

CITY OF MADISON, ALABAMA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended
September 30, 2011

CITY OF MADISON, ALABAMA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
SEPTEMBER 30, 2011

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**Prepared by:
Finance Department**



**City of Madison, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2011**

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SECTION I – INTRODUCTORY





FINANCE DEPARTMENT CITY OF MADISON, ALABAMA

August 22, 2012

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 (City), for the fiscal year ended September 30, 2011. 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, 2011. 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 is 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, 2011. 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, 2011, 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, 2011. 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 is generally 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 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 approximately 46,000. 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 are elected 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, 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
Community Development and 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. The economic health of Madison is tied to its location.

The City's Economic Development Team collaborates with the City of Madison Chamber of Commerce to promote recruitment of retail development. In 2011, this partnership fostered the recruitment of several large retail developments for the City of Madison.

In 2011, construction started on Madison Hospital and the "Shoppes of Madison", which is a shopping center with more than 230,000 square feet of space for new retail businesses and restaurants.

The construction of new developments caused the revenue generated from building permits and business licenses to increase in 2011.

The unemployment rate for the metropolitan area was 8.1% in 2011. The new businesses opened in Madison in 2011 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

The unassigned fund balance in the General Fund (17.42% of total revenue in the General Fund) exceeds the policy guidelines of 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, 2011, the City had \$2.5 million reserved for capital improvement projects. The City classifies its capital improvement projects into three (3) categories, which include:

1. Buildings and Facilities
2. Parks and Recreation
3. Infrastructure

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 revenue and the 5 ½ Mill Property Tax revenue provide 100% of debt service requirements on general obligation debt.

In 2011, the City completed many of its sidewalks, street and intersection 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 avoids using nonrecurring revenue to balance budgets.

Moody's Investors Service rated the City's general obligation debt an A1 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. Interest income for the year of all governmental funds was \$106,993.

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, the City retains some loss exposure and pays for the loss 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 the City prepares a budget 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 general fund and major special revenue funds, the comparisons are presented on pages 43 through 44 as part of the basic financial statements for governmental funds. For governmental funds other than the general fund and major special revenue funds with appropriated annual budgets, the comparisons are presented as supplementary information in 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

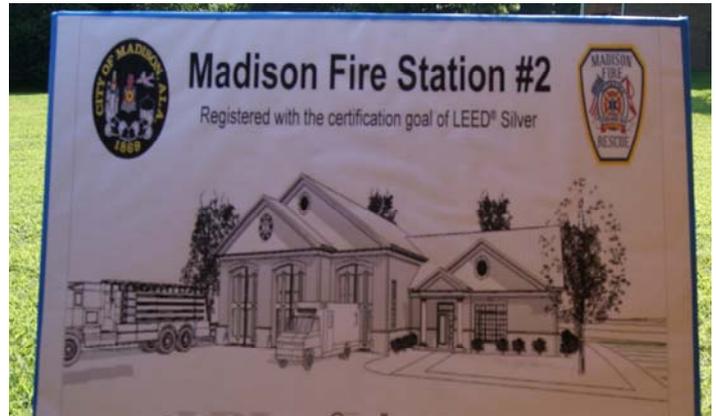
The City of Madison receives financial assistance from federal and state agencies. The City must adequately account for and report the financial assistance received in accordance with the applicable laws and regulations as required by the agencies. The City must ensure that its internal control policies 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, 2011, can be found in the Compliance Section of the report.

Major Initiatives

During 2011, the City demonstrated strong management and financial stability in meeting goals and objectives to improve the quality of life for EVERY Madison resident.

The Madison Economic Development Team completed the Madison Growth Plan and implementation went into full focus. The Team started recruiting and implementing development in all Key Development Areas (ADA) within the growth plan. The Downtown Revitalization Project is well under construction.

In 2011, the City started construction for replacement of Fire Station #2.



Ground Breaking - Fire Station #2

The City completed the construction of the Police Department Expansion Project, which included an additional parking lot. The Police expansion includes an all-inclusive training room and fitness room in a centralized location.



Madison Police Department Expansion – Grand Opening

The new expanded facility enables Madison Police Department to offer other law enforcement agencies use of the training room for a small usage fee. These improvements provided unlimited benefits to Madison Police Department, which will benefit other agencies in the local region.

In early 2011, the City completed construction of Madison Senior Center Expansion Project. The new expansion allows for a new storm shelter, new activity room and additional parking.

During the year, the City completed construction of a new Dog Park for \$8,994.



Madison Dog Park – Grand Opening

During the year, the City completed construction of two (2) sidewalk projects (Joe Phillips Sidewalk and County Line Road to Heritage School to Dock Murphy Sidewalk). The sidewalks allow residents easy access to the neighborhood schools.

Awards and Acknowledgments

Awards

The Government Finance Officers Association of the United States and Canada (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, 2010. The City of Madison has received a Certificate of Achievement for 1996, 1997, 2002 and 2010. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports. A Certificate of Achievement is valid for a period of one year only. In order to receive an award 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.

Acknowledgments

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 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,

A handwritten signature in cursive script, reading "Lillie M. Causey".

Lillie M. Causey
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Madison
Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danison

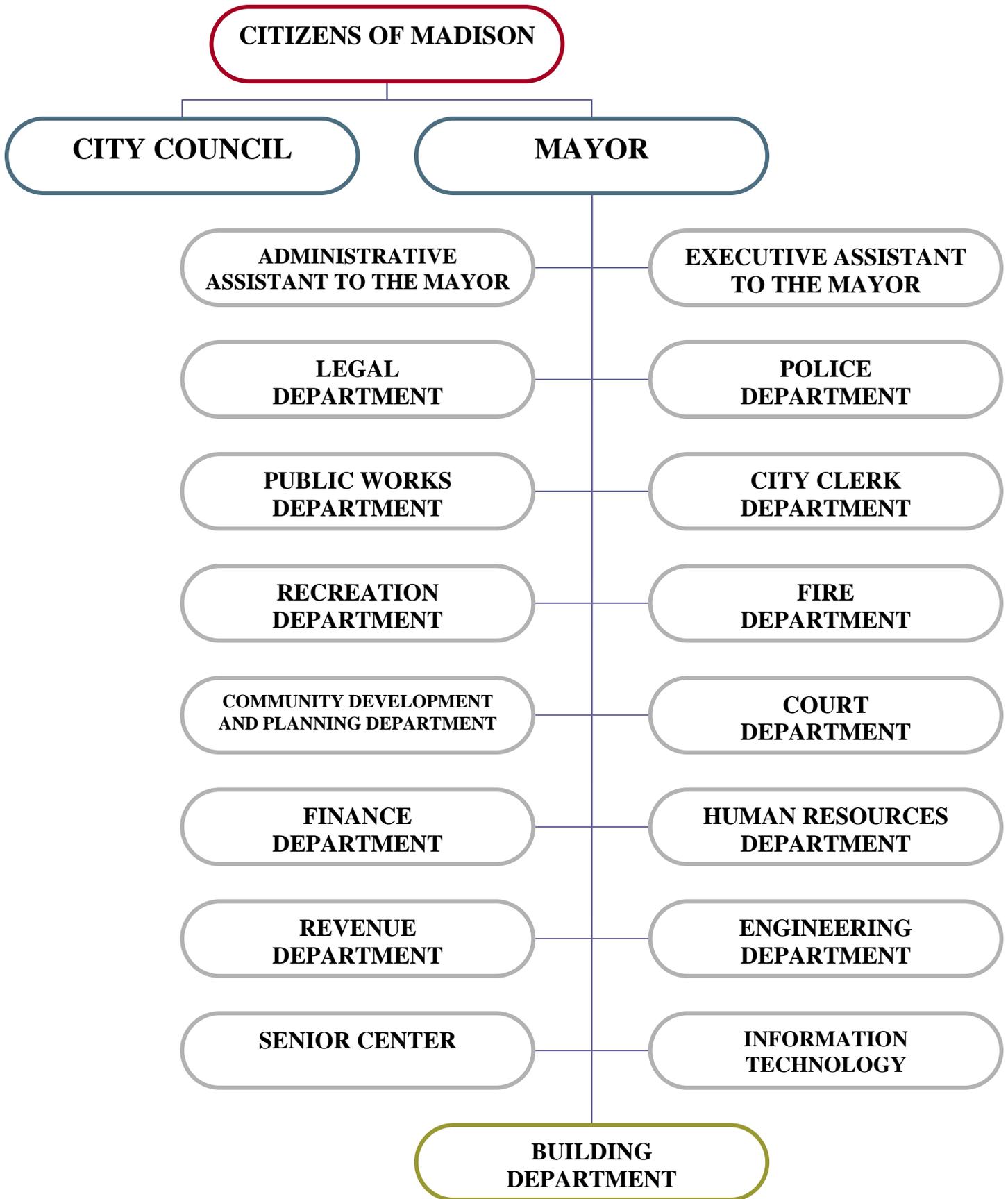
President

Jeffrey R. Emer

Executive Director

CITY OF MADISON, ALABAMA

ORGANIZATIONAL CHART



CITY OF MADISON, ALABAMA
List of Elected Officials, Appointed Officials, and Department Heads
September 30, 2011

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 President of Council
Council Member - District 6	Larry Vannoy
Council Member - District 7	Ronica Ondocsin

Appointed Official

Executive Assistant to the Mayor	Nansi Clark
--	-------------

Department Heads

Police Chief	Larry Muncey
Public Works Director	Dana Stahl
City Clerk-Treasurer	Melanie Williard
Recreation Director	Kory Alfred
Fire Chief	Ralph Cobb
Community Development and Planning Director	Amy Bell
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



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, 2011, 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, 2011, 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 August 22, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for the defined benefit pension plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and individual nonmajor fund financial statements and the other supplementary information, as 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 and individual nonmajor fund financial fund statements and other supplementary information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 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 do not express an opinion or provide any assurance on it.

MDA Professional Group, P.C.

Huntsville, Alabama
August 22, 2012



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, 2011.

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 and the statistical section on pages 132 - 147 of this report.

Financial Highlights

- Assets of the City of Madison exceeded its liabilities at the close of fiscal year 2011 by \$31,216,359 (net assets). Of this amount, the City has a deficit unrestricted net assets of \$123,757,126 offset by \$4,773,132 in restricted net assets and \$150,200,353 invested in capital assets net of related debt.
- The City's total net assets decreased \$5,169,436 (14%) in fiscal year 2011. Page 28 of this MD&A offers a detailed explanation of this decrease.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,570,424, a decrease of \$4,264,744 compared to the prior year. The unassigned fund balance of the General Fund was \$4,380,087, which the City may use for any lawful purpose. The unassigned fund balance of the General fund represents 15 percent of the total general fund expenditures.
- The City's total capital asset (net of accumulated depreciation) increased \$3,849,628, which primarily consists of the acquisition of land, equipment, construction of infrastructure, facilities and construction in progress.
- The City's bond payable increased \$11,915,000. The increase is due to the City issuance of general obligation taxable warrants and the current refunding of general obligation school warrants. Page 34 of this report provides detailed information on the changes in long-term liabilities.

OVERVIEW OF THE 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.

Management's Discussion and Analysis - Continued

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*. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the 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 38 - 39 in 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 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.

Management's Discussion and Analysis - Continued

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*.

The City of Madison maintains twenty (21) 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, and School Bonds fund, which are major funds. Data from the other eighteen (18) 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 is on pages 100 - 124 of this report.

The City of Madison adopted an annual appropriated budget for its general fund, water distribution and storage project and school bonds funds. A budgetary comparison statement for the general fund and the water distribution and storage project fund has been provided for these funds to demonstrate compliance with this budget and can be found on pages 43 - 44 of this report. The budgetary comparison schedule for the school bonds fund can be found on page .

The basic governmental fund financial statements are on pages 40 through 44 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 - 94 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 96 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets, especially net assets by category, may serve over time as a useful indicator of a government's financial position. At September 30, 2011, the City's net assets were \$31,216,359 which decreased by \$5,169,436 (14%) compared to prior fiscal year. This decrease is a result of the debt related to two (2) new general obligation warrants the City acquired in 2011.

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

	Governmental Activities		
	September 30, 2011	September 30, 2010	Change
Current and other assets	\$ 28,803,132	\$ 26,120,269	\$ 2,682,863
Capital assets	161,496,473	157,646,845	3,849,628
Total assets	190,299,605	183,767,114	6,532,491
Long-term liabilities outstanding	153,500,422	142,083,310	11,417,112
Other liabilities	5,582,824	5,298,009	284,815
Total liabilities	159,083,246	147,381,319	11,701,927
Net assets:			
Invested in capital assets, net of related debt	150,200,353	145,827,919	4,372,434
Restricted for:			
Debt service	885,733	437,031	448,702
Capital improvements	2,543,189	3,623,285	(1,080,096)
Other purposes	1,344,210	3,526,830	(2,182,620)
Unrestricted (deficit)	(123,757,126)	(117,029,270)	(6,727,856)
Total net assets	\$ 31,216,359	\$ 36,385,795	\$ (5,169,436)

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 still outstanding. Investments in capital assets at 2011 were \$150,200,353. The large negative unrestricted net assets in fiscal year 2010 (\$117,029,270) and 2011 (\$123,757,126) are related to the debt the City issued for the benefit of the City and 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 decreased the City of Madison's net assets by \$5,169,436. Key elements of the decrease are as follows:

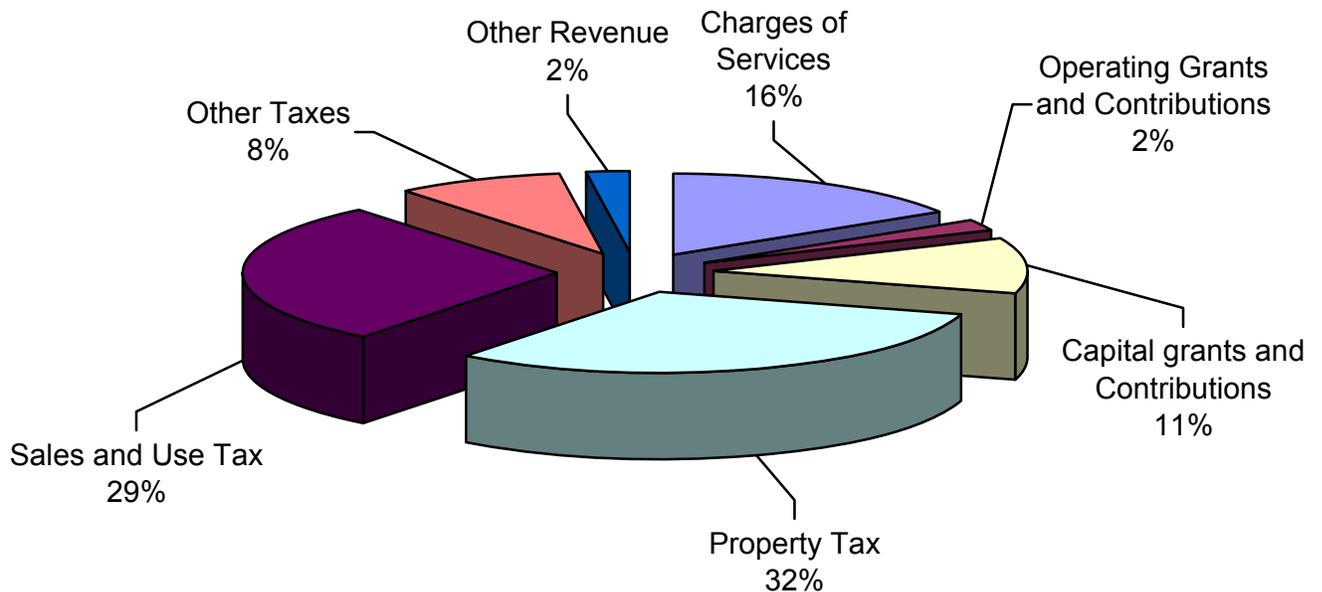
CITY OF MADISON'S CHANGES IN NET ASSETS

Governmental Activities			
	September 30, 2011	September 30, 2010	Change
Revenues			
Program revenues:			
Charges for services	\$ 6,803,230	\$ 6,469,684	\$ 333,546
Operating grants and contributions	1,040,601	549,698	490,903
Capital grants and contributions	4,655,268	5,109,221	(453,953)
General revenues:			
Property taxes and payments in lieu of taxes	13,300,494	12,696,539	603,955
Other taxes	15,837,283	16,114,912	(277,629)
Other revenue	950,724	930,393	20,331
Total revenues	42,587,600	41,870,447	717,153
Expenses:			
General Administration	8,932,566	1,909,670	7,022,896
Police	6,885,036	6,354,077	530,959
Public Works	7,626,295	7,073,640	552,655
City Clerk	713,036	723,726	(10,690)
Recreation	2,456,341	2,495,120	(38,779)
Fire	5,063,759	5,030,280	33,479
Planning	415,706	297,284	118,422
Court	959,052	947,423	11,629
City Council	136,649	132,518	4,131
Finance	668,777	641,623	27,154
Human Resources	3,814,565	3,731,814	82,751
Mayor's Office	313,643	362,853	(49,210)
Revenue	282,792	290,319	(7,527)
Engineering	540,623	607,580	(66,957)
Senior Center	329,658	330,938	(1,280)
Information Technology	426,419	322,760	103,659
Legal	245,139	323,660	(78,521)
Building	844,817	816,850	27,967
Interest on long-term debt	7,102,163	6,953,502	148,661
Total expenses	47,757,036	39,345,637	8,411,399
Increase (decrease) in net assets	(5,169,436)	2,524,810	(7,694,246)
Net assets - 10/01/2010	36,385,795	33,860,985	2,524,810
Net assets - 09/30/2011	\$ 31,216,359	\$ 36,385,795	\$(5,169,436)

