	75,863
Building	-	-	9,889	-	139,848	-	-	-	149,737
<b>Total Public Safety</b>	<b>264,712</b>	<b>2,139,236</b>	<b>253,202</b>	<b>153,501</b>	<b>8,602,266</b>	<b>-</b>	<b>14,300</b>	<b>1,180,567</b>	<b>12,607,784</b>
<b>Highways and Streets:</b>									
Public Works	23,624,536	240,753	35,012	75,333	3,914,183	139,917,213	-	7,207,784	175,014,814
Engineering	-	-	8,167	-	173,072	-	-	-	181,239
<b>Total Highways and Streets</b>	<b>23,624,536</b>	<b>240,753</b>	<b>43,179</b>	<b>75,333</b>	<b>4,087,255</b>	<b>139,917,213</b>	<b>-</b>	<b>7,207,784</b>	<b>175,196,053</b>
<b>Culture and Recreation:</b>									
Recreation	1,713,009	5,275,482	125,683	1,342,183	1,237,374	3,000	-	894,508	10,591,239
Senior Center	-	-	82,965	2,645	173,023	-	-	283,525	542,158
<b>Total Culture and Recreation</b>	<b>1,713,009</b>	<b>5,275,482</b>	<b>208,648</b>	<b>1,344,828</b>	<b>1,410,397</b>	<b>3,000</b>	<b>-</b>	<b>1,178,033</b>	<b>11,133,397</b>
<b>Total Governmental Funds</b>									
<b>Capital Assets</b>	<b>\$ 27,244,527</b>	<b>\$ 10,933,085</b>	<b>\$ 1,870,822</b>	<b>\$ 1,618,921</b>	<b>\$ 15,412,914</b>	<b>\$ 139,923,907</b>	<b>\$ 14,300</b>	<b>\$ 9,740,817</b>	<b>\$ 206,759,293</b>

**CITY OF MADISON, ALABAMA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets Oct. 1, 2009</b>	<b>Additions</b>	<b>Transfers In (Out)</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets Sept. 30, 2010</b>
<b>General Government:</b>					
General Administration	\$ 6,824,320	\$ 34,739	\$ -	\$ -	\$ 6,859,059
City Clerk	70,725	14,818	(6,792)	(1,609)	77,142
Court	97,210	20,195	-	(390)	117,015
City Council	66,894	-	-	-	66,894
Finance	191,350	111,487	(1,698)	-	301,139
Human Resources	34,145	7,149	-	(625)	40,669
Mayor's Office	55,493	-	(440)	(440)	54,613
Revenue	26,797	7,270	-	-	34,067
Information Technology	137,943	117,261	8,490	(1,422)	262,272
Legal	6,226	2,963	-	-	9,189
<b>Total General Government</b>	<b>7,511,103</b>	<b>315,882</b>	<b>(440)</b>	<b>(4,486)</b>	<b>7,822,059</b>
<b>Public Safety:</b>					
Police	3,918,624	1,399,829	(2,659)	(213,771)	5,102,023
Fire	7,189,134	95,232	(203)	(4,002)	7,280,161
Planning	205,264	1,519	(128,075)	(2,845)	75,863
Building	-	19,808	129,929	-	149,737
<b>Total Public Safety</b>	<b>11,313,022</b>	<b>1,516,388</b>	<b>(1,008)</b>	<b>(220,618)</b>	<b>12,607,784</b>
<b>Highways and Streets:</b>					
Public Works	167,426,030	7,904,231	1,202	(316,649)	175,014,814
Engineering	137,494	43,499	246	-	181,239
<b>Total Highways and Streets</b>	<b>167,563,524</b>	<b>7,947,730</b>	<b>1,448</b>	<b>(316,649)</b>	<b>175,196,053</b>
<b>Culture and Recreation:</b>					
Recreation	9,955,431	724,651	(14,098)	(74,745)	10,591,239
Senior Center	263,056	265,004	14,098	-	542,158
<b>Total Culture and Recreation</b>	<b>10,218,487</b>	<b>989,655</b>	<b>-</b>	<b>(74,745)</b>	<b>11,133,397</b>
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 196,606,136</b>	<b>\$ 10,769,655</b>	<b>\$ -</b>	<b>\$ (616,498)</b>	<b>\$ 206,759,293</b>

## **SECTION III - STATISTICAL**



# STATISTICAL SECTION

This statistical section of the City of Madison’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures and required supplementary information says about the City’s overall financial health.

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<b>Revenue Capacity</b> The revenue capacity schedules contain information to help the reader assess the City’s most significant local revenue sources .....	130
<b>Debt Capacity</b> The debt capacity schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future .....	133
<b>Demographic and Economic Information</b> The demographic and economic schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities occur .....	136
<b>Operating Information</b> The operating information schedules contain service infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs .....	138

Schedule 1  
**CITY OF MADISON, ALABAMA**  
**Net Assets by Component**  
**Last Eight Fiscal Years**

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Primary government								
Invested in capital assets, net of related debt	\$ 13,924,216	\$ 22,619,851	\$ 29,629,406	\$ 39,911,335	\$ 127,888,947	\$ 135,040,184	\$ 139,555,695	\$ 145,827,919
Restricted	11,321,571	8,912,225	8,734,990	9,054,091	15,559,292	15,011,198	12,321,754	7,587,146
Unrestricted	<u>(92,949,757)</u>	<u>(90,415,420)</u>	<u>(87,960,100)</u>	<u>(82,616,266)</u>	<u>(88,119,158)</u>	<u>(98,298,064)</u>	<u>(118,016,464)</u>	<u>(117,029,270)</u>
Total primary government net assets	<u><u>\$(67,703,970)</u></u>	<u><u>\$(58,883,344)</u></u>	<u><u>\$(49,595,704)</u></u>	<u><u>\$(33,650,840)</u></u>	<u><u>\$ 55,329,081</u></u>	<u><u>\$ 51,753,318</u></u>	<u><u>\$ 33,860,985</u></u>	<u><u>\$ 36,385,795</u></u>

Source: Comprehensive annual financial reports beginning with fiscal year 2003, which was the implementation year for GASB Statement 34.

