

# CITY OF MADISON, ALABAMA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED  
September 30, 2012

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Madison, Alabama 35758  
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[www.madisonal.gov](http://www.madisonal.gov)

**Prepared by:  
Finance Department**



**City of Madison, Alabama  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2012**

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## **SECTION I – INTRODUCTORY**





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

March 4, 2013

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, 2012. 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, 2012. 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 are 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, 2012. 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, 2012, 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, 2012. 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 23.3 square miles, and serves a population of approximately 45,000. The City 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 as the legislative branch of government, 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 as the head of the executive branch of government, by executing policies, and ordinances, appointing heads of City departments, managing the affairs of the City, supervising a staff of 346 full-time equivalent employees, including 14 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 Redstone Arsenal, 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 2012, this partnership fostered the recruitment of several retail developments for the City of Madison.

In 2011, construction started on Madison Hospital and the "Shoppes of Madison" and was completed in 2012. The first retail store in the "Shoppes of Madison" opened its doors in February 2012. The "Shoppes of Madison" currently has 19 businesses.

The unemployment rate for the Madison area was 4.7% (*US Bureau of Labor*) as of September 2012, as compared to 5.8% (*US Bureau of Labor*) in 2011. The new businesses opened in Madison in 2012 were 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 (18.03% 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 (fiscal policy guideline is 15% 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, 2012, the City had approximately \$1.7 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 has a price tag of \$23.3 million. The plan is 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 2012, 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 Aa2 with a positive outlook. The rating reflects the City's fast growing residential tax base and dynamic regional economy, sound financial position and above average yet manageable debt position.

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

## **Investment Policy and Cash Management**

The investment policy of the City applies to cash management and investment activities of the City of Madison. The City's investments are in securities or other obligations, authorized for municipal investment by the 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 \$174,777.

## **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 the major special revenue fund (water distribution and storage fund), the comparisons are presented on pages 39 through 40 as part of the basic financial statements for governmental funds. For governmental funds other than the 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 fifteen percent (15%) 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, 2012, found in the Compliance Section of the report.

### Major Initiatives

During 2012, the City demonstrated strong management and financial stability in meeting goals and objectives to make Madison "The Community of Choice."

One factor in making Madison "The Community of Choice" is the realization of Madison's hospital. In February 2012, the Madison Hospital opened its doors to patient care. The initial facility is a 60-bed facility with room to grow. The hospital is backed by the Healthcare Authority of the City of Huntsville. The facility provides healthcare to one of the largest communities in the State of Alabama that previously did not have a medical facility.



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 within the growth plan.



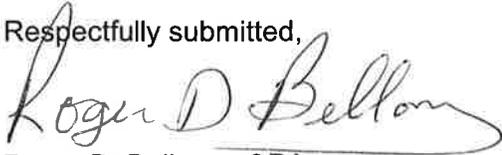
In 2011, the City started construction on the replacement of Fire Station #2. In the summer of 2012, the construction on the new fire station was completed and the grand opening was held. The facility is energy efficient and LEED (Leadership in Energy and Environmental Design) compliant.

## 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 also expressed to employees throughout the City, especially those who were instrumental in the successful completion of this report.

I would like to 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.