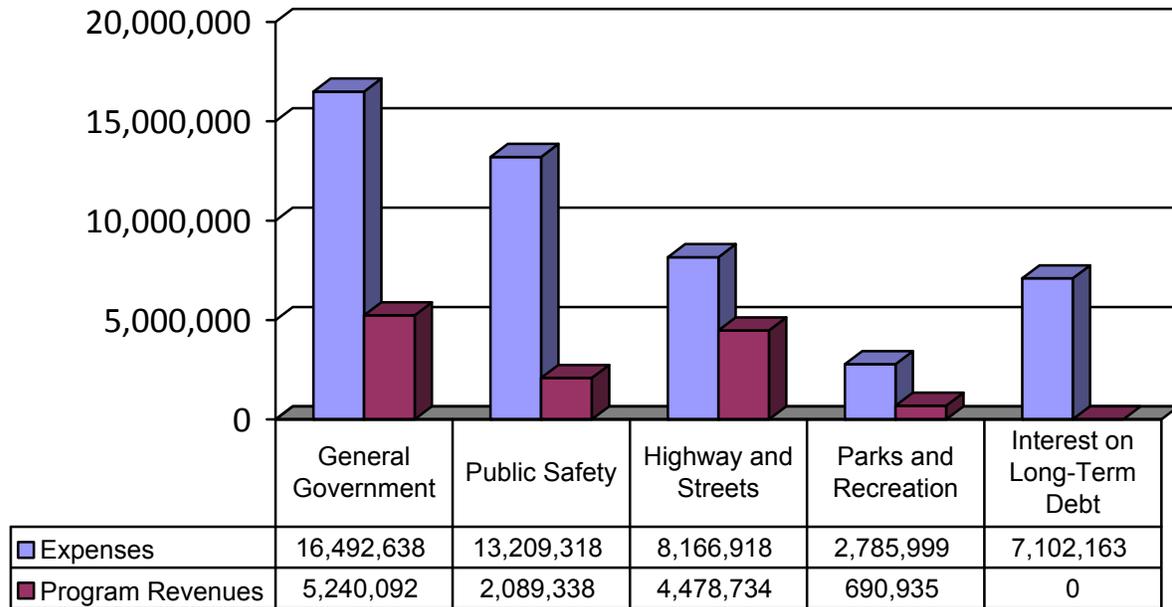
Management's Discussion and Analysis – Continued

- Property taxes increased by \$603,955 (5%) and sales taxes decreased by \$110,320 (.89%) during the year. Various other taxes decreased by \$167,309 (4%) compared to 2010.
- Operating grants and contributions for governmental activities experienced an increase of \$490,903. Capital grants and contribution experienced a decrease of \$453,953, primarily due to the decrease in 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 increased \$30,923 (4%) and interest income decreased by \$10,592 (9%).

Revenues by Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities



As discussed earlier, the City categorizes its governmental activities 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 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 \$9,570,424, a decrease of \$4,264,744 in comparison to the prior year. The amount of \$4,387,677 or 46% of the total fund balances constitutes unassigned 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. Of the remaining fund balance, \$409,615 are nonspendable for prepaid items, \$885,733 are restricted for debt service, \$2,543,189 are restricted for capital improvements, \$1,214,302 are other restricted and \$129,908 are assigned fund balance to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2011, unassigned fund balance of the general fund was \$4,380,087, while the total fund balance was \$4,949,898. Unassigned fund balance represents 15 percent of the total general fund expenditures, while total general fund balance represents 17 percent of the same amount.

The General Fund's fund balance decreased \$1,580,904 during the current fiscal year. Key factors in this decrease are as follows:

- Sales tax revenue decreased \$105,867 or 1% compared to prior fiscal year.
- Other taxes increased \$229,342 or 8% compared to prior fiscal year.
- Other revenue decreased \$277,630 or 27% compared to prior fiscal year.
- Other sources decreased \$1,036,275 or 27% compared to prior fiscal year.
- Expenditures increased \$715,709 or 3% compared to prior fiscal year.

At September 30, 2011, the water distribution and storage project fund had a fund balance of \$828,510, which represents a decrease of \$320,390 or 28 percent. This decrease directly related to the decrease in sales tax revenue of \$32,025, and an increase for expenditures to support the debt service requirements of the 2005 and 2006 debt service funds. The fund balance is restricted for use of the 5 ½ mill property taxes and a portion of the ½-cent sales tax for general obligation debt service requirements (payments of principal and interest).

At September 30, 2011, the school bonds fund had a fund balance of \$16,657. This fund balance represents an increase of \$16,652, which directly related to the refunding of the 2001-A General Obligation Warrants. The fund balance is restricted for debt service requirements (payments of principal and interest)

General Fund Budgetary Highlights

During the year, the appropriations between the original and final amended budget increased \$802,525. Following are the main components to the increase:

- The City Council approved approximately \$800,000 supplemental appropriation for capital outlay expenditures. This supplement appropriation used to purchase one time capital items such as vehicles, heavy equipment and improvements to city buildings.

Management's Discussion and Analysis – Continued

The City Council approved the supplemental appropriations based on the increase for revenues generated from intergovernmental, franchise fees and contribution and donations, which showed a steady increase in 2011 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 \$1,977,766 or 6%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Madison's investment in capital assets for its governmental activities as of September 30, 2011, amounts to \$161,496,473 (net of accumulated depreciation). This investment in capital assets includes land, improvements to 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 \$3,849,628 or 2% for 2011.

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

- Acquired additional building for \$133,145
- Construction for improvements to city buildings total \$602,795
- Constructed improvements to land for \$66,964
- Completed variety of improvements other than buildings for total cost \$677,417
- Construction began on various improvements

Management's Discussion and Analysis - Continued

CITY OF MADISON'S CAPITAL ASSETS
(Net of depreciation)

	Governmental Activities		
	September 30, 2011	September 30, 2010	Change
Land	\$28,036,047	\$ 27,244,527	\$ 791,520
Improvements to land	66,964	-	66,964
Buildings	7,337,718	7,426,353	(88,635)
Building improvements	3,232,320	1,462,277	1,770,043
Improvements other than buildings	1,821,567	1,135,957	685,610
Machinery and equipment	4,331,614	4,458,877	(127,263)
Infrastructure	105,517,537	106,166,863	(649,326)
Other	9,131	11,174	(2,043)
Construction in progress	11,143,575	9,740,817	1,402,758
	<u>\$161,496,473</u>	<u>\$157,646,845</u>	<u>\$ 3,849,628</u>

Additional information on the City's capital assets can be found in Note 4 on pages 68 - 69 of this report.

Long-Term Debt

At the end of the current fiscal year, the City of Madison had total outstanding debt of \$153,500,422. Of this amount, \$151,952,037 was comprised of the general obligation warrants backed by the full faith and credit of the City, \$1,402,695 was comprised of capital lease obligations collateralized by certain vehicles and equipment, and \$145,690 was comprised of the liability for other postemployment benefits.

Changes in debt outstanding are as follows:

	Governmental Activities		
	September 30, 2011	September 30, 2010	Change
Capital lease obligations	\$ 1,402,695	\$ 1,910,530	\$ (507,835)
General obligation warrants	153,870,000	141,955,000	11,915,000
Less deferred amount for:			
Issuance discounts	(1,052,755)	(1,169,655)	116,900
Deferred loss on refunding	(865,208)	(719,651)	(145,557)
Other postemployment benefits liability	145,690	107,086	38,604
	<u>\$ 153,500,422</u>	<u>\$ 142,083,310</u>	<u>\$11,417,112</u>

Management's Discussion and Analysis - Continued

The City of Madison's total debt increased \$11,417,112 or 8% during fiscal year 2011.

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 \$153,500,422 outstanding, the amount of \$93,155,000 is outstanding general obligation school warrants, which is not chargeable against the allowable debt limit. As of September 30, 2011, the City's allowable debt limit was \$108,279,292. The City's debt applicable to the limit was \$52,563,750 at September 30, 2011.

The City of Madison maintains a rating of "AA" from Standards & Poor's and a rating of "A1" from Moody's Investors Service for general obligation debt.

Additional information on the City's long-term debt is in Note 4 on pages 75 - 77 of this report.

ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES

The unemployment rate for the Madison County was 7.9 % in 2010 and increased to 8.2% in 2011. The unemployment rate for the State of Alabama was 9.0% at September 30, 2011.

The City's sales tax showed a decrease of less than 1 percent at the end of fiscal year 2011. Sales tax is the largest revenues source of the City.

The City considered all of these factors in preparing the budget for fiscal year 2012. The City conservatively approved the budget of the General Fund anticipating a slow growth, with a decrease of \$1,248,793 or 4 percent compared to the budget for fiscal year 2011.

The City of Madison appropriated \$1,501,267 of the unreserved fund balance in the General Fund to balance the 2012 budget without a general tax increase.

Although the fund balance of the General Fund is projected to decrease in 2012, the fund balance is projected to be more than 10 percent of the estimated revenues, which is the requirement of the City's fiscal policy.

Request for Information

This financial report 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.



BASIC FINANCIAL STATEMENTS

CITY OF MADISON, ALABAMA
STATEMENT OF NET ASSETS
September 30, 2011

	Primary Government	Component Units	
	Governmental Activities	The Water and Wastewater Board	Madison City Board of Education
ASSETS			
Cash and cash equivalents	\$ 7,769,745	\$ 3,296,467	\$ 55,860,923
Cash with fiscal agent	7,321,688	-	-
Investments	-	-	1,764,319
Receivables, net			
Tax and tax equivalents	9,594,087	-	-
Grants	55,308		
Other	1,911,091	1,224,523	2,379,550
Inventory	-	270,855	96,002
Prepaid expenses	409,615	95,308	-
Other	-	-	134,980
Total current assets	<u>27,061,534</u>	<u>4,887,153</u>	<u>60,235,774</u>
Noncurrent assets:			
Other assets	-	10,517,699	-
Bond issue costs, net	1,741,598	1,893,768	-
Capital assets not being depreciated	39,179,622	4,412,835	34,852,627
Capital assets net of accumulated depreciation	<u>122,316,851</u>	<u>160,215,768</u>	<u>88,601,227</u>
Total noncurrent assets	<u>163,238,071</u>	<u>177,040,070</u>	<u>123,453,854</u>
Total assets	<u>190,299,605</u>	<u>181,927,223</u>	<u>183,689,628</u>
LIABILITIES			
Accounts payable and other			
current liabilities	3,754,711	572,823	7,046,034
Interest payable	1,806,456	810,979	-
Deferred revenue	21,657	-	342,438
Noncurrent liabilities:			
Due within one year	8,230,063	2,277,883	597,616
Due in more than one year	<u>145,270,359</u>	<u>74,008,851</u>	<u>43,064,495</u>
Total liabilities	<u>159,083,246</u>	<u>77,670,536</u>	<u>51,050,583</u>
NET ASSETS			
Invested in capital assets, net of related debt	150,200,353	90,566,149	79,926,723
Restricted for:			
Debt service	885,733	-	3,534,035
Capital Improvements	2,543,189	-	31,509,605
Other purposes	1,344,210	7,029,279	-
Unrestricted (deficit)	<u>(123,757,126)</u>	<u>6,661,259</u>	<u>17,668,682</u>
Total net assets	<u>\$ 31,216,359</u>	<u>\$ 104,256,687</u>	<u>\$ 132,639,045</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, 2011**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	The Water and Wastewater Board	Madison City Board of Education
Functions/Programs							
Primary government:							
Governmental activities:							
General Administration	\$ 8,932,566	\$ 4,668,479	\$ 384,099	\$ 89,137	\$ (3,790,851)	\$ -	\$ -
Police	6,885,036	949,583	178,168	196,697	(5,560,588)	-	-
Public Works	7,626,295	938,761	-	3,539,973	(3,147,561)	-	-
City Clerk	713,036	-	-	-	(713,036)	-	-
Recreation	2,456,341	222,547	104,741	300,072	(1,828,981)	-	-
Fire	5,063,759	-	316,368	424,512	(4,322,879)	-	-
Planning	415,706	23,860	150	-	(391,696)	-	-
Court	959,052	-	-	-	(959,052)	-	-
City Council	136,649	-	-	-	(136,649)	-	-
Finance	668,777	-	-	-	(668,777)	-	-
Human Resources	3,814,565	-	-	-	(3,814,565)	-	-
Mayor's Office	313,643	-	-	98,377	(215,266)	-	-
Revenue	282,792	-	-	-	(282,792)	-	-
Engineering	540,623	-	-	-	(540,623)	-	-
Senior Center	329,658	-	57,075	6,500	(266,083)	-	-
Information Technology	426,419	-	-	-	(426,419)	-	-
Legal	245,139	-	-	-	(245,139)	-	-
Building	844,817	-	-	-	(844,817)	-	-
Interest on long-term debt	7,102,163	-	-	-	(7,102,163)	-	-
Total governmental activities	<u>\$ 47,757,036</u>	<u>\$ 6,803,230</u>	<u>\$ 1,040,601</u>	<u>\$ 4,655,268</u>	(35,257,937)	-	-
Component units:							
The Water and Wastewater Board	\$ 12,279,030	\$ 14,098,027	\$ -	\$ 1,926,162	-	3,745,159	-
Madison City Board of Education	85,720,804	7,142,782	49,498,737	2,554,086	-	-	(26,525,199)
Total component units	<u>\$ 97,999,834</u>	<u>\$ 21,240,809</u>	<u>\$ 49,498,737</u>	<u>\$ 4,480,248</u>	-	3,745,159	(26,525,199)
General revenues:							
Property taxes and payments in lieu of taxes					13,300,494	-	15,683,749
Sales and use taxes					12,232,843	-	9,230,431
Franchise taxes					395,607	-	-
Motor fuel taxes					608,793	-	-
Alcoholic beverage taxes					867,085	-	-
Rental taxes					426,918	-	-
Lodging taxes					1,115,104	-	-
Other taxes					190,933	-	121,412
Unrestricted interest income					106,993	37,619	234,104
Other					843,731	-	5,494,022
Gain (loss) on sale of capital assets					-	-	9,676
Total general revenues					<u>30,088,501</u>	<u>37,619</u>	<u>30,773,394</u>
Change in net assets					(5,169,436)	3,782,778	4,248,195
Net assets - beginning of year, as previously reported					36,385,795	87,272,492	123,945,607
Prior period adjustment					-	13,201,417	4,445,243
Net assets - beginning of year, restated					<u>36,385,795</u>	<u>100,473,909</u>	<u>128,390,850</u>
Net assets - end of year					<u>\$ 31,216,359</u>	<u>\$ 104,256,687</u>	<u>\$ 132,639,045</u>