Schedule 2  
**CITY OF MADISON, ALABAMA**  
**Changes in Net Assets**  
**Last Eight Fiscal Years**

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>								
Primary government:								
Governmental activities:								
General Administration	\$ 1,394,540	\$ 1,498,013	\$ 1,843,331	\$ 1,637,763	\$ 2,243,804	\$ 13,864,248	\$ 24,400,173	\$ 1,909,670
Police	3,597,210	3,792,077	4,224,855	4,492,227	5,076,097	5,777,771	6,288,131	6,354,077
Public Works	3,128,318	3,195,581	3,519,441	3,683,936	6,512,629	7,542,282	7,288,697	7,073,640
City Clerk	509,185	497,313	514,980	593,326	600,855	716,232	701,582	723,726
Recreation	1,648,624	1,722,553	1,735,813	1,807,848	2,139,803	2,428,165	2,517,331	2,495,120
Fire	2,535,675	3,083,500	3,415,526	3,794,817	4,346,954	4,827,449	5,040,372	5,030,280
Planning	646,654	670,844	1,113,999	1,108,540	950,345	1,044,590	1,033,775	297,284
Court	733,894	782,283	728,975	820,348	977,773	1,141,156	1,009,392	947,423
City Council	194,887	148,081	166,347	166,233	164,042	136,565	139,128	132,518
Finance	336,586	325,728	412,043	676,174	933,230	975,935	783,590	641,623
Human Resources	1,668,221	2,001,359	2,334,041	2,607,912	2,943,704	3,197,955	3,513,666	3,731,814
Mayor's Office	215,210	221,062	205,702	222,821	294,973	240,042	534,363	362,853
Revenue	164,043	172,564	177,909	193,477	271,231	267,950	267,595	290,319
Engineering	317,077	508,776	-	-	370,309	475,749	522,673	607,580
Senior Center	192,828	205,440	221,414	240,054	247,233	264,757	291,083	330,938
Information Technology	165,658	264,432	195,542	-	-	-	-	322,760
Legal	321,162	331,916	238,394	270,325	342,431	353,696	358,047	323,660
Building	-	-	-	-	-	-	-	816,850
Interest on long-term debt	5,242,670	5,339,585	5,187,096	5,052,733	5,325,401	5,561,260	6,210,471	6,953,502
Total primary government expenses	23,012,442	24,761,107	26,235,408	27,368,534	33,740,814	48,815,802	60,900,069	39,345,637
<b>Program Revenues</b>								
Governmental activities:								
Charges for services:								
General Administration	2,276,788	2,527,571	3,291,409	3,883,220	4,309,020	4,386,155	4,667,747	2,753,816
Police	815,943	775,629	726,247	929,819	1,301,002	1,431,594	1,096,954	912,124
Public Works	268,497	281,387	557,889	701,200	885,562	959,913	990,721	975,398
Recreation	203,199	213,074	212,315	199,431	196,753	211,911	211,029	208,430
Fire	-	-	876	1,820	1,750	195,696	8,560	-
Planning	47,487	70,134	68,826	116,540	63,093	46,985	39,985	21,887
Building	-	-	-	-	-	-	-	1,598,029
Operating grants and contributions	275,534	462,353	571,702	719,661	798,730	538,991	552,339	549,698
Capital grants and contributions	5,694,581	7,551,944	5,818,671	10,809,511	6,007,246	11,684,556	4,823,739	5,109,221
Total Primary government program revenues	9,582,029	11,882,092	11,247,935	17,361,202	13,563,156	19,455,801	12,391,074	12,128,603
Total primary government net (expense)/revenue	(13,430,413)	(12,879,015)	(14,987,473)	(10,007,332)	(20,177,658)	(29,360,001)	(48,508,995)	(27,217,034)

Schedule 2  
**CITY OF MADISON, ALABAMA**  
**Changes in Net Assets**  
**Last Eight Fiscal Years**

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Revenues and other Changes in Net Assets</b>								
Governmental activities:								
Property taxes and payments in lieu of taxes	4,038,035	4,363,486	4,977,999	5,840,049	6,365,870	7,841,325	7,411,800	12,696,539
Sales and use taxes	8,950,553	9,594,767	10,262,568	11,415,565	12,243,150	12,505,291	12,330,960	12,343,163
Franchise taxes	223,573	221,689	254,292	264,641	272,468	221,258	327,829	347,142
Motor fuel taxes	864,166	855,290	901,617	901,443	953,992	934,719	960,310	1,005,444
Alcoholic beverage taxes	749,075	683,839	714,943	769,249	828,045	839,850	855,690	826,942
Rental taxes	362,116	339,205	323,682	355,019	408,314	452,728	424,872	405,911
Lodging taxes	420,887	669,228	766,627	872,677	909,090	968,545	939,661	969,411
Other taxes	172,257	318,803	377,061	483,421	218,401	264,834	288,481	216,899
Unrestricted investment earnings	237,034	130,950	241,056	447,027	1,168,713	724,089	371,540	117,585
Miscellaneous	-	4,618,776	5,614,248	4,761,282	18,314,482	5,355,535	6,726,170	831,401
Gain (Loss) on sale of fixed assets	(504)	(96,392)	(158,980)	(158,177)	(99,468)	15,581	(20,651)	(18,593)
Transfers	(17,076,132)	-	-	-	-	-	-	-
Total primary government	<u>(1,058,940)</u>	<u>21,699,641</u>	<u>24,275,113</u>	<u>25,952,196</u>	<u>41,583,057</u>	<u>30,123,755</u>	<u>30,616,662</u>	<u>29,741,844</u>
<b>Changes in Net Assets</b>								
Governmental activities	(14,489,353)	8,820,626	9,287,640	15,944,864	21,405,399	763,754	(17,892,333)	2,524,810
Total primary government	<u>\$ (14,489,353)</u>	<u>\$ 8,820,626</u>	<u>\$ 9,287,640</u>	<u>\$ 15,944,864</u>	<u>\$ 21,405,399</u>	<u>\$ 763,754</u>	<u>\$ (17,892,333)</u>	<u>\$ 2,524,810</u>

Source: Comprehensive annual financial reports beginning with fiscal year 2003, which was the implementation year for GASB Statement 34.