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

**CITY OF MADISON, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2011**

	General	Water Distribution and Storage Project Fund	School Bonds Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,328,920	\$ 1,024,804	\$ -	\$ 3,416,021	\$ 7,769,745
Cash with fiscal agent	-	-	6,452,612	869,076	7,321,688
Receivables, net					
Taxes	5,535,474	3,738,809	-	318,297	9,592,580
Grants	55,308	-	-	1,507	56,815
Accounts	891,121	-	-	176,728	1,067,849
Due from other funds	1,553,846	264,897	-	656,315	2,475,058
Prepaid items	409,615	-	-	-	409,615
Total Assets	\$ 11,774,284	\$ 5,028,510	\$ 6,452,612	\$ 5,437,944	\$ 28,693,350
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 399,046	\$ -	\$ 11,800	\$ 699,715	\$ 1,110,561
Accrued liabilities	603,093	-	-	-	603,093
Due to other funds	879,314	1,000,000	-	595,744	2,475,058
Retainage payable	-	-	-	77,474	77,474
Deferred revenue	4,093,986	3,200,000	-	289,652	7,583,638
Other liabilities	848,947	-	6,424,155	-	7,273,102
Total Liabilities	6,824,386	4,200,000	6,435,955	1,662,585	19,122,926
Fund balances:					
Nonspendable:					
Prepaid items	409,615	-	-	-	409,615
Restricted:					
Debt service	-	-	16,657	869,076	885,733
Capital improvements	-	-	-	2,543,189	2,543,189
Other	160,196	828,510	-	225,596	1,214,302
Assigned	-	-	-	129,908	129,908
Unassigned	4,380,087	-	-	7,590	4,387,677
Total fund balances	4,949,898	828,510	16,657	3,775,359	9,570,424
Total Liabilities and Fund Balances	\$ 11,774,284	\$ 5,028,510	\$ 6,452,612	\$ 5,437,944	

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.	161,496,474
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	8,405,223
Accrued expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds.	(294,205)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(147,961,557)</u>
Net assets of governmental activities	<u>\$ 31,216,359</u>

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, 2011

	General	Water Distribution and Storage Project Fund	School Bonds Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property and payments in lieu of taxes	\$ 4,104,942	\$ 3,080,203	\$ 5,245,846	\$ 626,781	\$ 13,057,772
Sales and use	9,728,312	2,504,531	-	-	12,232,843
Franchise	395,607	-	-	-	395,607
Alcoholic beverage	867,085	-	-	-	867,085
Rental	426,918	-	-	-	426,918
Lodging	1,115,104	-	-	-	1,115,104
Other	190,933	-	-	-	190,933
Licenses and permits	4,668,479	-	-	-	4,668,479
Intergovernmental	846,944	-	-	1,121,941	1,968,885
Charges for services	1,141,860	-	-	86,375	1,228,235
Fines	708,104	-	-	198,414	906,518
Interest income	51,807	11,816	8,784	34,586	106,993
Contributions and donations	145,712	-	-	146,822	292,534
Other revenues	758,691	-	-	267,992	1,026,683
Total revenues	25,150,498	5,596,550	5,254,630	2,482,911	38,484,589
EXPENDITURES					
Current:					
General Administration	1,058,560	4,865	-	7,153,810	8,217,235
Police	6,421,952	-	-	12,035	6,433,987
Public Works	3,429,556	-	-	993,313	4,422,869
City Clerk	704,585	-	-	-	704,585
Recreation	2,204,272	-	-	-	2,204,272
Fire	4,667,173	-	-	-	4,667,173
Planning	405,786	-	-	-	405,786
Court	947,780	-	-	-	947,780
City Council	136,436	-	-	-	136,436
Finance	653,632	-	-	-	653,632
Human Resources	3,811,510	-	-	-	3,811,510
Mayor's Office	300,596	-	-	-	300,596
Revenue	280,049	-	-	-	280,049
Engineering	515,095	-	-	-	515,095
Senior Center	292,077	-	-	-	292,077
Information Technology	367,196	-	-	-	367,196
Legal	243,754	-	-	-	243,754
Building	824,896	-	-	-	824,896
Debt service:					
Principal	507,835	-	960,000	870,000	2,337,835
Interest	66,729	-	4,285,848	2,691,459	7,044,036
Bond issue costs	-	-	96,835	166,902	263,737
Capital outlay	1,388,437	-	-	3,632,460	5,020,897
Total expenditures	29,227,906	4,865	5,342,683	15,519,979	50,095,433
Excess (deficiency) of revenues over (under) expenditures	(4,077,408)	5,591,685	(88,053)	(13,037,068)	(11,610,844)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	2,768,548	-	-	4,888,791	7,657,339
Transfers to other funds	(274,056)	(5,912,075)	-	(1,471,208)	(7,657,339)
Sales of capital assets	2,012	-	-	-	2,012
Bond issue discount	-	-	-	(60,617)	(60,617)
Bond proceeds	-	-	6,528,860	7,300,000	13,828,860
Payment to escrow agent	-	-	(6,424,155)	-	(6,424,155)
Total other financing sources (uses), net	2,496,504	(5,912,075)	104,705	10,656,966	7,346,100
Net change in fund balances	(1,580,904)	(320,390)	16,652	(2,380,102)	(4,264,744)
Fund balances - beginning of year	6,530,802	1,148,900	5	6,155,461	13,835,168
Fund balances - end of year	\$ 4,949,898	\$ 828,510	\$ 16,657	\$ 3,775,359	\$ 9,570,424

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, 2011**

Amounts reported for governmental activities in the statement of activities (page 39) are different because:

Net change in fund balances - total governmental funds (page 41)	\$ (4,264,744)
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.	459,067
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	3,391,114
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(553)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	710,438
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.	(4,742,516)
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>(722,242)</u>
Change in net assets of governmental activities (page 39)	<u><u>\$ (5,169,436)</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property and payments in lieu of taxes	\$ 4,161,924	\$ 4,211,924	\$ 4,104,942	\$ (106,982)
Sales and use	10,300,450	9,765,000	9,728,312	(36,688)
Franchise	337,664	348,895	395,607	46,712
Alcoholic beverage	874,328	874,328	867,085	(7,243)
Rental	441,952	441,952	426,918	(15,034)
Lodging	1,020,916	1,150,916	1,115,104	(35,812)
Other	237,245	239,245	190,933	(48,312)
Licenses and permits	4,738,831	4,738,831	4,668,479	(70,352)
Intergovernmental	703,620	787,080	846,944	59,864
Charges for services	1,213,541	1,217,610	1,141,860	(75,750)
Fines	735,551	735,551	708,104	(27,447)
Interest income	71,415	71,415	51,807	(19,608)
Contribution and donations	2,661	127,940	145,712	17,772
Other revenues	845,624	898,798	758,691	(140,107)
Total revenues	25,685,722	25,609,485	25,150,498	(458,987)
EXPENDITURES				
Current:				
General Administration	914,042	994,684	1,058,560	(63,876)
Police	6,819,679	6,812,908	6,421,952	390,956
Public Works	3,404,009	3,422,509	3,429,556	(7,047)
City Clerk	813,442	802,730	704,585	98,145
Recreation	2,567,197	2,436,861	2,204,272	232,589
Fire	5,128,050	5,139,092	4,667,173	471,919
Planning	424,202	426,036	405,786	20,250
Court	919,418	919,418	947,780	(28,362)
City Council	156,973	150,973	136,436	14,537
Finance	631,882	641,929	653,632	(11,703)
Human Resources	4,674,488	4,674,488	3,811,510	862,978
Mayor's Office	339,037	338,037	300,596	37,441
Revenue	306,395	275,736	280,049	(4,313)
Engineering	541,604	519,354	515,095	4,259
Senior Center	308,493	308,193	292,077	16,116
Information Technology	392,592	379,675	367,196	12,479
Legal	351,459	351,459	243,754	107,705
Building	931,410	972,514	824,896	147,618
Debt service:				
Principal	552,379	532,580	507,835	24,745
Interest	66,335	72,641	66,729	5,912
Capital outlay	111,561	1,033,855	1,388,437	(354,582)
Total expenditures	30,354,647	31,205,672	29,227,906	1,977,766
Excess (deficiency) of revenues over (under) expenditures	(4,668,925)	(5,596,187)	(4,077,408)	1,518,779
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	2,690,656	2,748,305	2,768,548	20,243
Transfers to other funds	(277,047)	(277,047)	(274,056)	2,991
Sales of capital assets	28,000	28,000	2,012	(25,988)
Total other financing sources (uses)	2,441,609	2,499,258	2,496,504	(2,754)
Net change in fund balances	(2,227,316)	(3,096,929)	(1,580,904)	1,516,025
Fund balances - beginning of year	6,530,802	6,530,802	6,530,802	-
Fund balances - end of year	\$ 4,303,486	\$ 3,433,873	\$ 4,949,898	\$ 1,516,025

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property and payments in lieu of taxes	\$ 3,063,349	\$ 3,063,349	\$ 3,080,203	\$ 16,854
Sales and use	2,575,000	2,575,000	2,504,531	(70,469)
Interest income	6,900	6,900	11,816	4,916
Total revenues	5,645,249	5,645,249	5,596,550	(48,699)
EXPENDITURES				
Current:				
General Administration	5,500	5,500	4,865	635
Total expenditures	5,500	5,500	4,865	635
Excess of revenues over expenditures	5,639,749	5,639,749	5,591,685	(48,064)
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(5,917,107)	(5,917,107)	(5,912,075)	5,032
Total other financing sources (uses)	(5,917,107)	(5,917,107)	(5,912,075)	5,032
Net change in fund balances	(277,358)	(277,358)	(320,390)	(43,032)
Fund balances - beginning of year	1,148,900	1,148,900	1,148,900	-
Fund balances - end of year	\$ 871,542	\$ 871,542	\$ 828,510	\$ (43,032)

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, 2011**

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CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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 and provides a full range of services to its citizens. The City provides services such as police and fire protection, municipal court services, land use planning services, building permits and inspection services, construction and maintenance of streets, sidewalks, traffic control services, drainage system, parks and recreation facilities, library services, trash collection and disposal services, senior citizens' programs, transportation services for the disabled citizens and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements 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. FINANCIAL REPORTING ENTITY

As required by GAAP, these basic financial statements present the primary government (the City) and its component units, entities for which the City is financially accountable. The City discretely presents each component unit in a separate column in the government-wide financial statements to emphasize the fact that each 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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. FINANCIAL REPORTING ENTITY - Continued -

DISCRETELY PRESENTED COMPONENT UNITS - continued

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.

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

Government-wide Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the City and its component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function/program are offset by the program revenues. Direct expenses are those that are clearly identifiable with a specific function/program. Program revenues includes (1) charges for services, which are revenues from applicants and/or individuals who purchase, use or directly benefit from services or privileges provided by a given function/program and (2) operating grant or capital grants and contributions restricted to meeting the operational or capital requirements of a particular function/program. Taxes and other revenues are properly not included in program revenues but reported as general revenues.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. BASIS OF PRESENTATION - continued

Fund Financial Statements

The City segregates transactions related to certain functions/programs or activities in separate funds to support financial management and to demonstrate legal compliance.

Separate statements are presented for governmental funds and proprietary funds. These statements present each major fund as a separate column on the fund financial statement; all non-major funds are combined and presented in a single-column.

Governmental Funds are those funds, which most governmental functions/programs typically finance. The measurement focus of governmental fund is on the sources, uses and balances of current financial resources. The following information provides a description of the *governmental funds* and the *major funds* of the City:

Governmental Funds:

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 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, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. BASIS OF PRESENTATION - continued

Major Funds:

The City reports the three (3) following major governmental funds:

General Fund

The General Fund is the City's primary operating fund. This fund accounts for all financial resources of the general government, except those required for accounting 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.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus refers to the amount of a transaction, which can be determined. Basis of accounting refers to when revenues and expenditures recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made regardless of the measurement focus applied.

The government-wide financial statements and the component unit financial statements are presented using economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) included on the statement of net assets and the statement of activities present increases and decreases to total net assets.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liabilities are incurred.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - continued

Governmental fund financial statements are reported using the current financial resources measurement focus and accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., both measure and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon thereafter to pay liabilities of the current period. The City considers revenues available if they are collected within sixty (60) days of the end of the fiscal period.

The revenues susceptible to accrual are property taxes, sales and use taxes, alcoholic beverage taxes, franchise fees, licenses, interest income, and intergovernmental revenues associated with the current fiscal period.

Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures and expenditures related to compensated absences and other long-term liabilities are recorded only when payments are due.

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.

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 Madison City Board of Education may not put public funds at risk by investing in companies not insured by the federal government.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - continued

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 uncollectible accounts.

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 City's property taxes are collected by 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 items are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year. Prepaid items are recorded in the fund and government-wide financial statements. Reported prepaid items in the General Fund are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - continued

Interfund Receivables, Payables and Transfers

Interfund receivables and payables are from Interfund transactions and recorded by all funds affected in the period. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from one fund, which are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund as a reduction of expenditures or expenses in the fund reimbursed. The City uses transfers to move revenues from the fund that statute or budget required for collecting them to the fund that statute or budget required for expending them.

Transfers are used to move revenue restricted to debt service from the fund(s) collecting the revenue to the debt service fund as debt service payments become due. In addition, transfers are used to move revenue collected in the General Fund to finance various functions/programs accounted for in another fund in accordance with budgetary operations.

Capital Assets

Capital assets of the City include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), 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 \$2,500 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. The City does not capitalize interest incurred during the construction phase of capital assets.

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, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - continued

Annual Leave, Sick Leave and Compensated Absences

Primary Government

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. An employee forfeits any accumulated annual leave that exceeds this amount at the end of the leave year. Upon separation from City service, the City will pay an employee all accrued annual leave for a maximum of 200 hours. Annual leave that is expected to liquidate 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. The City does not pay an employee sick leave upon separation from the City's services.

Discretely Presently Component Units

The **Madison Utilities 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, an employee may carry a total of 30 days of unused leave forward from one leave year to the next. The employee forfeits any leave that exceeds 30 days of unused leave year. 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. Madison Utilities Board does not pay an employee sick leave upon separation from the Board's services.

The compensated absences policy for **Madison City Board of Education** states that professional and support personnel 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 an employee cannot carry over unused personal leave to succeeding years, no liability for unpaid leave is reported in the financial statements.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - continued

Annual Leave, Sick Leave and Compensated Absences - Continued

Discretely Presently Component Units - continued

Employees with 10 years or less in service with Madison City Board of Education are allowed 10 working days. Employees with 11 years or greater in service with Madison City Schools are allowed 15 working days. An employee can carry over unused vacation leave to succeeding years to a maximum of 2 years of accrued leave as of June 30 of each year.

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, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - continued

Fund Balance Classifications

For the fiscal year ended September 30, 2011, the City has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental fund Type Definition*, which redefines how fund balances of the governmental fund are presented in the financial statements. Fund balances are classified as follows on the governmental fund financial statements:

- **Nonspendable**

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified prepaid items as being nonspendable.

- **Restricted**

This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

The City has recorded the following restrictions at September 30, 2011:

1. Restricted for debt service represents that portion of fund equity legally restricted for retirement of bond principal and payment of interest.
2. Restricted for capital improvements represents that portion of fund equity legally restricted for capital improvements (projects).
3. Restricted other fund equities legally for:
 - (a) Special Revenue Funds restricted that portion of fund equities for:
 - Restricted for Gasoline taxes and inspection fees by State law for streets and highways for maintenance, construction, traffic and street lighting
 - Restricted Library Fund for use of .5 mill property tax and donations for operational and capital needs of Madison Public Library
 - Restricted Correctional Fund by state law for use of resources for municipal court purposes
 - Restricted Federal Forfeiture Fund by federal law for police protection
 - Restricted Domestic Violence Fund by grantor for use of resources to support efforts to stop violence against women
 - Restricted Police Block Grant by grantor for use of resources to support police protection

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - continued

Fund Balance Classifications - continued

- **Committed**

This classification includes amounts that are used only for specific purposes pursuant to constraints imposed by formal action (ordinance or resolution) of the City Council. The City cannot use these amounts for any other purposes unless the City Council removes or changes the specified use by taking the same type of action employed when the funds were initially committed. In addition, this classification includes contractual obligations to the extent that existing resources has specially committed for use in satisfying those contractual requirements. The City had no committed fund balance at September 30, 2011.

- **Assigned**

This Classification includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. This intent is expressed by the City Council or the Mayor with the approval of the City Council. The City recorded the following assignments at September 30, 2011:

- (a) Assigned for use of resources donated for operational and capital needs of Madison Senior Center
- (b) Assigned for use of resources for operational capital needs of Madison Cemeteries
- (c) Assigned for use of resources for operational and capital needs of Madison Recreational Complexes

- **Unassigned**

This classification includes all amounts that are not included in other spendable classifications.

When available, the City uses restricted fund balances first, followed by committed resources, assigned resources, then unassigned resources, as appropriate opportunities arise. However, the City reserves the right to spend selectively unassigned resources first to defer the use of the other classified funds.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - continued

Net Assets

Net assets represent the difference between assets and liabilities of the governmental and proprietary funds. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, plus unspent debt proceeds.

Net assets are reported as restricted when there are limitations imposed on the use, through either the enabling legislation adopted by the city, creditors, grantors or law or regulations of other governments.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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

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 \$459,067 difference are as follows:

Capital outlay	\$ 5,020,897
Depreciation expense	<u>(4,561,830)</u>
 Net adjustment to increase net change in <i>fund</i> <i>balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ 459,067</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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 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 (\$4,742,516) difference are as follows:

Debt issued or incurred:	
General obligation taxable debt	\$ (7,300,000)
General obligation school debt	(6,445,000)
Premium on bonds issued	(83,860)
Discounts bonds issued	60,617
Bond issuance expense	263,737
Principal repayments:	
General obligation debt	1,830,000
Payments on capital leases	507,835
Payment to escrow agent for refunding	<u>6,424,155</u>
 Net adjustment to <i>net change in fund balances -</i> total governmental funds to <i>arrive at changes in net</i> <i>assets of governmental activities</i>	 <u>\$ (4,742,516)</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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

C. ANALYSIS OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES –
Continued – **EXPL**

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 (\$722,242) difference are as follows:

Compensated absences	\$ (61,084)
Accrued interest	(58,127)
Amortization of issuance costs	(94,047)
Amortization of bond discounts	(123,294)
Claims and judgments	(294,205)
Net Other postemployment benefits	<u>(91,485)</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>\$ (722,242)</u>

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, and the Fire CPR Fund of the special revenue funds, the Forward Purchase Bond Fund and the 2001 Capital Improvement Fund of the capital projects funds, and the 2011 Bond Fund of the debt service funds. All annual appropriations lapse at fiscal year-end.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

A. BUDGET INFORMATION - continued -

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 discussion and review at public work sessions. After the City Council holds all scheduled work sessions, 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.

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.

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	\$ 63,876
	Public Works	\$ 7,047
	Court	\$ 28,362
	Finance	\$ 11,703
	Revenue	\$ 4,313
	Capital Outlay	\$ 354,582

The available (unassigned) fund balance of the General Fund provided for expenditures, which exceeded appropriations.

C. DEFICIT FUND BALANCE

There were no funds with a deficit fund balance as of September 30, 2011.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 4. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Primary Government

At September 30, 2011, the City's deposits and bank balances fully 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, 2011, the City had \$7,321,688 investments in U.S. Treasury obligations held by banks trust departments.

State statute limits the City's investments to U.S. Treasury obligations, State of Alabama, Alabama County obligations and general obligations of Alabama municipalities.

Ordinance No. 95-119 - Investment Policy of the City of Madison, Alabama, as amended, limits investments of the City to the investments allowed by State law.

Credit Risk

The City's investments are in U.S. Treasury obligations as allowed and limited by State statute.

Custodial Credit Risk

At September 30, 2011, the entire City's deposits and bank balances are insured by federal depository insurance or part of SAFE.

Discretely Presently Component Units

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.

At September 30, 2011, 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 secured by U.S. Government securities.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011**

NOTE 4. DETAILED NOTES ON ALL FUNDS – Continued

B. DEFERRED REVENUES AND RECEIVABLES

Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources 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)	\$ 4,072,330	\$ -
Property taxes receivable (special revenue fund)	289,652	-
Property taxes receivable (water dist. Fund)	3,200,000	
Sidewalk revenue (general fund)	-	9,750
Property rental (general fund)	<u>-</u>	<u>11,907</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 7,561,982</u>	<u>\$ 21,657</u>

Receivables

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

Receivables:	<u>General</u>	<u>Water Distribution and Storage Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Taxes	\$ 5,535,474	\$ 3,738,809	\$ 318,297	\$ 9,592,580
Accounts	891,121	-	176,728	1,067,849
Grants	<u>55,308</u>	<u>-</u>	<u>1,507</u>	<u>56,815</u>
Total – receivables	<u>\$ 6,481,903</u>	<u>\$ 3,738,809</u>	<u>\$ 496,532</u>	<u>\$ 10,717,244</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

C. CAPITAL ASSETS

The Capital asset activity of the Primary Government for the year ended September 30, 2011, is as follows:

<u>Governmental Activities</u>	<u>Balance October 1, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfers</u>	<u>Balance September 30, 2011</u>
Capital assets, not being depreciated					
Land	\$ 27,244,527	\$ 791,520	\$ -	\$ -	\$ 28,036,047
Construction in progress	<u>9,740,817</u>	<u>2,859,846</u>	<u>-</u>	<u>(1,457,088)</u>	<u>11,143,575</u>
Total capital assets, not being depreciated	36,985,344	3,651,366	-	(1,457,088)	39,179,622
Capital assets, being depreciated					
Improvements to land	-	66,964	-	-	66,964
Buildings	10,933,085	133,145	-	-	11,066,230
Improvements to buildings	1,870,822	602,795	-	1,355,978	3,829,595
Improvements other than buildings	1,618,921	677,417	-	101,110	2,397,448
Machinery and Equipment	15,412,914	1,102,417	(213,293)	-	16,302,038
Infrastructure	139,923,907	2,177,907	-	-	142,101,814
Other	<u>14,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,300</u>
Total accumulated depreciation	169,773,949	4,760,645	(213,293)	1,457,088	175,778,389
Total capital assets, being depreciated, net					
Improvements to land	-	-	-	-	-
Buildings	(3,506,732)	(221,780)	-	-	(3,728,512)
Improvements to buildings	(408,545)	(188,730)	-	-	(597,275)
Improvements other than buildings	(482,964)	(92,917)	-	-	(575,881)
Machinery and equipment	(10,954,037)	(1,229,127)	212,740	-	(11,970,424)
Infrastructure	(33,757,044)	(2,827,233)	-	-	(36,584,277)
Other	<u>(3,126)</u>	<u>(2,043)</u>	<u>-</u>	<u>-</u>	<u>(5,169)</u>
Total capital assets, being depreciated, net	<u>(49,112,448)</u>	<u>(4,561,830)</u>	<u>212,740</u>	<u>-</u>	<u>(53,461,538)</u>
Total capital assets, Being depreciated, net	<u>120,661,501</u>	<u>198,815</u>	<u>(553)</u>	<u>1,457,088</u>	<u>122,316,851</u>
Governmental activities, Capital assets, net	<u>\$ 157,646,845</u>	<u>\$ 3,850,181</u>	<u>\$ (553)</u>	<u>\$ -</u>	<u>\$ 161,496,473</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

C. CAPITAL ASSETS - continued -

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

General Administration	\$ 112,300
Police	432,799
Public Works	3,198,072
City Clerk	8,136
Recreation	245,704
Fire	376,980
Planning	8,542
Court	8,649
City Council	213
Finance	12,876
Human Resources	2,976
Mayor's Office	12,773
Revenue	2,233
Engineering	25,341
Senior Center	36,367
Information Technology	59,118
Legal	988
Building	<u>17,763</u>
Total depreciation expense - governmental activities	<u>\$4,561,830</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011**

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 Utilities Board**, a discretely presented component unit, capital assets during the fiscal year:

	Balance October 1, 2010	Increase	Decrease	Balance September 30, 2011
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Water system	\$ 85,738,558	\$ 4,472,233	\$ 187,453	\$ 90,023,338
Wastewater system	100,856,437	2,515,097	14,273	103,357,261
General plant	4,787,276	256,401	301,495	4,742,183
Construction in progress	<u>3,681,641</u>	<u>4,600,228</u>	<u>7,073,985</u>	<u>1,207,884</u>
 Total capital assets, being depreciated	 195,063,912	 11,843,959	 7,577,206	 199,330,666
 Less accumulated depreciation for:				
Water system	18,967,305	1,977,301	6,664,492	14,280,114
Wastewater system	22,017,582	2,224,660	6,573,278	17,668,964
General plant	<u>2,747,750</u>	<u>276,564</u>	<u>271,329</u>	<u>2,752,985</u>
Total accumulated depreciation	<u>43,732,637</u>	<u>4,478,525</u>	<u>13,509,099</u>	<u>34,702,063</u>
Madison Water and Wastewater Board capital assets, net	<u>\$151,331,275</u>	<u>\$ 7,339,645</u>	<u>\$ 5,957,682</u>	<u>\$164,628,603</u>

Depreciation expense charged as follows:

Expense	\$4,400,537
Other	<u>77,988</u>
	<u>\$4,478,525</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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**, a discretely presented component unit, capital assets during the fiscal year:

	Balance October 1, <u>2010</u>	<u>Additions</u>	Retirements and <u>Reclassifications</u>	Balance September 30, <u>2011</u>
Governmental Activities:				
Land	\$ 7,410,334	\$ -	\$ -	\$ 7,410,334
Land improvements	8,503,789	83,304		8,587,093
Buildings	100,948,045	2,369,184	-	103,317,229
Equipment	2,854,855	838,130	24,485	3,668,500
Construction in progress	3,970,323	24,065,616	593,646	27,442,293
Vehicles, restated	<u>4,978,911</u>	<u>302,232</u>	<u>66,000</u>	<u>5,215,143</u>
Total at historic cost	128,666,257	27,658,466	684,131	155,640,592
Less accumulated depreciation for:				
Land improvements, restated	3,744,202	338,624	-	4,082,827
Buildings	21,153,198	1,929,180	-	23,082,377
Equipment, restated	1,881,167	271,388	24,485	2,128,070
Vehicles, restated	<u>2,559,078</u>	<u>400,386</u>	<u>66,000</u>	<u>2,893,464</u>
Total accumulated depreciation	<u>29,337,645</u>	<u>2,939,579</u>	<u>90,485</u>	<u>32,186,738</u>
Governmental Activities Capital Assets, Net	<u>\$ 99,328,612</u>	<u>\$ 2,878,438</u>	<u>\$ 421,537</u>	<u>\$ 123,453,854</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

C. CAPITAL ASSETS - Continued -

Discretely presented components units - Continued -

Depreciation expense charged to governmental functions is as follows:

Instructional services	\$ 1,940,122
Instructional support services	323,354
Operational and maintenance services	58,792
Student transportation services	352,749
Food services	<u>264,562</u>
Total governmental activities depreciation expense	<u>\$ 2,939,579</u>

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded and payments are made. The composition of interfund balances as of September 30, 2011, 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	\$ 468,020
	Domestic Violence Fund	1,507
	TVA Tax Distribution Fund	56,135
	Library Fund	21,132
	Water Distribution and Storage Project Fund	1,000,000
	2006 Capital Improvement Fund	6,958
	Cemetery Fund	94
Gasoline Taxes Fund	General Fund	8,353
TVA Tax Distribution Fund	General Fund	19,947
Library Fund	General Fund	10,751
Recreation Tournament Fund	General Fund	44,195
Water Distribution and Storage Project Fund	General Fund	264,897
Correctional Fund	General Fund	75,551
Cemetery Fund	General Fund	48,573
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	General Fund	<u>404,662</u>
	Total	<u>\$ 2,475,058</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011**

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	\$ 274,056
Non-major governmental funds	General Fund	268,548
Non-major governmental funds	Non-major governmental funds	1,202,660
Water Distribution and Storage Project Fund	General Fund	2,500,000
Water Distribution and Storage Project Fund	Non-major governmental funds	<u>3,412,075</u>
	Total	<u>\$ 7,657,339</u>

The City uses transfers to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers are used to move revenue restricted to debt service from the fund(s) collecting the revenue to the debt service fund as debt service payment becomes due. In addition, transfers are used to move revenue collected in the General Fund to finance various functions/programs accounted for in another fund in accordance with budgetary operations.

E. CAPITAL LEASES

Primary Government

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		\$ 2,673,734
Less: Accumulated depreciation		<u>991,025</u>
	Total	<u>\$ 1,682,709</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

E. CAPITAL LEASES - continued -

Primary Government

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011, are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2012	\$ 432,321
2013	432,321
2014	243,057
2015	197,144
2016	81,420
2017-2018	<u>142,484</u>
Total minimum lease payments	1,528,747
Less: amount representing interest	<u>(126,052)</u>
Present value of minimum lease payments	<u><u>\$1,402,695</u></u>

Discretely presented components unit

The Madison Utilities Board, a discretely presented component unit, entered into a 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, 2011, are as follows:

<u>Year Ending September 30</u>	
2012	\$ 20,243
Thereafter	<u>-</u>
Total minimum lease payments	20,243
Less: amounts due currently	<u>(20,243)</u>
	<u><u>\$ -</u></u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

F. LONG-TERM DEBT

Primary Government

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 , 2006 Bond Fund and 2011 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, 2011, are as follows:

	<u>Range of Interest Rates</u>	<u>Amount</u>
<u>General Obligation Warrants</u>		
Series 2005	4.70% - 5.75%	\$ 16,795,000
Series 2006-A	3.50% - 4.54%	36,620,000
Series 2011 - Taxable	1.50% - 5.24%	7,300,000
<u>General Obligation School Warrants</u>		
Series 2001-A	2.15% - 5.125%	6,215,000
Series 2002	1.65% - 5.125%	17,615,000
Series 2008-A	2.40% - 4.750%	11,970,000
Series 2009	1.25% - 5.250%	50,910,000
Series 2011-A	0.85% - 4.000%	<u>6,445,000</u>
		<u>\$153,870,000</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011**

NOTE 4. DETAILED NOTES ON ALL FUNDS – Continued

F. LONG-TERM DEBT – continued –

Primary Government – continued

Current Refunding

In August 2011, the City issued \$6,445,000 General Obligation School Warrants for a current refunding of the 2001-A General Obligation School warrants for \$6,424,155. The City refunded the 2001-A General obligation School Warrants to reduce total future debt service payments. The transaction reduced debt service payments by \$550,798 and resulted in an economic gain of \$507,953.