Schedule 3  
**CITY OF MADISON, ALABAMA**  
**Fund Balances**  
**Governmental Funds**  
**Last Eight Fiscal Years**

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	\$ 376,410	\$ 1,180,616	\$ 821,403	\$ 1,271,389	\$ 1,307,743	\$ 1,251,195	\$ 831,902	\$ 2,080,342
Unreserved	2,323,275	1,555,491	2,190,712	3,855,965	5,667,055	5,858,033	6,211,608	4,450,460
Total general fund	<u>\$ 2,699,685</u>	<u>\$ 2,736,107</u>	<u>\$ 3,012,115</u>	<u>\$ 5,127,354</u>	<u>\$ 6,974,798</u>	<u>\$ 7,109,228</u>	<u>\$ 7,043,510</u>	<u>\$ 6,530,802</u>
All Other Governmental Funds								
Reserved	\$ 8,394,699	\$ 5,944,429	\$ 5,614,365	\$ 6,082,274	\$ 15,870,504	\$ 14,517,312	\$ 12,063,577	\$ 7,290,334
Unreserved, reported in								
Special revenue funds	389,544	204,314	200,855	491,002	10,400	13,294	13,672	14,032
Total all other governmental funds	<u>\$ 8,784,243</u>	<u>\$ 6,148,743</u>	<u>\$ 5,815,220</u>	<u>\$ 6,573,276</u>	<u>\$ 15,880,904</u>	<u>\$ 14,530,606</u>	<u>\$ 12,077,249</u>	<u>\$ 7,304,366</u>
Total governmental funds	<u>\$ 11,483,928</u>	<u>\$ 8,884,850</u>	<u>\$ 8,827,335</u>	<u>\$ 11,700,630</u>	<u>\$ 22,855,702</u>	<u>\$ 21,639,834</u>	<u>\$ 19,120,759</u>	<u>\$ 13,835,168</u>

Source: Comprehensive annual financial reports beginning with fiscal year 2003, which was the implementation year for GASB Statement 34.

Schedule 4  
**CITY OF MADISON, ALABAMA**  
**Changes in Fund Balances of Governmental Funds**  
**Last Eight Fiscal Years**

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>								
Taxes	\$ 13,968,476	\$ 15,230,729	\$ 16,324,294	\$ 19,085,131	\$ 20,733,461	\$ 22,371,904	\$ 22,697,157	\$ 27,960,779
Licenses and permits	2,162,875	2,299,540	2,950,878	3,752,459	4,157,453	4,386,155	4,667,747	4,351,845
Intergovernmental	1,910,436	2,448,784	2,289,579	1,906,605	1,947,433	1,886,180	1,423,801	1,185,509
Charges for services	585,407	636,908	918,152	1,083,486	1,312,147	1,429,827	1,266,720	1,229,854
Fines	785,322	752,292	708,177	913,974	1,287,580	1,416,272	1,080,529	887,985
Investment earnings	237,034	130,950	241,056	447,027	1,168,713	724,089	363,160	125,965
Contributions and donations	17,745	79,092	11,178	10,471	48,606	24,058	6,077	17,573
Other revenues	185,253	5,633,724	5,342,174	5,685,364	5,556,776	5,717,872	6,868,135	1,254,288
<b>Total revenues</b>	<b>19,852,548</b>	<b>27,212,019</b>	<b>28,785,488</b>	<b>32,884,517</b>	<b>36,212,169</b>	<b>37,956,357</b>	<b>38,373,326</b>	<b>37,013,798</b>
<b>Expenditures</b>								
General Administration	1,179,019	1,342,417	1,175,864	1,360,195	1,250,802	1,580,257	1,557,569	1,571,884
Police	3,437,120	3,620,001	4,048,121	4,337,096	4,888,887	5,477,041	5,896,845	6,004,942
Public Works	2,965,584	2,940,409	3,075,737	3,118,878	3,950,504	4,723,666	4,355,183	4,056,273
City Clerk	504,695	492,853	510,793	589,262	596,897	711,846	697,422	718,119
Recreation	1,460,023	1,502,170	1,513,105	1,599,819	1,928,529	2,177,594	2,267,307	2,246,690
Fire	2,418,808	2,920,934	3,201,289	3,579,012	4,127,248	4,460,077	4,647,639	4,649,855
Planning	636,677	660,742	1,096,434	1,088,186	935,285	1,015,373	1,008,823	293,654
Court	730,278	778,990	725,414	816,962	973,634	1,136,203	1,004,457	937,885
City Council	193,299	146,493	164,692	163,735	161,141	127,562	129,429	124,375
Finance	327,814	316,854	403,115	658,035	914,484	964,909	775,708	633,046
Human Resources	1,665,838	1,998,967	2,331,458	2,605,761	2,941,506	3,195,076	3,511,294	3,729,630
Mayor's Office	213,934	219,818	204,634	221,642	293,795	234,878	527,103	352,846
Revenue	164,043	170,955	174,212	191,697	269,254	265,641	266,791	288,707
Engineering	312,273	502,861	-	-	365,580	466,412	505,271	587,040
Senior Center	187,685	198,251	214,903	230,697	238,550	255,041	276,566	312,042
Information Technology	159,160	256,366	186,124	-	-	-	-	294,394
Legal	321,014	331,768	238,057	269,951	342,057	353,696	358,047	322,919
Building	-	-	-	-	-	-	-	797,627
Debt service								
Principal	2,197,496	2,681,158	2,767,134	2,923,409	3,074,792	2,939,880	3,212,316	2,250,202
Interest	5,210,496	5,329,072	5,241,344	5,080,475	4,923,795	5,545,422	6,073,235	6,965,125
Bond issuance costs	260,316	-	206,213	-	559,525	264,695	124,665	-
Capital outlay	8,767,979	10,245,968	8,117,969	11,964,904	5,099,131	4,935,808	4,086,587	5,943,051
<b>Total expenditures</b>	<b>33,313,551</b>	<b>36,657,047</b>	<b>35,596,612</b>	<b>40,799,716</b>	<b>37,835,396</b>	<b>40,831,077</b>	<b>41,282,257</b>	<b>43,080,306</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(13,461,003)</b>	<b>(9,445,028)</b>	<b>(6,811,124)</b>	<b>(7,915,199)</b>	<b>(1,623,227)</b>	<b>(2,874,720)</b>	<b>(2,908,931)</b>	<b>(6,066,508)</b>