Future Debt Service

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>
2012	\$ 7,850,000	\$ 7,063,191
2013	2,655,000	6,909,464
2014	2,810,000	6,811,114
2015	3,055,000	6,695,944
2016	3,505,000	6,563,834
2017-2021	21,360,000	30,297,501
2022-2026	27,715,000	24,229,750
2027-2031	29,745,000	17,413,938
2032-2036	36,015,000	9,525,397
2037-2039	<u>19,160,000</u>	<u>1,329,230</u>
Total governmental activities	<u>\$ 153,870,000</u>	<u>\$ 116,839,363</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

F. LONG-TERM DEBT - Continued -

Primary Government - continued

Changes in long-term liabilities

During the year ended September 30, 2011, the following changes occurred in the City's long-term liabilities:

	<u>Balance October 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2011</u>
Capital lease obligations	\$ 1,910,530	\$ -	\$ 507,835	\$ 1,402,695
General obligation warrants payable	141,955,000	13,745,000	1,830,000	153,870,000
Less deferred amounts for:				
Issuance discounts	(1,169,655)	23,242	(93,658)	(1,052,755)
Deferred loss on refunding	(719,651)	(199,800)	(54,243)	(865,208)
Other postemployment benefits liability	<u>107,086</u>	<u>39,840</u>	<u>1,236</u>	<u>145,690</u>
Long-term liabilities	<u>\$142,083,310</u>	<u>\$13,608,282</u>	<u>\$ 2,191,170</u>	<u>\$153,500,422</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011**

NOTE 4. DETAILED NOTES ON ALL FUNDS – Continued

F. LONG-TERM DEBT – Continued –

Discretely presented components unit

Revenue bonds

The Madison Utilities 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, 2011, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 2,030,000	\$ 2,888,894
2013	2,105,000	2,830,985
2014	2,180,000	2,771,191
2015	2,265,000	2,702,505
2016	2,350,000	2,635,941
2017-2021	12,770,000	12,065,830
2022-2026	15,300,000	9,626,748
2027-2031	19,015,000	5,927,485
2032-2035	<u>17,110,000</u>	<u>1,415,913</u>
	<u>\$75,125,000</u>	<u>\$42,865,492</u>

Changes in long-term liabilities

During the year ended September 30, 2011, the following changes in the liabilities reported for the Madison Water and Wastewater Board, a discretely presented component unit:

	<u>Balance October 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2011</u>
Revenue bonds	<u>\$77,085,000</u>	<u>\$13,315,000</u>	<u>\$15,275,000</u>	<u>\$75,125,000</u>
Long-term liabilities	<u>\$77,085,000</u>	<u>\$13,315,000</u>	<u>\$15,275,000</u>	<u>\$75,125,000</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

G. RESTRICTED NET 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>	
Debt service	General Obligation Warrants	\$ 885,733
Capital Improvements	Law	2, 543,189
Non-major special revenue funds	Law	<u>1,344,210</u>
Total restricted assets		<u>\$ 4,773,132</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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 City 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 City 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. Madison City 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 after they exhausted all other means. The Board does not have insurance coverage for job-related injuries. The City may file claims for employee job-related injuries 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, 2011

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 \$308,989 from the Water and Wastewater Board for the year ended September 30, 2011.

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, 2011, the City received \$355,130 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 October 10, 2011, the City of Madison approved payment of \$115,664 to Lee Builders, Inc., for the portion of work completed on the construction of Fire Station #2.

On October 24, 2011, the City of Madison approved payment of \$144,234 to Reed Contracting for the portion of work completed on the Highway 72 Improvements Project.

On October 24, 2011, the City of Madison approved payment of \$90,841 to CFW, Inc. for the portion of work completed on the Highway 72 Water Relocation Project.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 5. OTHER INFORMATION - Continued

D. SUBSEQUENT EVENTS - continued

On October 24, 2011, the City of Madison approved payment of \$105,375 to Angelo Lafrate for the portion of work completed on the Gillespie Road Bridge Project.

On November 14, 2011, the City of Madison approved payment of \$279,951 to Lee Builders, Inc., for the portion of work completed on the construction of Fire Station #2.

On November 28, 2011, the City of Madison approved payment of \$96,794 to Joe Keenum Excavation & Construction for the portion of work completed on Gooch Land Resurfacing Project and \$162,493 for portion of work completed on Zierdt Road Resurfacing Project.

On November 28, 2011, the City of Madison approved the issuance of \$18,460,000 general obligation school warrants for refunding the 2002 general obligation school warrants totaling \$18,192,764. The bonds have an interest rate of 3.00% and mature February 1, 2032 with payments semi-annually in February and August.

On December 12, 2011, the City of Madison approved payment of \$252,167 to Lee Builders, Inc., for the portion of work completed on the construction of Fire Station #2.

On December 12, 2011, the City of Madison approved payment of \$138,535 to Reed Contracting for portion of work completed on the Highway 72 Improvements Project.

On December 19, 2011, the City of Madison approved acceptance of a grant from Alabama Department of Economic and Community Affairs (ADECA) for \$32,700 to support the services to prevent Domestic Violence.

On January 9, 2012, the City of Madison approved payment of \$110,049 to Reed Contracting for the portion of work completed on Highway 72 Improvements Project.

On January 9, 2012, the City of Madison approved payment of \$301,036 to Lee Builders, Inc., for the portion of work completed on the construction of Fire Station #2.

On January 9, 2012, the City of Madison approved acceptance of Assistance to Firefighters grant for \$144,500 to purchase radios.

On January 9, 2012, the City of Madison approved a contract with Reed Contracting for \$165,755 to construct Right-of-Way improvements on Highway 72.

On February 13, 2012, the City of Madison approved payment of \$395,959 to Lee Builders, Inc., for the portion of work completed on the construction of Fire Station #2.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 5. OTHER INFORMATION – Continued

D. SUBSEQUENT EVENTS – continued

On February 27, 2012, the City of Madison approved a contract with Continental Roofing for \$36,585 to construct 14 metal roof canopies and support structures for baseball dugouts.

On March 14, 2012, the City of Madison approved payment of \$402,092 to Lee Builders, Inc., for the portion of work completed on the construction of Fire Station #2.

On March 26, 2012, the City of Madison approved the purchase of one (1) Mid-size Hydraulic Excavator for \$76,750.

On April 9, 2012, City of Madison approved payment of \$88,807 to Lee Builders, Inc., for the portion of work completed on the construction of Fire Station #2.

On April 23, 2012, the City of Madison approved payment of \$42,006 to Probate Judge of Madison County for purchase of land for Gillespie Road Extension Project.

On May 14, 2012, the City of Madison approved payment of \$143,574 to Lee Builders, Inc., for the portion of work completed on the construction of Fire Station #2.

On May 14, 2012, the City of Madison approved an agreement with the City of Huntsville, Alabama, D/B/A Huntsville-Madison County Emergency Management Agency, which the agency will provide funding of \$18,742 to the City for sustainment of the Heavy Rescue Team.

On June 11, 2012, the City of Madison approved payment of \$148,969 to Lee Builders, Inc., for the portion of work completed on the construction of Fire Station #2.

On June 11, 2012, the City of Madison approved the Old Madison Pike Resurfacing Project an ATRIP Funded project for \$130,000, which added the project to the City's Capital Improvement Program.

On August 13, 2012, the City of Madison approved agreed terms of a settlement to refund sales tax revenue of \$294,205. The City recorded the liability as of September 30, 2011.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 5. OTHER INFORMATION - Continued

D. SUBSEQUENT EVENTS - continued

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 August 22, 2012, which is the date the financial statements were available for issuance.

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, 2011**

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, 2011, was 9.56% of covered payroll.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011**

NOTE 5. OTHER INFORMATION - Continued

F. DEFINED BENEFITS PENSION PLAN - continued

Primary Government

Annual Pension Cost

For fiscal year September 30, 2011, the City's annual pension cost of \$1,495,915 was equal to the City's required and actual annual contributions. The required contribution was determined as part of the September 30, 2010 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 amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at September 30, 2010 was 30 years.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, the pension liability of \$-0- calculated at the transition date. Trend information for the most current valuation year 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>
9/30/2008	\$1,112,014	100%	\$0
9/30/2009	\$1,358,593	100%	\$0
9/30/2010	\$1,384,917	100%	\$0

Funding Status

The funded status of the most recent actuarial valuation date is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Percentage of Covered Payroll (b-a)/c</u>
09/30/2010	\$27,567,350	\$40,920,926	\$13,353,576	67.4%	\$15,215,226	87.8%

As required, the schedule of funding progress is presented in the supplementary information following the notes to the financial statements. The information shows multi-year trend about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 5. OTHER INFORMATION – Continued

F. DEFINED BENEFITS PENSION PLAN – continued

Discretely Presented Component Units

Madison Utilities Board

Plan Description

Substantially all employees of Madison Utilities Board are members of the Employees' Retirement System of Alabama (RSA), an agent multiple employer public employee retirement system, that acts as a common investment and administrative agent for the various state agencies, counties, municipalities, and other eligible departments. The employee retirement system established as of October 1, 1945, was 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. RSA issues a publicly available 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 Pension Plan 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

Beginning October 1, 2012, Madison Utilities Board will be required to contribute the following percentage of gross payroll to the plan:

Normal cost	4.17%
Accrued liability	4.84%
Pre-Retirement death benefit	0.15%
Administrative expense	<u>0.18%</u>
Total	9.34%
Employer Contribution Factor	1.55%

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011**

NOTE 5. OTHER INFORMATION - Continued

F. DEFINED BENEFITS PENSION PLAN - continued

Discretely Presented Component Units

Madison Utilities Board - continued

Employee contributions to the plan went up 2.25% to 7.25% beginning October 1, 2011, and an additional 0.25% to 7.50% beginning October 1, 2012.

Based on an actuarial valuation completed as of September 30, 2010, the most recent year for which information is available, the Annual Pension Cost 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>
9/30/2008	\$156,390	100%	\$0
9/30/2009	\$177,895	100%	\$0
9/30/2010	\$175,677	100%	\$0

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, 2010 was 30 years.

Based on an actuarial valuation completed as of September 30, 2011, the schedule of funding progress 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>
9/30/2008	\$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%
9/30/2010	\$4,891,169**	\$7,114,669	\$2,223,500	68.7%	\$2,349,145	94.7%

*Reflect impact of Act 2011-27 and Act 2011-676 that increases member contributions by 2.25% in 2011 and .25% in 2012

** Market Value of Assets as of September 30, 2010: \$4,115,303

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 5. OTHER INFORMATION - Continued

F. DEFINED BENEFITS PENSION PLAN - continued

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 calculated by two methods with the retirees receiving payment under the method that yields the highest monthly benefit.

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.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011**

NOTE 5. OTHER INFORMATION - Continued

F. DEFINED BENEFITS PENSION PLAN - continued

Discretely Presented Component Unit

Madison City Board of Education - continued

Funding Policy

Employees of the Madison City Board of Education are required to contribute 5 percent of their salary to the Teachers' Retirement System. 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.

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>2011</u>	<u>2010</u>	<u>2009</u>
<u>Contributions:</u>			
Percentage contributed by the Board	12.51%	12.51%	12.07%
Percentage contributed by employees	5.00%	5.00%	5.00%
Amount contributed by the Board	\$ 5,243,788	\$ 5,186,889	\$ 4,851,708
Amount contributed by employees	<u>2,095,838</u>	<u>2,073,097</u>	<u>2,009,825</u>
Total contributions	<u>\$ 7,339,626</u>	<u>\$ 7,259,986</u>	<u>\$ 6,861,533</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 5. OTHER INFORMATION - Continued

G. OTHER POSTEMPLOYMENT BENEFITS

Primary Government

General Information

In fiscal year 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement no. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (OPEB). The City recognizes the cost of OPEB during the period of employees' active employment and discloses the accumulated liability from prior years to account accurately for the total future cost of OPEB and the financial impact on the City. The City phases the accumulated liability over 30 years beginning with the liability of fiscal year 2009.

Plan Description

The City's OPEB is a single-employer defined benefit healthcare plan administered by the City. 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 postemployment benefit policy, as all benefit policies, was established by City ordinance and approved by the City Council. The City Council is the governing body, which approves and amends the policy. The Human Resources Department administers the City's OPEB policy.

Funding Policy

The City currently pays 100% of the OPEB benefits on a pay-as-you-go basis. The City's policies stipulate the amount subjected to annual appropriation by the City. The City has the option to establish a trust to accumulate and invest assets necessary to pay the accumulated liability. These financial statements are prepared assuming pay-as-you-go funding will continue. The City's funding policy is to not fund the Annual Required Contribution except to the extent of the current year's retiree costs.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 5. OTHER INFORMATION – Continued

G. OTHER POSTEMPLOYMENT BENEFITS – continued

Annual Required Contribution

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) used for the OPEB.

The following table shows the components of the annual OPEB cost for the amount actually contributed to the plan, and changes in the net OPEB obligation:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual required contribution (ARC)	\$ 41,750	\$ 54,205	\$ 54,205
Interest on net OPEB obligation	4,283	-	-
Adjustments to annual required contribution	<u>(6,193)</u>	<u>-</u>	<u>-</u>
Annual OPEB Cost	39,840	54,205	54,205
Actual annual employer contribution – pay-as-go cost	<u>(1,236)</u>	<u>-</u>	<u>(1,324)</u>
Change in net OPEB obligation	38,604	54,205	52,881
Beginning net OPEB obligation	<u>107,086</u>	<u>52,881</u>	<u>-</u>
Ending net OPEB obligation	<u>\$145,690</u>	<u>\$107,086</u>	<u>\$ 52,881</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011**

NOTE 5. OTHER INFORMATION - Continued

G. OTHER POSTEMPLOYMENT BENEFITS - continued

Funding Status and Funding Progress

As of September 30, 2010, 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 are made about the future. As of September 30, 2010, the actuarial accrued liability was \$489,174.

The City's OPEB plan funding progress is as follows

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered payroll ((a - a)/c)
9/30/2008	\$-	\$537,826	\$537,826	0.00%	\$14,318,376	3.76%
9/30/2009	\$-	\$537,826	\$537,826	0.00%	\$14,318,376	3.76%
9/30/2010	\$-	\$489,174	\$489,174	0.00%	\$15,305,233	3.20%

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 5. OTHER INFORMATION - Continued

G. OTHER POSTEMPLOYMENT BENEFITS - continued

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, 2010, 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) 10.50% - 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, 2011**

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Liability (AAL) Entry Age (b) ¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/05	\$17,063,082	\$21,641,106	\$4,578,024	78.8%	\$11,030,637	41.5%
9/30/06 ²	\$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%
9/30/10 ³	\$27,567,350	\$40,920,926	\$13,353,576	67.4%	\$15,215,226	87.8%
9/30/10 ⁴	\$27,567,350	\$41,103,288	\$13,535,938	67.1%	\$15,215,226	89.0%

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

²Reflects changes in actuarial assumptions.

³Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

⁴Reflects the impact of Act 2011-27 as well as Act 2011-676, which increases the member contribution rates by 2.25 beginning October 1, 2011 and by an additional .025 beginning October 1, 2012.