Schedule 4  
**CITY OF MADISON, ALABAMA**  
**Changes in Fund Balances of Governmental Funds**  
**Last Eight Fiscal Years**

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Other Financing - Sources and (Uses)</b>								
Transfers from other funds	4,185,594	4,640,911	5,076,988	5,085,410	17,698,428	5,618,438	6,168,902	6,674,742
Transfers from component unit	3,988,552	-	-	-	-	-	-	-
Transfers to other funds	(4,185,594)	(4,640,911)	(5,076,988)	(5,085,410)	(17,698,428)	(5,618,438)	(6,168,902)	(6,674,742)
Donated assets	5,415,607	6,195,060	5,283,826	9,975,519	-	-	-	-
Sales of capital assets	60,740	40,890	13,270	36,014	35,059	23,809	7,153	33,323
Proceeds from borrowing	21,325,000	-	1,250,000	-	-	12,235,000	-	-
Refunding bond issued	-	-	18,775,000	-	37,980,000	-	51,110,000	-
Payment to refund bond issue	-	-	(18,568,787)	-	(25,707,746)	-	(27,389,525)	-
Bond proceeds transferred to component unit	(21,064,684)	-	-	-	-	(12,002,089)	(22,488,567)	-
Premium on debt issued	-	-	-	-	285,481	31,784	-	-
Bond issue discount	-	-	-	-	-	-	(849,205)	-
Capital leases	1,166,090	610,000	-	776,961	185,305	1,370,348	-	747,594
Other	-	-	300	-	200	-	-	-
<b>Total other financing sources (uses)</b>	<b>10,891,305</b>	<b>6,845,950</b>	<b>6,753,609</b>	<b>10,788,494</b>	<b>12,778,299</b>	<b>1,658,852</b>	<b>389,856</b>	<b>780,917</b>
<b>Net change in fund balances</b>	<b>\$ (2,569,698)</b>	<b>\$ (2,599,078)</b>	<b>\$ (57,515)</b>	<b>\$ 2,873,295</b>	<b>\$ 11,155,072</b>	<b>\$ (1,215,868)</b>	<b>\$ (2,519,075)</b>	<b>\$ (5,285,591)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>31.24%</b>	<b>30.33%</b>	<b>29.89%</b>	<b>27.76%</b>	<b>26.14%</b>	<b>24.38%</b>	<b>25.30%</b>	<b>24.81%</b>

Source: Comprehensive annual financial reports beginning with fiscal year 2003, which was the implementation year for GASB Statement 34.

Schedule 5  
**CITY OF MADISON, ALABAMA**  
**GOVERNMENTAL ACTIVITIES TAX RESOURCES BY SOURCE**  
**Last Eight Fiscal Years**

Fiscal Year	Property Tax	Sales and Use Tax	Franchise Tax	(1)	Rental Tax	Lodging Tax	(2)	Total
				Alcoholic Beverage Tax			Other Taxes	
2003	\$ 3,796,378	\$ 8,898,555	\$ 223,573	\$ 191,026	\$ 362,116	\$ 416,387	\$ 80,441	\$ 13,968,476
2004	\$ 4,029,419	\$ 9,605,607	\$ 221,689	\$ 212,508	\$ 339,205	\$ 673,728	\$ 148,573	\$ 15,230,729
2005	\$ 4,299,572	\$ 10,278,865	\$ 254,292	\$ 212,516	\$ 323,682	\$ 766,627	\$ 188,740	\$ 16,324,294
2006	\$ 5,266,723	\$ 11,374,722	\$ 264,641	\$ 769,249	\$ 355,019	\$ 872,677	\$ 182,100	\$ 19,085,131
2007	\$ 5,813,150	\$ 12,283,993	\$ 272,468	\$ 828,045	\$ 408,314	\$ 909,090	\$ 218,401	\$ 20,733,461
2008	\$ 7,128,698	\$ 12,505,291	\$ 221,258	\$ 839,850	\$ 452,728	\$ 968,545	\$ 255,534	\$ 22,371,904
2009	\$ 7,178,217	\$ 12,303,388	\$ 327,829	\$ 855,690	\$ 424,872	\$ 939,661	\$ 667,500	\$ 22,697,157
2010	\$ 12,696,539	\$ 12,343,163	\$ 347,142	\$ 826,942	\$ 405,911	\$ 969,411	\$ 216,899	\$ 27,806,007

Source: Comprehensive annual financial reports beginning with fiscal year 2003.

(1) Wine tax, Liquor tax, ABC tax and Beer tax

(2) Cigarette tax, tobacco tax

Schedule 6  
**CITY OF MADISON, ALABAMA**  
**Assessed Value of Taxable Property**  
**Last Eight Fiscal Years**

<u>Fiscal Year Ended September 30</u>	<u>Assessed Valuation</u> <u>Amount</u>
2003	\$ 307,166,440
2004	\$ 324,910,320
2005	\$ 405,172,480
2006	\$ 434,744,620
2007	\$ 485,303,840
2008	\$ 510,952,780
2009	\$ 525,315,060
2010	\$ 527,379,120

**Source:** License Commissioner and Tax Assessor of Madison County

Schedule 7  
**CITY OF MADISON, ALABAMA**  
**Principal Property Tax Payers**  
**Current Year**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
Intergraph Corporation	Computer sales	\$ 10,599,920	1	2.01%
CMF 7 Portfolio LLC	Apartment rental	4,333,080	2	0.82%
Flagstone Investors Limited Partnership	Apartment rental	4,049,860	3	0.77%
Grand Reserve at Madison LLC	Apartment rental	2,795,300	4	0.53%
TIC Huntsville LLC	Apartment rental	2,735,660	5	0.52%
Wal-Mart Stores East, #332	Department store	2,001,780	6	0.38%
MV Apartment LLC	Apartment rental	1,922,220	7	0.36%
Lowe's Homes Centers, Inc.	Home improvement store	1,845,320	8	0.35%
BellSouth Telecommunicaitons, Inc.	Telecommunications	1,729,100	9	0.33%
Knology of Huntsville, Inc.	Communication company	<u>1,512,280</u>	10	<u>0.29%</u>
Top 10 Total		33,524,520		6.36%
Other taxpayers		<u>493,854,600</u>		<u>93.64%</u>
<b>Totals</b>		<b><u><u>\$ 527,379,120</u></u></b>		<b><u><u>100.00%</u></u></b>

Assessed Valuation of City at September 30, 2010  
\$ 527,379,120

Schedule 8  
**CITY OF MADISON, ALABAMA**  
**Ratios of Outstanding Debt by Type**  
**Last Eight Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Capital Leases</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income*</b>	<b>Per Capita*</b>
2003	\$ 108,155,000	\$ 1,386,715	\$ 109,541,715	9.11%	3,357
2004	\$ 105,785,000	\$ 1,685,557	\$ 107,470,557	6.97%	3,112
2005	\$ 104,650,000	\$ 1,363,423	\$ 106,013,423	6.35%	2,959
2006	\$ 102,045,000	\$ 1,821,975	\$ 103,866,975	5.71%	2,698
2007	\$ 112,420,000	\$ 1,514,987	\$ 113,934,987	-	2,844
2008	\$ 122,285,000	\$ 2,315,455	\$ 124,600,455	-	3,046
2009	\$ 143,715,000	\$ 1,653,138	\$ 145,368,138	-	3,396
2010	\$ 141,955,000	\$ 1,910,530	\$ 143,865,530	-	3,351

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

\* See Schedule 11 for personal income and population

Schedule 9  
**CITY OF MADISON, ALABAMA**  
**Ratio of General Bonded Debt Outstanding**  
**Last Eight Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Total</b>	<b>Percentage of Actual Taxable Value of Property*</b>	<b>Per Capita**</b>
2003	\$ 108,155,000	\$ 108,155,000	35.21%	3,315
2004	\$ 105,785,000	\$ 105,785,000	32.56%	3,064
2005	\$ 104,650,000	\$ 104,650,000	25.83%	2,921
2006	\$ 102,045,000	\$ 102,045,000	23.47%	2,651
2007	\$ 112,420,000	\$ 112,420,000	23.16%	2,806
2008	\$ 122,285,000	\$ 122,285,000	23.93%	2,990
2009	\$ 143,715,000	\$ 143,715,000	27.36%	3,358
2010	\$ 141,955,000	\$ 141,955,000	26.92%	3,306

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

\*See Schedule 6 for property value data.

\*\*Population data can be found in Schedule 11.

Schedule 10  
**CITY OF MADISON, ALABAMA**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt limit	\$ 55,022,504	\$ 59,002,296	\$ 61,433,288	\$ 64,982,064	\$ 81,034,496	\$ 86,948,924	\$ 97,060,768	\$ 102,190,556	\$ 105,063,012	\$ 105,475,824
Total net debt applicable to limit	<u>38,500,058</u>	<u>37,520,081</u>	<u>36,795,081</u>	<u>36,443,499</u>	<u>35,280,755</u>	<u>36,325,910</u>	<u>48,570,910</u>	<u>47,957,729</u>	<u>57,050,965</u>	<u>46,506,747</u>
Legal debt margin	<u>\$ 16,522,446</u>	<u>\$ 21,482,215</u>	<u>\$ 24,638,207</u>	<u>\$ 28,538,565</u>	<u>\$ 45,753,741</u>	<u>\$ 50,623,014</u>	<u>\$ 48,489,858</u>	<u>\$ 54,232,827</u>	<u>\$ 48,012,047</u>	<u>\$ 58,969,077</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>69.97%</u>	<u>63.59%</u>	<u>59.89%</u>	<u>56.08%</u>	<u>43.54%</u>	<u>41.78%</u>	<u>50.04%</u>	<u>46.93%</u>	<u>54.30%</u>	<u>44.09%</u>

**Legal Debt Margin Calculation for Fiscal 2010:**

Assessed Value	\$ 527,379,120
Debt limit (20% of total assessed value)	105,475,824
Debt Applicable to limit	
General obligation bonds	141,955,000
Less: Exempt Debt	
General obligations water and sewer warrants	7,341,222
General obligation school warrants	<u>87,670,000</u>
Total exempt debt	95,011,222
Total net debt applicable to limit	46,943,778
Less assets available for debt service	<u>437,031</u>
Total net debt applicable to limit	<u>46,506,747</u>
<b>Legal debt margin</b>	<b><u>\$ 58,969,077</u></b>

Note: Under the Constitution of Alabama, the City's general obligation debt may not exceed 20 percent of total assessed property value.