*Market Value of Assets as of September 30, 2010: \$23,508,132

SUPPLEMENTARY INFORMATION

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property and payments in lieu of taxes	\$ 5,245,849	\$ 5,245,849	\$ 5,245,846	\$ (3)
Interest income	15	15	8,784	8,769
Total revenues	5,245,864	5,245,864	5,254,630	8,766
EXPENDITURES				
Current:				
General Administration	-	-	-	-
Debt service:				
Principal	960,000	960,000	960,000	-
Interest	4,285,849	4,285,849	4,285,848	1
Bond issue cost	-	-	96,835	(96,835)
Total expenditures	5,245,849	5,245,849	5,342,683	(96,834)
Excess (deficiency) of revenues over (under) expenditures	15	15	(88,053)	(88,068)
OTHER FINANCING SOURCES (USES)				
Bond proceeds 2011-A school warrants	-	-	6,528,860	6,528,860
Payment to refund bonds	-	-	(6,424,155)	(6,424,155)
Total other financing sources (uses)	-	-	104,705	104,705
Net change in fund balances	15	15	16,652	16,637
Fund balances - beginning of year	5	5	5	-
Fund balances - end of year	<u>\$ 20</u>	<u>\$ 20</u>	<u>\$ 16,657</u>	<u>\$ 16,637</u>

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

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

**CITY OF MADISON, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,093,405	\$ -	\$ 2,322,616	\$ 3,416,021
Cash with fiscal agent	-	869,076	-	869,076
Receivables:				
Taxes	318,297	-	-	318,297
Grants	1,507	-	-	1,507
Accounts	176,728	-	-	176,728
Due from other funds	209,755	-	446,560	656,315
Total assets	\$ 1,799,692	\$ 869,076	\$ 2,769,176	\$ 5,437,944
LIABILITIES				
Accounts payable	\$ 166,256	\$ -	\$ 533,459	\$ 699,715
Due to other funds	546,888	-	48,856	595,744
Deferred revenue	289,652	-	-	289,652
Retainage payable	-	-	77,474	77,474
Total liabilities	1,002,796	-	659,789	1,662,585
FUND BALANCES				
Restricted:				
Debt service	-	869,076	-	869,076
Capital improvements	433,802	-	2,109,387	2,543,189
Other	225,596	-	-	225,596
Assigned	129,908	-	-	129,908
Unassigned	7,590	-	-	7,590
Total fund balances	796,896	869,076	2,109,387	3,775,359
Total liabilities and fund balances	\$ 1,799,692	\$ 869,076	\$ 2,769,176	\$ 5,437,944

CITY OF MADISON, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 626,781	\$ -	\$ -	\$ 626,781
Intergovernmental	697,429	-	424,512	1,121,941
Charges for services	86,375	-	-	86,375
Fines	198,414	-	-	198,414
Interest income	10,831	8,953	14,802	34,586
Contributions and donations	57,685	-	89,137	146,822
Other	206,917	-	61,075	267,992
Total revenues	1,884,432	8,953	589,526	2,482,911
EXPENDITURES				
General Administration	651,355	6,500,000	2,455	7,153,810
Police	12,035	-	-	12,035
Public Works	993,313	-	-	993,313
Debt service:				
Principal	-	870,000	-	870,000
Interest	-	2,691,459	-	2,691,459
Bond issue cost	-	166,902	-	166,902
Capital outlay	328,831	-	3,303,629	3,632,460
Total expenditures	1,985,534	10,228,361	3,306,084	15,519,979
Excess (deficiency) of revenues over (under) expenditures	(101,102)	(10,219,408)	(2,716,558)	(13,037,068)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	274,056	3,412,075	1,202,660	4,888,791
Transfers to other funds	(1,471,208)	-	-	(1,471,208)
Bond issue discount	-	(60,617)	-	(60,617)
Bond proceeds	-	7,300,000	-	7,300,000
Total other financing sources (uses)	(1,197,152)	10,651,458	1,202,660	10,656,966
Net change in fund balances	(1,298,254)	432,050	(1,513,898)	(2,380,102)
Fund balances - beginning of year	2,095,150	437,026	3,623,285	6,155,461
Fund balances - end of year	<u>\$ 796,896</u>	<u>\$ 869,076</u>	<u>\$ 2,109,387</u>	<u>\$ 3,775,359</u>



DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE

Special revenue funds are used to account for specific revenues 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 inspected fees and the City's 2-cent gasoline taxes. State law requires these gasoline taxes to 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 uses the 2-cent gasoline tax for operation and maintenance of streets.

TVA Tax Distribution Fund - This fund is used to account for revenues restricted to expenditures for the school system. A total of 65% of the revenues of TVA Tax distribution are restricted for 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 are 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 revenues generated from fines restricted by the State for 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 is 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 is used to account for revenues received from recreational tournaments.

CITY OF MADISON, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	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
ASSETS													
Cash and cash equivalents	\$ 534,510	\$ 33,161	\$ 34,314	\$ 1,065	\$ -	\$ 466,290	\$ 21,144	\$ -	\$ -	\$ 1	\$ 2,920	\$ -	\$ 1,093,405
Receivables													
Taxes	-	-	-	318,297	-	-	-	-	-	-	-	-	318,297
Grants	-	-	-	-	-	-	-	-	1,507	-	-	-	1,507
Accounts	158,126	18,602	-	-	-	-	-	-	-	-	-	-	176,728
Due from other funds	8,353	19,947	-	10,751	75,551	-	-	48,573	2,385	-	-	44,195	209,755
Total assets	\$ 700,989	\$ 71,710	\$ 34,314	\$ 330,113	\$ 75,551	\$ 466,290	\$ 21,144	\$ 48,573	\$ 3,892	\$ 1	\$ 2,920	\$ 44,195	\$ 1,799,692
LIABILITIES													
Accounts payable	\$ 124,480	\$ 7,985	\$ -	\$ 1,303	\$ -	\$ 32,488	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 166,256
Due to other funds	468,020	56,135	-	21,132	-	-	-	94	1,507	-	-	-	546,888
Deferred revenue	-	-	-	289,652	-	-	-	-	-	-	-	-	289,652
Total liabilities	592,500	64,120	-	312,087	-	32,488	-	94	1,507	-	-	-	1,002,796
FUND BALANCES													
Restricted:													
Capital improvements	-	-	-	-	-	433,802	-	-	-	-	-	-	433,802
Other	108,489	-	-	18,026	75,551	-	21,144	-	2,385	1	-	-	225,596
Assigned	-	-	34,314	-	-	-	-	48,479	-	-	2,920	44,195	129,908
Unassigned	-	7,590	-	-	-	-	-	-	-	-	-	-	7,590
Total fund balances	108,489	7,590	34,314	18,026	75,551	433,802	21,144	48,479	2,385	1	2,920	44,195	796,896
Total liabilities and fund balances	\$ 700,989	\$ 71,710	\$ 34,314	\$ 330,113	\$ 75,551	\$ 466,290	\$ 21,144	\$ 48,573	\$ 3,892	\$ 1	\$ 2,920	\$ 44,195	\$ 1,799,692

**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, 2011**

	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
REVENUES													
Taxes	\$ 346,713	\$ -	\$ -	\$ 280,068	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 626,781
Intergovernmental	608,793	79,610	-	-	-	-	-	-	9,026	-	-	-	697,429
Charges for services	-	-	-	-	-	-	-	47,200	-	-	-	39,175	86,375
Fines	-	-	-	-	198,414	-	-	-	-	-	-	-	198,414
Contributions and donations	-	-	57,075	-	-	-	-	-	-	-	610	-	57,685
Other	19,025	-	-	1,345	-	184,413	1,099	-	-	-	1,035	-	206,917
Interest income	2,730	284	214	827	-	6,616	151	-	-	-	9	-	10,831
Total revenues	977,261	79,894	57,289	282,240	198,414	191,029	1,250	47,200	9,026	-	1,654	39,175	1,884,432
EXPENDITURES													
Current:													
General Administration	-	56,119	13,018	549,730	-	32,488	-	-	-	-	-	-	651,355
Police	-	-	-	-	-	-	-	-	12,035	-	-	-	12,035
Public Works	947,105	-	-	-	-	-	-	46,208	-	-	-	-	993,313
Capital outlay	268,784	-	16,215	-	-	-	43,832	-	-	-	-	-	328,831
Total expenditures	1,215,889	56,119	29,233	549,730	-	32,488	43,832	46,208	12,035	-	-	-	1,985,534
Excess (deficiency) of revenues over (under) expenditures	(238,628)	23,775	28,056	(267,490)	198,414	158,541	(42,582)	992	(3,009)	-	1,654	39,175	(101,102)
OTHER FINANCING SOURCES (USES)													
Transfers from other funds	-	-	-	271,047	-	-	-	-	3,009	-	-	-	274,056
Transfers to other funds	-	(30,217)	-	-	(188,331)	(1,202,660)	-	(25,000)	-	-	-	(25,000)	(1,471,208)
Total other financing sources (uses)	-	(30,217)	-	271,047	(188,331)	(1,202,660)	-	(25,000)	3,009	-	-	(25,000)	(1,197,152)
Net change in fund balances	(238,628)	(6,442)	28,056	3,557	10,083	(1,044,119)	(42,582)	(24,008)	-	-	1,654	14,175	(1,298,254)
Fund balances - beginning of year	347,117	14,032	6,258	14,469	65,468	1,477,921	63,726	72,487	2,385	1	1,266	30,020	2,095,150
Fund balances - end of year	\$ 108,489	\$ 7,590	\$ 34,314	\$ 18,026	\$ 75,551	\$ 433,802	\$ 21,144	\$ 48,479	\$ 2,385	\$ 1	\$ 2,920	\$ 44,195	\$ 796,896

**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, 2011**

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes	\$ 337,554	\$ 346,713	\$ 9,159
Intergovernmental	581,291	608,793	27,502
Interest income	1,000	2,730	1,730
Other	-	19,025	19,025
Total revenues	919,845	977,261	57,416
EXPENDITURES			
Current:			
Public Works	888,496	947,105	(58,609)
Engineering	75,000	-	75,000
Capital Outlay	194,842	268,784	(73,942)
Total expenditures	1,158,338	1,215,889	(57,551)
Net change in fund balances	(238,493)	(238,628)	(135)
Fund balances - beginning of year	347,117	347,117	-
Fund balances - end of year	\$ 108,624	\$ 108,489	\$ (135)

**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, 2011**

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Intergovernmental	\$ 65,641	\$ 79,610	\$ 13,969
Interest income	232	284	52
	Total revenues	65,873	79,894
			14,021
EXPENDITURES			
Current:			
General Administration	42,667	56,119	(13,452)
	Total expenditures	42,667	56,119
			(13,452)
Excess of revenues over expenditures	23,206	23,775	569
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(34,974)	(30,217)	4,757
	Total other financing sources (uses)	(34,974)	(30,217)
			4,757
Net change in fund balances	(11,768)	(6,442)	5,326
Fund balances - beginning of year	14,032	14,032	-
Fund balances - end of year	\$ 2,264	\$ 7,590	\$ 5,326

**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, 2011**

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Contributions and donations	\$ 55,735	\$ 57,075	\$ 1,340
Interest income	45	214	169
Total revenues	55,780	57,289	1,509
 EXPENDITURES			
Current:			
General Administration	14,861	13,018	1,843
Capital Outlay	35,139	16,215	18,924
Total Expenditures	50,000	29,233	20,767
 Net change in fund balances	 5,780	 28,056	 22,276
Fund balances - beginning of year	6,258	6,258	-
 Fund balances - end of year	\$ 12,038	\$ 34,314	\$ 22,276

**CITY OF MADISON, ALABAMA
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes	\$ 278,486	\$ 280,068	\$ 1,582
Other	1,345	1,345	-
Interest income	320	827	507
	<u> </u>	<u> </u>	<u> </u>
Total revenues	280,151	282,240	2,089
EXPENDITURES			
Current:			
General Administration	555,546	549,730	5,816
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	555,546	549,730	5,816
	<u> </u>	<u> </u>	<u> </u>
Deficiency of revenues under expenditures	(275,395)	(267,490)	7,905
OTHER FINANCING SOURCES			
Transfers from other funds	272,047	271,047	(1,000)
	<u> </u>	<u> </u>	<u> </u>
Total other financing sources	272,047	271,047	(1,000)
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balances	(3,348)	3,557	6,905
Fund balances - beginning of year	14,469	14,469	-
	<u> </u>	<u> </u>	<u> </u>
Fund balances - end of year	<u>\$ 11,121</u>	<u>\$ 18,026</u>	<u>\$ 6,905</u>

**CITY OF MADISON, ALABAMA
CORRECTIONAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Fines	\$ 188,331	\$ 198,414	\$ 10,083
Total revenues	188,331	198,414	10,083
 OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(188,331)	(188,331)	-
Total other financing sources (uses)	(188,331)	(188,331)	-
Net change in fund balances	-	10,083	10,083
Fund balances - beginning of year	65,468	65,468	-
Fund balances - end of year	<u>\$ 65,468</u>	<u>\$ 75,551</u>	<u>\$ 10,083</u>

**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, 2011**

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Other	\$ 184,412	\$ 184,413	\$ 1
Interest income	1,611	6,616	5,005
	Total revenues	186,023	191,029
			5,006
EXPENDITURES			
General Administration	-	32,488	(32,488)
	Total expenditures	-	32,488
			(32,488)
Excess of revenues over expenditures	186,023	158,541	(27,482)
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(1,202,660)	(1,202,660)	-
	Total other financing sources (uses)	(1,202,660)	-
			-
Net change in fund balances	(1,016,637)	(1,044,119)	(27,482)
Fund balances - beginning of year	1,477,921	1,477,921	-
Fund balances - end of year	\$ 461,284	\$ 433,802	\$ (27,482)

**CITY OF MADISON, ALABAMA
CEMETERY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Charges for services	\$ 32,350	\$ 47,200	\$ 14,850
Total revenues	32,350	47,200	14,850
EXPENDITURES			
Current:			
Public Works	48,316	46,208	2,108
Total expenditures	48,316	46,208	2,108
Excess (deficiency) of revenues over (under) expenditures	(15,966)	992	16,958
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(25,000)	(25,000)	-
Net change in fund balances	(40,966)	(24,008)	16,958
Fund balances - beginning of year	72,487	72,487	-
Fund balances - end of year	\$ 31,521	\$ 48,479	\$ 16,958

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, 2011

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Intergovernmental	\$ 11,500	\$ 9,026	\$ (2,474)
Total revenues	11,500	9,026	(2,474)
EXPENDITURES			
Current:			
Police	19,500	12,035	7,465
Total expenditures	19,500	12,035	7,465
Deficiency of revenues under expenditures	(8,000)	(3,009)	4,991
OTHER FINANCING SOURCES			
Transfers from other funds	8,000	3,009	(4,991)
Total other financing sources	8,000	3,009	(4,991)
Net change in fund balances	-	-	-
Fund balances - beginning of year	-	2,385	2,385
Fund balances - end of year	\$ -	\$ 2,385	\$ 2,385

CITY OF MADISON, ALABAMA
RECREATION TOURNAMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Charges for services	\$ 12,500	\$ 39,175	\$ 26,675
Total revenues	12,500	39,175	26,675
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(25,000)	(25,000)	-
Total other financing sources (uses)	(25,000)	(25,000)	-
Net change in fund balances	(12,500)	14,175	26,675
Fund balances - beginning of year	30,020	30,020	-
Fund balances - end of year	<u>\$ 17,520</u>	<u>\$ 44,195</u>	<u>\$ 26,675</u>

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 payment of the general obligation 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 payment of the general obligation 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.

2011 Bond Fund - This fund is used to account for the accumulation of resources for payment of the general obligation taxable warrants dated March 1, 2011. The general portion of the sales tax generated from the development for which the proceeds was used to purchase will provide 100% of the debt service requirements for the general obligation taxable warrants. There is no approved budget for this fund.