Schedule 11  
**CITY OF MADISON, ALABAMA**  
**Demographic and Economic Statistics**  
**Last Eight Fiscal Years**

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate*</u>
2003	32,626	\$ 1,202,355,000	\$ 36,853	4.40%
2004	34,529	\$ 1,542,555,000	\$ 44,674	3.40%
2005	35,829	\$ 1,670,025,000	\$ 46,611	2.80%
2006	38,500	\$ 1,818,180,000	\$ 47,225	2.70%
2007	40,060	-	-	4.50%
2008	40,900	-	-	2.50%
2009	42,800	-	-	-
2010	42,938			-

Source: City of Madison; State of Alabama; Department of Industrial Relations  
\*Madison County

Schedule 12  
**CITY OF MADISON, ALABAMA**  
**Principal Employers**  
**Current Year**

<u>Employer</u>	<u>Product</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Intergraph Corporation	Computer sales	1,000	1	25.18%
Madison City School System	Education	800	2	20.15%
Wal-Mart Super Center	Department Store	430	3	10.83%
City of Madison	Municipal	346	4	8.71%
Kroger Company	Grocery Store	170	5	4.28%
Lowe's Home Improvement Warehouse	Home Improvement Store	160	6	4.03%
Cracker Barrel	Restaurant	120	7	3.02%
Valleyview Nursing Home	Nursing Home	120	8	3.02%
Packaging Materials	Containers	115	9	2.90%
Ruby Tuesday's	Restaurant	110	10	2.77%
Top 10 Total		3,371		84.89%
Other Employers		600		15.11%
<b>Total</b>		<b>3,971</b>		<b>100.00%</b>

**Sources:** City of Madison

Schedule 13  
**CITY OF MADISON, ALABAMA**  
**Primary Government**  
**Full-Time Equivalent Employees by Function/Program**  
**Last Ten Fiscal Years**

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Government:</b>										
City Clerk	4	4	4	4	5	5	5	5	5	5
Court Clerk	6	6	6	6	6	6	6	6	6	6
City Council	3	3	4	4	4	4	3	4	4	4
Finance	5	5	6	6	7	8	13	13	12	8
Human Resources	7	7	4	4	4	7	4	4	5	5
Mayor's Office	7	4	3	3	3	3	3	3	4	4
Revenue	4	3	3	3	3	3	4	4	4	4
Information Technology	0	3	3	0	0	0	0	1	1	1
Legal	0	2	2	2	2	2	2	2	2	2
Total	<u>36</u>	<u>37</u>	<u>35</u>	<u>32</u>	<u>34</u>	<u>38</u>	<u>40</u>	<u>42</u>	<u>43</u>	<u>39</u>
<b>Public Safety:</b>										
Police	75	80	80	84	92	98	106	107	107	114
Fire	42	42	51	51	52	58	70	70	70	70
Building	0	0	0	0	0	0	0	0	0	17
Planning	13	13	15	15	24	21	19	19	18	4
Total	<u>130</u>	<u>135</u>	<u>146</u>	<u>150</u>	<u>168</u>	<u>177</u>	<u>195</u>	<u>196</u>	<u>195</u>	<u>205</u>
<b>Streets and Highways</b>										
Public Works	46	46	51	51	51	51	58	58	58	55
Engineering	5	5	6	11	0	0	7	5	7	7
Total	<u>51</u>	<u>51</u>	<u>57</u>	<u>62</u>	<u>51</u>	<u>51</u>	<u>65</u>	<u>63</u>	<u>65</u>	<u>62</u>
<b>Parks and Recreation</b>										
Recreation	37	19	32	32	32	32	33	33	33	33
Senior Center	0	8	6	6	6	6	6	7	7	7
Total	<u>37</u>	<u>27</u>	<u>38</u>	<u>38</u>	<u>38</u>	<u>38</u>	<u>39</u>	<u>40</u>	<u>40</u>	<u>40</u>
Total - all departments	<u><u>254</u></u>	<u><u>250</u></u>	<u><u>276</u></u>	<u><u>282</u></u>	<u><u>291</u></u>	<u><u>304</u></u>	<u><u>339</u></u>	<u><u>341</u></u>	<u><u>343</u></u>	<u><u>346</u></u>

Source: City of Madison Annual Budget

Schedule 14  
**CITY OF MADISON, ALABAMA**  
**Capital Assets Statistics by Function/Program**  
**Last Ten Fiscal Years**

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Public Safety</b>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-Station	1	1	1	0	0	0	0	0	0	0
Fire Stations	2	2	3	3	3	3	3	3	3	3
<b>Parks and Recreation</b>										
Recreation										
Swimming pools	3	3	3	3	3	3	3	3	2	2
Neighborhood parks	32	32	32	32	32	32	32	32	32	32
Tennis Courts	4	4	4	4	4	4	4	4	4	4
Ball fields	12	12	12	12	12	12	12	12	12	12
Soccer fields	6	6	6	6	6	6	6	6	6	6
Senior Center										
Community center (for seniors)	1	1	1	1	1	1	1	1	1	1

Source: Various city departments.