**CITY OF MADISON, ALABAMA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	2005 Bond Fund	2006 Bond Fund	2011 Bond Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash with fiscal agent	\$ 431,783	\$ 213	\$ 437,080	\$ 869,076
Total assets	\$ 431,783	\$ 213	\$ 437,080	\$ 869,076
 FUND BALANCES				
Restricted:				
Debt service	\$ 431,783	\$ 213	\$ 437,080	\$ 869,076
Total fund balances	\$ 431,783	\$ 213	\$ 437,080	\$ 869,076

**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, 2011**

	2005 Bond Fund	2006 Bond Fund	2011 Bond Fund	Total Nonmajor Governmental Funds
REVENUES				
Interest income	\$ 1	\$ -	\$ 8,952	\$ 8,953
Total revenues	1	-	8,952	8,953
EXPENDITURES				
Current:				
General Administration	-	-	6,500,000	6,500,000
Debt service:				
Principal	175,000	695,000	-	870,000
Interest	873,625	1,673,481	144,353	2,691,459
Bond issue cost	-	-	166,902	166,902
Total expenditures	1,048,625	2,368,481	6,811,255	10,228,361
Deficiency of revenues under expenditures	(1,048,624)	(2,368,481)	(6,802,303)	(10,219,408)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	1,043,594	2,368,481	-	3,412,075
Bond proceeds from 2011 bond issue	-	-	7,300,000	7,300,000
Bond issue discount	-	-	(60,617)	(60,617)
Total other financing sources (uses)	1,043,594	2,368,481	7,239,383	10,651,458
Net change in fund balances	(5,030)	-	437,080	432,050
Fund balances - beginning of year	436,813	213	-	437,026
Fund balances - end of year	<u>\$ 431,783</u>	<u>\$ 213</u>	<u>\$ 437,080</u>	<u>\$ 869,076</u>

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, 2011

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Interest income	\$ -	\$ 1	\$ 1
Total revenues	-	1	1
EXPENDITURES			
Debt Service:			
Principal	175,000	175,000	-
Interest	873,626	873,625	1
Total expenditures	1,048,626	1,048,625	1
Deficiency of revenues under expenditures	(1,048,626)	(1,048,624)	2
OTHER FINANCING SOURCES			
Transfers from other funds	1,048,626	1,043,594	(5,032)
Total other financing sources	1,048,626	1,043,594	(5,032)
Net change in fund balances	-	(5,030)	(5,030)
Fund balances - beginning of year	436,813	436,813	-
Fund balances - end of year	\$ 436,813	\$ 431,783	\$ (5,030)

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, 2011

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Interest income	\$ -	\$ -	\$ -
Total revenues	-	-	-
EXPENDITURES			
Current:			
General Administration	-	-	-
Debt Service:			
Principal	695,000	695,000	-
Interest	1,673,481	1,673,481	-
Total expenditures	2,368,481	2,368,481	-
Deficiency of revenues under expenditures	(2,368,481)	(2,368,481)	-
OTHER FINANCING SOURCES			
Transfers from other funds	2,368,481	2,368,481	-
Total other financing sources	2,368,481	2,368,481	-
Net change in fund balances	-	-	-
Fund balances - beginning of year	213	213	-
Fund balances - end of year	\$ 213	\$ 213	\$ -



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 - The City uses this fund to account for the Forward Purchase contract fees for the series 1995 General Obligation Warrants.

2001 Capital Improvement Fund - The City uses this fund 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).

2006 Capital Improvement Fund - The City uses this fund to account for acquisition, construction and improvements of buildings/facilities, parks, streets, sidewalks, bridges, and drainage facilities. The financing of this capital improvement fund was provided by the sales of general obligation warrants dated December 1, 2006.

CITY OF MADISON, ALABAMA
 CAPITAL PROJECTS FUNDS
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2011

	Forward Purchase Bond Fund	2001 Capital Improvement Fund	2006 Capital Improvement Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 2,322,616	\$ 2,322,616
Due from other funds	35,289	6,609	404,662	446,560
Total assets	\$ 35,289	\$ 6,609	\$ 2,727,278	\$ 2,769,176
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 533,459	\$ 533,459
Retainage payable	-	-	77,474	77,474
Due to other funds	-	-	48,856	48,856
Total Liabilities	-	-	659,789	659,789
 FUND BALANCES				
Restricted:				
Capital projects	35,289	6,609	2,067,489	2,109,387
Total fund balances	35,289	6,609	2,067,489	2,109,387
Total liabilities and fund balances	\$ 35,289	\$ 6,609	\$ 2,727,278	\$ 2,769,176

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, 2011

	Forward Purchase Bond Account	2001 Capital Improvement Fund	2006 Capital Improvement Fund	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 424,512	\$ 424,512
Interest income	-	-	14,802	14,802
Contribution and donations	-	-	89,137	89,137
Other	-	-	61,075	61,075
Total revenues	-	-	589,526	589,526
EXPENDITURES				
Current:				
General Administration	-	-	2,455	2,455
Capital outlay	-	-	3,303,629	3,303,629
Total expenditures	-	-	3,306,084	3,306,084
Deficiency of revenues under expenditures	-	-	(2,716,558)	(2,716,558)
OTHER FINANCING SOURCES				
Transfers from other funds	-	-	1,202,660	1,202,660
Total other financing sources	-	-	1,202,660	1,202,660
Net change in fund balances	-	-	(1,513,898)	(1,513,898)
FUND BALANCES AT BEGINNING OF YEAR	35,289	6,609	3,581,387	3,623,285
FUND BALANCES AT END OF YEAR	\$ 35,289	\$ 6,609	\$ 2,067,489	\$ 2,109,387

**CITY OF MADISON, ALABAMA
2006 CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Intergovernmental	\$ 4,403,678	\$ 424,512	\$ (3,979,166)
Contributions and donations	-	89,137	89,137
Interest income	11,543	14,802	3,259
Other	-	61,075	61,075
	Total revenues	589,526	(3,825,695)
EXPENDITURES			
Current:			
General Administration	-	2,455	(2,455)
Capital outlay	7,935,044	3,303,629	4,631,415
	Total expenditures	3,306,084	4,628,960
Deficiency of revenues under expenditures	(3,519,823)	(2,716,558)	803,265
OTHER FINANCING SOURCES			
Transfers from other funds	1,202,660	1,202,660	-
	Total other financing sources	1,202,660	-
Net change in fund balances	(2,317,163)	(1,513,898)	803,265
Fund balances - beginning of year	3,581,387	3,581,387	-
Fund balances - end of year	\$ 1,264,224	\$ 2,067,489	\$ 803,265

**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, 2011 and 2010

	2011	2010
Governmental funds capital assets:		
Land	\$ 28,036,047	\$ 27,244,527
Improvements to land	66,964	-
Buildings	11,066,230	10,933,085
Improvements to buildings	3,829,595	1,870,822
Improvements other than buildings	2,397,448	1,618,921
Machinery and equipment	16,302,038	15,412,914
Infrastructure	142,101,814	139,923,907
Other	14,300	14,300
Construction in progress	11,143,575	9,740,817
 Total governmental funds capital assets	 \$ 214,958,011	 \$ 206,759,293
 Investments in governmental funds capital assets by source:		
Current revenues	\$ 64,660,850	\$ 60,467,518
Federal and state grants	2,688,263	2,073,991
Donations	147,608,898	144,217,784
 Total investments in governmental funds capital assets	 \$ 214,958,011	 \$ 206,759,293

CITY OF MADISON, ALABAMA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 September 30, 2011

Function and Activity	Land	Improvements to Land	Buildings	Improvements to Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Other	Construction in Progress	Total
General Government:										
General Administration	\$ 1,642,270	-	\$ 3,275,439	\$ 1,320,643	\$ 47,836	\$ 521,000	\$ 3,694	\$ -	\$ 73,323	\$ 6,884,205
City Clerk	-	-	-	-	-	68,408	-	-	-	68,408
Court	-	-	-	39,638	-	75,887	-	-	-	115,525
City Council	-	-	-	-	-	48,397	-	-	-	48,397
Finance	-	-	-	-	483,472	136,333	-	-	-	619,805
Human Resources	-	-	-	6,782	-	39,288	-	-	-	46,070
Mayor's Office	-	-	-	37,610	45,800	54,613	-	-	-	138,023
Revenue	-	-	-	5,512	-	24,014	-	-	-	29,526
Information Technology	-	-	-	-	22,707	314,398	-	-	-	337,105
Legal	-	-	-	-	-	9,189	-	-	-	9,189
Total General Government	<u>1,642,270</u>	<u>-</u>	<u>3,275,439</u>	<u>1,410,185</u>	<u>599,815</u>	<u>1,291,527</u>	<u>3,694</u>	<u>-</u>	<u>73,323</u>	<u>8,296,253</u>
Public Safety:										
Police	-	-	6,139	1,500,524	22,723	4,224,557	-	14,300	-	5,768,243
Fire	264,712	-	2,133,097	202,562	153,501	4,570,639	-	-	539,587	7,864,098
Planning	-	-	-	-	-	79,187	-	-	-	79,187
Building	-	-	2,175	9,889	-	180,740	-	-	-	192,804
Total Public Safety	<u>264,712</u>	<u>-</u>	<u>2,141,411</u>	<u>1,712,975</u>	<u>176,224</u>	<u>9,055,123</u>	<u>-</u>	<u>14,300</u>	<u>539,587</u>	<u>13,904,332</u>
Highways and Streets:										
Public Works	24,416,056	-	240,753	70,354	75,333	4,344,123	141,911,714	-	7,599,109	178,657,442
Engineering	-	-	-	8,167	-	152,940	183,406	-	1,608,073	1,952,586
Total Highways and Streets	<u>24,416,056</u>	<u>-</u>	<u>240,753</u>	<u>78,521</u>	<u>75,333</u>	<u>4,497,063</u>	<u>142,095,120</u>	<u>-</u>	<u>9,207,182</u>	<u>180,610,028</u>
Culture and Recreation:										
Recreation	1,713,009	66,964	5,408,627	232,962	1,543,431	1,262,587	3,000	-	1,323,483	11,554,063
Senior Center	-	-	-	394,952	2,645	195,738	-	-	-	593,335
Total Culture and Recreation	<u>1,713,009</u>	<u>66,964</u>	<u>5,408,627</u>	<u>627,914</u>	<u>1,546,076</u>	<u>1,458,325</u>	<u>3,000</u>	<u>-</u>	<u>1,323,483</u>	<u>12,147,398</u>
Total Governmental Funds										
Capital Assets	<u>\$ 28,036,047</u>	<u>\$ 66,964</u>	<u>\$ 11,066,230</u>	<u>\$ 3,829,595</u>	<u>\$ 2,397,448</u>	<u>\$ 16,302,038</u>	<u>\$ 142,101,814</u>	<u>\$ 14,300</u>	<u>\$ 11,143,575</u>	<u>\$ 214,958,011</u>

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, 2011

Function and Activity	Governmental Funds Capital Assets Oct. 1, 2010	Additions	Transfers In (Out)	Deductions	Governmental Funds Capital Assets Sept. 30, 2011
General Government:					
General Administration	\$ 6,859,059	\$ 25,284	\$ (138)	\$ -	\$ 6,884,205
City Clerk	77,142	-	-	(8,734)	68,408
Court	117,015	-	-	(1,490)	115,525
City Council	66,894	-	(18,497)	-	48,397
Finance	301,139	382,362	(60,483)	(3,213)	619,805
Human Resources	40,669	9,630	-	(4,229)	46,070
Mayor's Office	54,613	83,410	-	-	138,023
Revenue	34,067	-	(3,096)	(1,445)	29,526
Information Technology	262,272	53,380	30,266	(8,813)	337,105
Legal	9,189	-	-	-	9,189
Total General Government	7,822,059	554,066	(51,948)	(27,924)	8,296,253
Public Safety:					
Police	5,102,023	758,417	17,477	(109,674)	5,768,243
Fire	7,280,161	658,078	-	(74,141)	7,864,098
Planning	75,863	-	3,324	-	79,187
Building	149,737	-	43,067	-	192,804
Total Public Safety	12,607,784	1,416,495	63,868	(183,815)	13,904,332
Highways and Streets:					
Public Works	175,014,814	3,635,969	8,213	(1,554)	178,657,442
Engineering	181,239	1,791,480	(20,133)	-	1,952,586
Total Highways and Streets	175,196,053	5,427,449	(11,920)	(1,554)	180,610,028
Culture and Recreation:					
Recreation	10,591,239	962,824	-	-	11,554,063
Senior Center	542,158	51,177	-	-	593,335
Total Culture and Recreation	11,133,397	1,014,001	-	-	12,147,398
Total Governmental Funds Capital Assets	\$ 206,759,293	\$ 8,412,011	\$ -	\$ (213,293)	\$ 214,958,011

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.

Contents	Page
Financial Trends The financial trend schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time	132
Revenue Capacity The revenue capacity schedules contain information to help the reader assess the City’s most significant local revenue sources	138
Debt Capacity 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	141
Demographic and Economic Information 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	144
Operating Information 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	146

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 150,200,353
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	4,773,132
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>	<u>(123,757,126)</u>
Total primary government net assets	<u>\$ (67,703,970)</u>	<u>\$ (58,883,344)</u>	<u>\$ (49,595,704)</u>	<u>\$ (33,650,840)</u>	<u>\$ 55,329,081</u>	<u>\$ 51,753,318</u>	<u>\$ 33,860,985</u>	<u>\$ 36,385,795</u>	<u>\$ 31,216,359</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 Nine Fiscal Years

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
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	\$ 8,932,566
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	6,885,036
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	7,626,295
City Clerk	509,185	497,313	514,980	593,326	600,855	716,232	701,582	723,726	713,036
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	2,456,341
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	5,063,759
Planning	646,654	670,844	1,113,999	1,108,540	950,345	1,044,590	1,033,775	297,284	415,706
Court	733,894	782,283	728,975	820,348	977,773	1,141,156	1,009,392	947,423	959,052
City Council	194,887	148,081	166,347	166,233	164,042	136,565	139,128	132,518	136,649
Finance	336,586	325,728	412,043	676,174	933,230	975,935	783,590	641,623	668,777
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	3,814,565
Mayor's Office	215,210	221,062	205,702	222,821	294,973	240,042	534,363	362,853	313,643
Revenue	164,043	172,564	177,909	193,477	271,231	267,950	267,595	290,319	282,792
Engineering	317,077	508,776	-	-	370,309	475,749	522,673	607,580	540,623
Senior Center	192,828	205,440	221,414	240,054	247,233	264,757	291,083	330,938	329,658
Information Technology	165,658	264,432	195,542	-	-	-	-	322,760	426,419
Legal	321,162	331,916	238,394	270,325	342,431	353,696	358,047	323,660	245,139
Building	-	-	-	-	-	-	-	816,850	844,817
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	7,102,163
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	47,757,036
Program Revenues									
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	4,668,479
Police	815,943	775,629	726,247	929,819	1,301,002	1,431,594	1,096,954	912,124	949,583
Public Works	268,497	281,387	557,889	701,200	885,562	959,913	990,721	975,398	938,761
Recreation	203,199	213,074	212,315	199,431	196,753	211,911	211,029	208,430	222,547
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	23,860
Building	-	-	-	-	-	-	-	1,598,029	-
Operating grants and contributions	275,534	462,353	571,702	719,661	798,730	538,991	552,339	549,698	1,040,601
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	4,655,268
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	12,499,099
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)	(35,257,937)

Schedule 2
CITY OF MADISON, ALABAMA
Changes in Net Assets - continued
Last Nine Fiscal Years

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and other Changes in Net Assets									
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	13,300,494
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	12,232,843
Franchise taxes	223,573	221,689	254,292	264,641	272,468	221,258	327,829	347,142	395,607
Motor fuel taxes	864,166	855,290	901,617	901,443	953,992	934,719	960,310	1,005,444	608,793
Alcoholic beverage taxes	749,075	683,839	714,943	769,249	828,045	839,850	855,690	826,942	867,085
Rental taxes	362,116	339,205	323,682	355,019	408,314	452,728	424,872	405,911	426,918
Lodging taxes	420,887	669,228	766,627	872,677	909,090	968,545	939,661	969,411	1,115,104
Other taxes	172,257	318,803	377,061	483,421	218,401	264,834	288,481	216,899	190,933
Unrestricted investment earnings	237,034	130,950	241,056	447,027	1,168,713	724,089	371,540	117,585	106,993
Other	-	4,618,776	5,614,248	4,761,282	18,314,482	5,355,535	6,726,170	831,401	843,731
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>	<u>30,088,501</u>
Changes in Net Assets									
Governmental activities	<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>	<u>(5,169,436)</u>
Total primary government	<u><u>\$ (14,489,353)</u></u>	<u><u>\$ 8,820,626</u></u>	<u><u>\$ 9,287,640</u></u>	<u><u>\$ 15,944,864</u></u>	<u><u>\$ 21,405,399</u></u>	<u><u>\$ 763,754</u></u>	<u><u>\$ (17,892,333)</u></u>	<u><u>\$ 2,524,810</u></u>	<u><u>\$ (5,169,436)</u></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 Nine Fiscal Years

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Reserved	\$ 376,410	\$ 1,180,616	\$ 821,403	\$ 1,271,389	\$ 1,307,743	\$ 1,251,195	\$ 831,902	\$ 2,080,342	\$ 569,811
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	4,380,087
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>	<u>\$ 4,949,898</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	\$ 4,612,936
Unreserved, reported in									
Special revenue funds	389,544	204,314	200,855	491,002	10,400	13,294	13,672	14,032	7,590
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>	<u>\$ 4,620,526</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>	<u>\$ 9,570,424</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 Nine Fiscal Years

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues									
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	\$ 28,286,262
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	4,668,479
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	1,968,885
Charges for services	585,407	636,908	918,152	1,083,486	1,312,147	1,429,827	1,266,720	1,229,854	1,228,235
Fines	785,322	752,292	708,177	913,974	1,287,580	1,416,272	1,080,529	887,985	906,518
Investment earnings	237,034	130,950	241,056	447,027	1,168,713	724,089	363,160	125,965	106,993
Contributions and donations	17,745	79,092	11,178	10,471	48,606	24,058	6,077	17,573	292,534
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	1,026,683
Total revenues	19,852,548	27,212,019	28,785,488	32,884,517	36,212,169	37,956,357	38,373,326	37,013,798	38,484,589
Expenditures									
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	8,217,235
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	6,433,987
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	4,422,869
City Clerk	504,695	492,853	510,793	589,262	596,897	711,846	697,422	718,119	704,585
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	2,204,272
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	4,667,173
Planning	636,677	660,742	1,096,434	1,088,186	935,285	1,015,373	1,008,823	293,654	405,786
Court	730,278	778,990	725,414	816,962	973,634	1,136,203	1,004,457	937,885	947,780
City Council	193,299	146,493	164,692	163,735	161,141	127,562	129,429	124,375	136,436
Finance	327,814	316,854	403,115	658,035	914,484	964,909	775,708	633,046	653,632
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	3,811,510
Mayor's Office	213,934	219,818	204,634	221,642	293,795	234,878	527,103	352,846	300,596
Revenue	164,043	170,955	174,212	191,697	269,254	265,641	266,791	288,707	280,049
Engineering	312,273	502,861	-	-	365,580	466,412	505,271	587,040	515,095
Senior Center	187,685	198,251	214,903	230,697	238,550	255,041	276,566	312,042	292,077
Information Technology	159,160	256,366	186,124	-	-	-	-	294,394	367,196
Legal	321,014	331,768	238,057	269,951	342,057	353,696	358,047	322,919	243,754
Building	-	-	-	-	-	-	-	797,627	824,896
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	2,337,835
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	7,044,036
Bond issuance costs	260,316	-	206,213	-	559,525	264,695	124,665	-	263,737
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	5,020,897
Total expenditures	33,313,551	36,657,047	35,596,612	40,799,716	37,835,396	40,831,077	41,282,257	43,080,306	50,095,433
Excess (deficiency) of revenues over (under) expenditures	(13,461,003)	(9,445,028)	(6,811,124)	(7,915,199)	(1,623,227)	(2,874,720)	(2,908,931)	(6,066,508)	(11,610,844)

Schedule 4
CITY OF MADISON, ALABAMA
Changes in Fund Balances of Governmental Funds - continued
Last Nine Fiscal Years

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Other Financing - Sources and (Uses)									
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	7,657,339
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)	(7,657,339)
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	2,012
Bond Proceeds	21,325,000	-	1,250,000	-	-	12,235,000	-	-	13,828,860
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)	-	(6,424,155)
Bond proceeds transferred to component unit	(21,064,684)	-	-	-	-	(12,002,089)	(22,488,567)	-	-
Premium on issuance of bonds	-	-	-	-	285,481	31,784	-	-	-
Bond issue discount	-	-	-	-	-	-	(849,205)	-	(60,617)
Capital leases	1,166,090	610,000	-	776,961	185,305	1,370,348	-	747,594	-
Other	-	-	300	-	200	-	-	-	-
Total other financing sources (uses)	10,891,305	6,845,950	6,753,609	10,788,494	12,778,299	1,658,852	389,856	780,917	7,346,100
Net change in fund balances	<u>\$ (2,569,698)</u>	<u>\$ (2,599,078)</u>	<u>\$ (57,515)</u>	<u>\$ 2,873,295</u>	<u>\$ 11,155,072</u>	<u>\$ (1,215,868)</u>	<u>\$ (2,519,075)</u>	<u>\$ (5,285,591)</u>	<u>\$ (4,264,744)</u>
Debt service as a percentage of noncapital expenditures	31.24%	30.33%	29.89%	27.76%	26.14%	24.38%	25.30%	24.81%	21.40%

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 Nine Fiscal Years

Fiscal Year	Property Tax	Sales and Use Tax	Franchise Tax	(1) Alcoholic Beverage Tax	Rental Tax	Lodging Tax	(2) Other Taxes	Total
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	\$ 12,407,029	\$ 12,370,735	\$ 347,142	\$ 826,942	\$ 405,911	\$ 969,411	\$ 633,609	\$ 27,960,779
2011	\$ 13,057,772	\$ 12,232,843	\$ 395,607	\$ 867,085	\$ 426,918	\$ 1,115,104	\$ 190,933	\$ 28,286,262

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 Nine Fiscal Years

<u>Fiscal Year Ended September 30</u>	<u>Assessed Valuation 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
2011	\$ 541,396,460

Source: License Commissioner and Tax Assessor of Madison County

Schedule 7
CITY OF MADISON, ALABAMA
Principal Property Taxpayers
2011

<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	\$ 10,599,120	1	1.96%
CMF 7 Portfolio LLC	Apartment rental	4,333,080	2	0.80%
Flagstone Investors Limited Partnership	Apartment rental	4,049,860	3	0.75%
Grand Reserve at Madison LLC	Apartment rental	2,795,300	4	0.52%
TIC Huntsville LLC	Apartment rental	2,735,660	5	0.51%
Wal-Mart Stores East, #332	Department store	2,001,780	6	0.37%
MV Apartment LLC	Apartment rental	1,922,220	7	0.36%
Lowe's Homes Centers, Inc.	Home improvement store	1,845,320	8	0.34%
BellSouth Telecommunications, Inc.	Telecommunications	1,729,100	9	0.32%
Knology of Huntsville, Inc.	Communication company	<u>1,512,280</u>	10	<u>0.28%</u>
Top 10 Total		33,523,720		6.19%
Other taxpayers		<u>507,872,740</u>		<u>93.81%</u>
Totals		<u>\$ 541,396,460</u>		<u>100.00%</u>

Assessed Valuation of City at September 30, 2011
\$541,396,460

Note: Information regarding principal revenue payers or remitters for prior fiscal years was not readily available.

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Capital Leases</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income*</u>	<u>Per Capita*</u>
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	0.00%	2,844
2008	\$ 122,285,000	\$ 2,315,455	\$ 124,600,455	0.00%	3,046
2009	\$ 143,715,000	\$ 1,653,138	\$ 145,368,138	0.00%	3,396
2010	\$ 141,955,000	\$ 1,910,530	\$ 143,865,530	0.00%	3,351
2011	\$ 153,870,000	\$ 1,402,695	\$ 155,272,695	0.00%	3,616

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 Nine Fiscal Years

Fiscal Year	General Obligation Bonds	Total	Percentage of Actual Taxable Value of Property*	Per Capita**
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
2011	\$ 153,870,000	\$ 153,870,000	28.42%	3,584

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 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	\$ 108,279,292
Total net debt applicable to limit	<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>	<u>52,563,750</u>
Legal debt margin	<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>	<u>\$ 55,715,542</u>
Total net debt applicable to the limit as a percentage of debt limit	<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>	<u>48.54%</u>

Legal Debt Margin Calculation for Fiscal 2011:

Assessed Value	\$ 541,396,460
Debt limit (20% of total assessed value)	108,279,292
Debt Applicable to limit	
General obligation bonds	153,870,000
Less: Exempt Debt	
General obligations water and sewer warrants	7,265,517
General obligation school warrants	<u>93,155,000</u>
Total exempt debt	100,420,517
Total net debt applicable to limit	53,449,483
Less assets available for debt service	<u>885,733</u>
Total net debt applicable to limit	<u>52,563,750</u>
Legal debt margin	<u>\$ 55,715,542</u>

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 Nine 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	-	-	-
2011	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	24.27%
Madison City School System	Education	962	2	23.35%
Wal-Mart Super Center	Department Store	430	3	10.44%
City of Madison	Municipal	325	4	7.89%
Kroger Company	Grocery Store	170	5	4.13%
Lowe's Home Improvement Warehouse	Home Improvement Store	160	6	3.88%
Cracker Barrel	Restaurant	120	7	2.91%
Valleyview Nursing Home	Nursing Home	120	8	2.91%
Packaging Materials	Containers	115	9	2.79%
Ruby Tuesday's	Restaurant	110	10	2.67%
Top 10 Total		3,512		85.24%
Other Employers		608		14.76%
Total		4,120		100.00%

Sources: City of Madison

Note: Information regarding principal employers for prior fiscal years was not readily available.

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

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government:										
City Clerk	4	4	4	5	5	5	5	5	5	5
Court Clerk	6	6	6	6	6	6	6	6	6	6
City Council	3	4	4	4	4	3	4	4	4	4
Finance	5	6	6	7	8	13	13	12	8	8
Human Resources	7	4	4	4	7	4	4	5	5	5
Mayor's Office	4	3	3	3	3	3	3	4	4	3
Revenue	3	3	3	3	3	4	4	4	4	3
Information Technology	3	3	0	0	0	0	1	1	1	1
Legal	2	2	2	2	2	2	2	2	2	2
Total	37	35	32	34	38	40	42	43	39	37
Public Safety:										
Police	80	80	84	92	98	106	107	107	114	109
Fire	42	51	51	52	58	70	70	70	70	70
Building	0	0	0	0	0	0	0	0	17	17
Planning	13	15	15	24	21	19	19	18	4	5
Total	135	146	150	168	177	195	196	195	205	201
Streets and Highways										
Public Works	46	51	51	51	51	58	58	58	55	55
Engineering	5	6	11	0	0	7	5	7	7	8
Total	51	57	62	51	51	65	63	65	62	63
Parks and Recreation										
Recreation	19	32	32	32	32	33	33	33	33	32
Senior Center	8	6	6	6	6	6	7	7	7	7
Total	27	38	38	38	38	39	40	40	40	39
Total - all departments	250	276	282	291	304	339	341	343	346	340

Source: City of Madison Annual Budget

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

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-Station	1	1	0	0	0	0	0	0	0	0
Fire Stations	2	3	3	3	3	3	3	3	3	3
Parks and Recreation										
Recreation										
Swimming pools	3	3	3	3	3	3	3	2	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

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

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, 2011, which collectively comprise the City of Madison's basic financial statements and have issued our report thereon dated August 22, 2012. 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.

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, significant 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
August 22, 2012

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 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, 2011. 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 received \$8,530,880 in federal awards which is not included in the schedule during the year ended September 30, 2011. 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.

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, 2011.

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.

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
August 22, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF MADISON, ALABAMA

Year ended September 30, 2011

	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Direct Programs:</i>			
Bulletproof Vest Program	16.607	-	\$ 5,816
Domestic Violence (2008DBX0638)	16.753	-	40,382
<i>Passed through Alabama Department of Public Safety:</i>			
ARRA-High Intensity Drug Trafficking Areas Program	16.809	G10GC0002A	9,352
<i>Passed through Alabama Department of Economic and Community Affairs:</i>			
Domestic Violence Program (Violence Against Women)	16.588	09-WF-WD-001	1,650
Domestic Violence Program (Violence Against Women)	16.588	08-WF-LE-010	<u>7,376</u>
<i>TOTAL U.S. DEPARTMENT OF JUSTICE</i>			64,576
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed through the Alabama Department of Transportation:</i>			
Federal-Aid Highway Program, Federal Lands Highway Program (Bradford Creek Greenway)	20.205	STPTE-TE04 (929)	300,073
ARRA-Federal-Aid Highway Program, Federal Lands Highway Program (Wall Triana and Hwy 72)	20.205	STMHV-8509 (601)	44,608
<i>Passed through the Northeast Alabama Traffic Safety Office from Alabama Department of Economic and Community Affairs-Law Enforcement Traffic and Safety Section/Etowah County Commission:</i>			
State and Community Highway Safety (402 STEP)	20.600	11-SP-PT-005	6,623
Alcohol Impaired Driving Countermeasures Incentive Grants (410 Alcohol)	20.601	11-HS-FR-004	4,112
Alcohol Impaired Driving Countermeasures Incentive Grants (DUI Blitz)	20.601	11-HS-K8-007	1,893
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons (Memorial Day Blitz)	20.605	10-HS-K4-008	<u>556</u>
<i>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</i>			357,865
<u>U.S. DEPARTMENT OF ENERGY</u>			
<i>Direct Programs:</i>			
ARRA-Energy Efficiency and Conservation Block Grant (DE-EE0002245)	81.128		<u>98,377</u>
<i>TOTAL U.S. DEPARTMENT OF ENERGY</i>			98,377
<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	-	17,788
Staffing for Adequate Fire and Emergency Response (SAFER) Grant (EMW-2007-FF-00153)	97.044	-	96,092
Assistance to Firefighters (EMW-2009-FO-01042)	97.044	-	195,318
ARRA-Fire Station Construction Grant (EMW-2009-FC-00277R)	97.115	-	424,512
<i>Passed through the State of Alabama Emergency Management Agency:</i>			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	-	278,705
<i>Passed through the Alabama Department of Transportation/City of Huntsville:</i>			
Homeland Security Grant Program	97.067	ALDHS-09-0970	<u>6,560</u>
<i>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</i>			<u>1,018,975</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,539,793</u>

The Accompanying Notes are an Integral Part of this Schedule

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF MADISON, ALABAMA

Year ended September 30, 2011

(1) **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance and federal cost-reimbursement contracts of the City of Madison. This schedule does not include grant activities of the City of Madison's component units described in the notes to the basic financial statements or the grant activities of entities included in the primary government that are audited by other auditors.

The City of Madison receives federal awards both directly from federal agencies and indirectly through pass-through entities. Federal program expenditures included in the accompanying schedule are presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) **Major Programs**

Major programs are identified in the Summary of Auditors' Results section of the Schedule of Findings and Questioned Costs.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF MADISON, ALABAMA

Year ended September 30, 2011

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. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
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. No 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>
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))
81.128	ARRA-Energy Efficiency and Conservation Block Grant (DE-EE0002245)
97.115	ARRA-Fire Station Construction Grant (EMW-2009-FC-00277R)

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The City of Madison, Alabama was determined to be a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

CITY OF MADISON, ALABAMA

Year ended September 30, 2011

Section II - Financial Statement Audit Findings:

None noted.

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

None noted.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

CITY OF MADISON, ALABAMA

Year Ended September 30, 2011

U.S. DEPARTMENT OF TRANSPORTATION

2010-1 ARRA – Federal-Aid Highway Program, Federal Lands Highway Program
Grant No. STMHV-8509 (601);
Grant period-Year ended September 30, 2010

Significant Deficiency:

Condition: The auditors 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.

Recommendation: The auditors recommended the following: 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. A representative from the finance department should be involved in all applications for grants or projects. Each department in the City should 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.

Current Status: The City of Madison revised **Section 2.2 – Accounting for Grants of its Fiscal Policy** to implement the above recommendation. No similar findings were noted in the 2011 audit.