## **SECTION IV - COMPLIANCE**

# MDA PROFESSIONAL GROUP, P.C.

*Certified Public Accountants and Business Consultants*

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

Honorable Mayor and City Council  
City of Madison  
Madison, Alabama

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Madison (the City) as of and for the year ended September 30, 2010, which collectively comprise the City of Madison's basic financial statements and have issued our report thereon dated April 26, 2011. We did not audit the financial statements of the Water and Wastewater Board of the City of Madison or the Madison Board of Education. Those financial statements were audited by other auditors whose reports have been furnished to us. 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.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

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

This report is intended solely for the information and use of the Mayor and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

MDA Professional Group, P.C.

Huntsville, Alabama  
April 26, 2011

# MDA PROFESSIONAL GROUP, P.C.

*Certified Public Accountants and Business Consultants*

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mayor and City Council  
City of Madison, Alabama  
Madison, Alabama

### **Compliance**

We have audited the City of Madison, Alabama (the City)'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City of Madison's basic financial statements include the operations of the Water and Wastewater Board of the City of Madison and the Madison Board of Education, which are discretely presented component units of the City audited by other auditors and as such, are not included in the schedule during the year ended September 30, 2010. Our audit, described below, did not include the operations of the Water and Wastewater Board of the City of Madison and the Madison Board of Education because the component units engaged other auditors to perform an audit in accordance with OMB Circular A-133, when required.

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We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2010.

### **Internal Control Over Compliance**

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

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2010-1. 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.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Mayor, City Council, and 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.

*MDA Professional Group, P.C.*

Huntsville, Alabama  
April 26, 2011

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF MADISON, ALABAMA

Year ended September 30, 2010

	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>OFFICE OF NATIONAL DRUG CONTROL POLICY</u>			
<i>Direct Programs:</i>			
High Intensity Drug Trafficking Areas Program	7.999	-	\$ 3,578
<i>TOTAL OFFICE OF NATIONAL DRUG CONTROL POLICY</i>			3,578
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Direct Programs:</i>			
Bulletproof Vest Program (2009BUBX08044545)	16.607	-	2,934
Cops Technology Grant (2006CKWX0186)	16.710	-	58,137
Cops Technology Grant (2006CKWX0136)	16.710	-	9,567
Domestic Violence (2008DDBX0638)	16.753	-	40,024
<i>Passed through the City of Huntsville, Alabama:</i>			
ARRA-Edward Byrne Memorial Justice Assistance Grant	16.804	2009-SB-B9-1093	35,152
<i>Passed through Alabama Department of Economic and Community Affairs:</i>			
Domestic Violence Program (Violence Against Women)	16.588	08-WF-PR-006	3,864
Domestic Violence Program (Violence Against Women)	16.588	09-WF-WD-001	9,078
<i>TOTAL U.S. DEPARTMENT OF JUSTICE</i>			158,756
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed through the Alabama Department of Transportation:</i>			
Federal-Aid Highway Program, Federal Lands Highway Program	20.205	STPTE-TE04 (929)	121,276
ARRA-Federal-Aid Highway Program, Federal Lands Highway Program	20.205	STMHV-8509 (601)	65,789
<i>Passed through the Northeast Alabama Highway Safety Office from Alabama Department of Economic and Community Affairs-Law Enforcement Traffic and Safety Section:</i>			
State and Community Highway Safety	20.600	10-SP-PT-002	6,006
State and Community Highway Safety	20.600	10-HS-FR-001	5,520
Alcohol Impaired Driving Countermeasures	20.601	10-HS-K4-004	1,592
Alcohol Impaired Driving Countermeasures	20.601	10-HS-K8-008	1,855
<i>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</i>			202,038
<u>U.S. DEPARTMENT OF ENERGY</u>			
<i>Direct Programs:</i>			
ARRA-Energy Efficiency and Conservation Block Grant	81.128	-	15,440
<i>TOTAL U.S. DEPARTMENT OF ENERGY</i>			15,440
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Direct Programs:</i>			
Staffing for Adequate Fire and Emergency Response (SAFER) Grant (EMW-2006-FF-03166)	97.044	-	86,743
Staffing for Adequate Fire and Emergency Response (SAFER) Grant (EMW-2007-FF-00153)	97.044	-	164,430
Assistance to Firefighters (EMW-2009-FP-00753)	97.044	-	7,657
<i>Passed through the City of Huntsville, Alabama:</i>			
Homeland Security Grant Program	97.067	08-SHL	2,918
<i>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</i>			261,748
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 641,560</b>

The Accompanying Notes are an Integral Part of this Schedule

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF MADISON, ALABAMA

Year ended September 30, 2010

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### Section I-Summary of Auditors' Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Madison, Alabama.
2. No significant deficiencies were disclosed during the audit of the financial statements of the City of Madison, Alabama.
3. No instances of noncompliance material to the financial statements of the City of Madison, Alabama, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. One significant deficiency in internal control over major federal award programs disclosed during the audit is reported. The deficiency is not reported as a material weakness.
5. The auditor's report on compliance for the major federal award programs for the City of Madison, Alabama expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
97.044	Staffing for Adequate Fire and Emergency Response Grant (EMW-2006-FF-03166)
97.044	Staffing for Adequate Fire and Emergency Response Grant (EMW-2007-FF-00153)
97.044	Assistance to Firefighters (EMW-2009-FP-00753)
20.205	Federal-Aid Highway Program, Federal Lands Highway Program (STPTE-TE04 (929))
20.205	ARRA-Federal-Aid Highway Program, Federal Lands Highway Program (STMHV-8509 (601))

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The City of Madison, Alabama was not determined to be a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

CITY OF MADISON, ALABAMA

Year ended September 30, 2010

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Section II - Financial Statement Audit Findings:

None noted.

Section III - Federal Award Findings and Questioned Costs - Major Federal Award Programs Audit:

U.S. DEPARTMENT OF TRANSPORTATION

2010-1 ARRA - Federal-Aid Highway Program, Federal Lands Highway Program - CFDA Number 20.205;  
Grant Number STMHV-8509 (601);  
Grant period-Year ended September 30, 2010

Significant Deficiency:

Condition: We noted \$65,789 in federal expenditures under the Federal-Aid Highway Program STMHV-8509 (601) were not reported on the Schedule of Expenditures of Federal Awards originally prepared by the finance department.

Criteria: OMB Circular A-133 requires organizations to properly report all federal expenditures in the Schedule of Expenditures of Federal Awards.

Cause: There is not a consistent process in place to administer, monitor, account for, and report on the federal expenditures incurred by each department within the City.

Effect: Due to the lack of a consistent process for the administration of federal expenditures, the City's Schedule of Expenditures of Federal Awards provided to the auditors was incomplete on a program and total expenditure basis.

Recommendation: Internal controls should be in place to provide reasonable assurance that all federal expenditures incurred by the City are properly administered, monitored, accounted for, and reported on the Schedule of Expenditures of Federal Awards. We recommend a representative from the finance department be involved in all applications for grants or projects. We recommend each department in the City forward to the finance department all grant and project agreements when received. All requests for reimbursement or payment under such grant and project agreements should be prepared by the finance department unless specifically approved otherwise by the finance department. In addition, each department should coordinate with the finance department on the terms of compliance within each related agreement to ensure the City is in proper compliance with all such agreement provisions.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

CITY OF MADISON, ALABAMA

Year ended September 30, 2010

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View of Responsible Officials and Planned Corrective Actions:

The City of Madison **Revised Section 2.2 – Accounting for Grants of its Fiscal Policy**. The revised section reads, “The City of Madison, through each department, shall actively pursue grant resource opportunities to utilize grant funds to supplement and enhance long-term goals and objectives of the City. Each Department Head is responsible for designating a Grant Project Manager. The Grant Project Manager’s responsibilities include, but are not limited to, initial notification and coordination with the Finance Department as follows:

- Participation in some phase of the Grant Application
- Preparation of Agenda Request Form
- Resolution and memorandum to the Mayor presenting the Grant Application’s background, discussion, analysis and recommendation to City council
- Submission of the application documents to the Grantor
- Preparation of the Grant Profile
- Project implementation
- Compliance with all Grant Agreements
- Preparation of the required reports per the Grant Agreement and this policy
- Monitoring expenditures and using an assigned Project Number in Project Accounting
- Preparation of billing and reimbursement requests
- Monthly and quarterly reporting of Status reports
- Preparation of Final Close-Out Report
- Close of the assigned Project Number in Project Accounting

The Finance Department will prepare all requests for reimbursement or payment for grants and project agreements, unless specifically approved otherwise by the Finance Department. The Grant Project Manager will provide the Finance Department with the documentation to enable the Finance to properly account for and report all grant funds awarded to and accepted by the City in accordance with the Grant Agreement”.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

CITY OF MADISON, ALABAMA

Year Ended September 30, 2010

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U.S. DEPARTMENT OF HOMELAND SECURITY

2009-1 Assistance to Firefighters-CFDA No. 97.044;  
Grant No. EMW-2007-FP-00787;  
Grant period-Year ended September 30, 2009

Significant Deficiency:

Condition: The auditors noted asset tags were not properly affixed to certain assets (including assets acquired with federal funds) in the Fire Department.

Recommendation: The auditors recommended that the City's policies should be updated to provide more detailed information regarding the assignment of appropriate responsibility for asset tagging procedures and responsibility for inventory management.

Current Status: The recommendation was adopted June 2010 and the City revised Section VIII - Asset Management of its Fiscal Policy. No similar findings were noted in the 2010 audit.



**FINANCE DEPARTMENT  
CITY OF MADISON, ALABAMA**

**CORRECTIVE ACTION PLAN**

**CITY OF MADISON, ALABAMA**

**April 26, 2011**

The City of Madison respectfully submits the following corrective action plan for the year ended September 30, 2010.

Name and address of independent public accounting firm:

MDA Professional Group, P.C.  
307 Clinton Avenue West  
Huntsville, Alabama 35801

Audit period: Year ended September 30, 2010

The findings from the September 30, 2010 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS - FEDERAL AWARD PROGRAMS AUDITS**

**U.S. DEPARTMENT OF TRANSPORTATION**

2010-1 ARRA - Federal-Aid Highway Program, Federal Lands Highway Program -  
CFDA Number 20.205;

Grant Number STMHV-8509 (601);

Grant period-Year ended September 30, 2010

Significant Deficiency: See Finding 2010-1

Recommendation: Internal controls should be in place to provide reasonable assurance that all federal expenditures incurred by the City are properly administered, monitored, accounted for, and reported on the Schedule of Expenditures of Federal Awards. We recommend a representative from the finance department be involved in all applications for grants or projects. We recommend each department in the City forward to the finance department all grant and project agreements when received. All requests for reimbursement or payment under such grant and project agreements should be prepared by the finance department unless specifically approved otherwise by the finance department. In addition, each department should coordinate with the finance department on the terms of compliance within each related agreement to ensure the City is in proper compliance with all such agreement provisions.

Action Taken: The City of Madison **Revised Section 2.2 - Accounting for Grants of its Fiscal Policy**. The revised section reads, “The City of Madison, through each department, shall actively pursue grant resource opportunities to utilize grant funds to supplement and enhance long-term goals and objectives of the City. Each Department Head is responsible for designating a Grant Project Manager. The Grant Project Manager’s responsibilities include, but are not limited to, initial notification and coordination with the Finance Department as follows:

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If there are questions regarding this plan, please contact Lillie Causey at 256-772-5665.