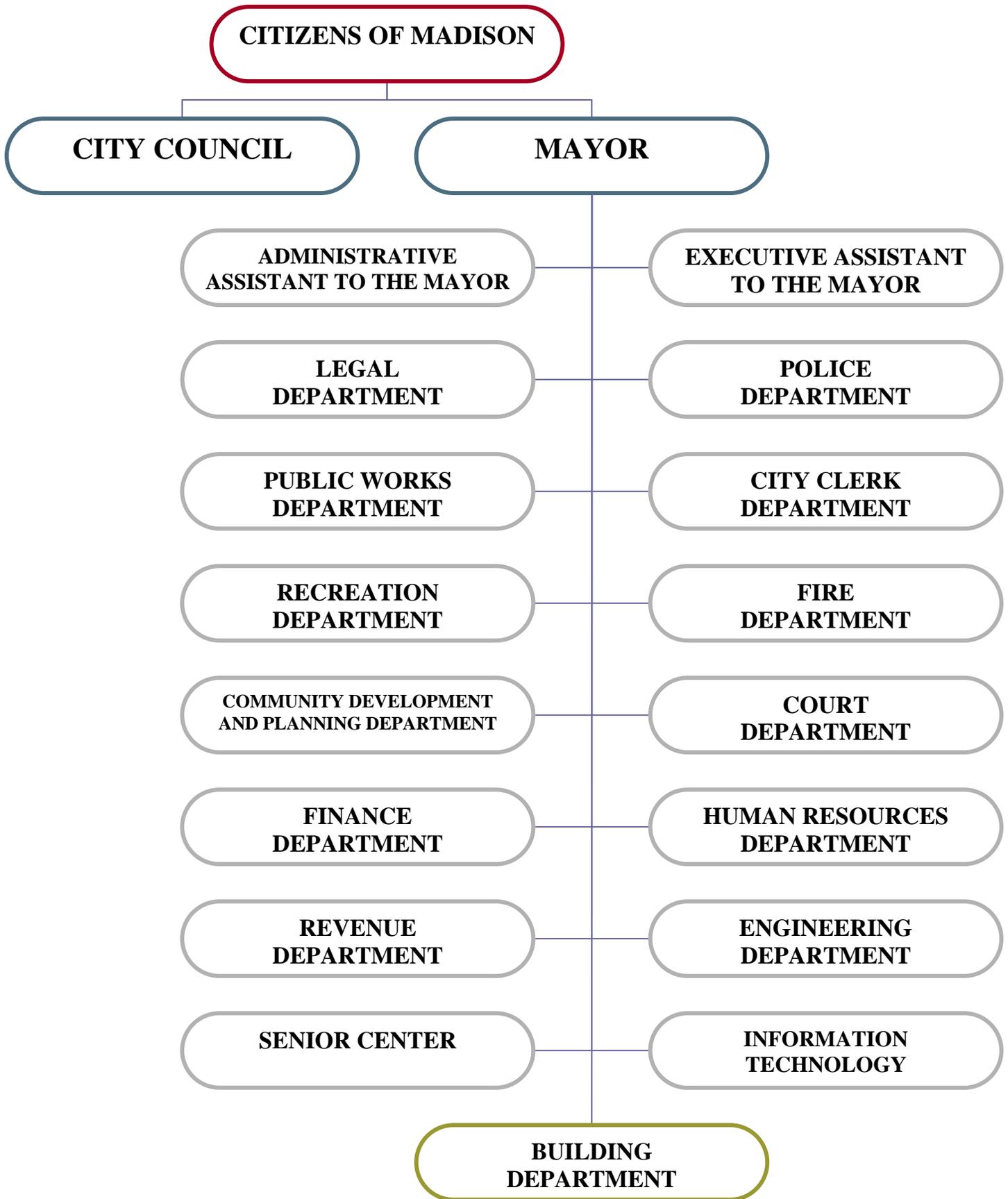
Respectfully submitted,

A handwritten signature in cursive script that reads "Roger D. Bellomy". The signature is written in black ink and is positioned above the printed name.

Roger D. Bellomy, CPA  
Director of Finance

# CITY OF MADISON, ALABAMA

## ORGANIZATIONAL CHART



**CITY OF MADISON, ALABAMA**  
**List of Elected Officials, Appointed Officials, and Department Heads**  
**September 30, 2012**

Elected Officials

|                                   |  |
|-----------------------------------|--|
| Mayor .....                       | Paul Finley                            |
| Council Member - District 1 ..... | Tim Holcombe                           |
| Council Member - District 2 ..... | Steve Haraway                          |
| Council Member - District 3 ..... | Jerry Jennings,<br>President Pro Tem   |
| Council Member - District 4 ..... | Tim Cowles                             |
| Council Member - District 5 ..... | Tommy Overcash<br>President of Council |
| Council Member - District 6 ..... | Larry Vannoy                           |
| Council Member - District 7 ..... | Ronica Ondocsin                        |

Department Heads

|  |                  |
|--|------------------|
| Police Chief .....                               | Larry Muncey     |
| Public Works Director .....                      | Steve Abbott     |
| 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**

# MDA PROFESSIONAL GROUP, P.C.

*Certified Public Accountants and Business Consultants*

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## **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, 2012, 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the Madison Board of Education or the financial statements of the Water and Wastewater Board of the City of Madison discretely presented component units, which represent 100 percent of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely component units, is based solely on the reports 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 reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports 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, 2012, and the respective changes in financial position and the respective budgetary comparison for the General Fund and the Water Distribution and Storage Project Fund, 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 our report dated March 4, 2013, on our consideration of the City of Madison, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards 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 – employees' retirement system of Alabama on pages 21 through 31 and 86 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 financial statements as a whole. The introductory section, supplementary information, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The supplementary information, combining and individual nonmajor fund financial statements 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 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 financial statements as a whole. The introductory and statistical sections have 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 them.

*MDA Professional Group, P.C.*



# **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, 2012.

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 - 9 and the statistical section on pages 120 - 135 of this report.

### Financial Highlights

- Assets of the City of Madison exceeded its liabilities at the close of fiscal year 2012 by \$33,823,415 (net assets). Of this amount, the City has a deficit unrestricted net assets of \$124,109,613 offset by \$4,084,945 in restricted net assets and \$153,848,083 invested in capital assets net of related debt.
- The City's total net assets increased \$2,607,056 (8%) in fiscal year 2012. Page 24 of this MD&A offers a detailed explanation of this increase.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,424,730, a decrease of \$145,694 compared to the prior year. The unassigned fund balance of the General Fund was \$4,709,527, which the City may use for any lawful purpose. The unassigned fund balance of the General fund represents 16 percent of the total general fund expenditures.
- The City's total capital asset (net of accumulated depreciation) increased \$2,281,078, which primarily consists of the acquisition of land, equipment, construction of infrastructure, facilities and construction in progress.
- The City's bond payable decreased \$6,475,000. The decrease is due to the City issuance of general obligation taxable warrants and the current refunding of general obligation school warrants. Page 30 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*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both the government-wide financial statements distinguish functions of the City of Madison that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business type activities). The governmental activities of the City of Madison include general government, public safety, highways and streets, and parks and recreation. The City has no functions classified as business-type activities. The government-wide financial statements are found on pages 34 - 35 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 eighteen (18) 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 fifteen (15) 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 90 - 112 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 39 - 40 of this report. The budgetary comparison schedule for the school bonds fund can be found on page 88.

The basic governmental fund financial statements are on pages 36 through 40 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 43 - 84 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 86 of this report.

Management's Discussion and Analysis - Continued

**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, 2012, the City's net assets were \$33,823,415 which increased by \$2,607,056 (8%) compared to prior fiscal year. This increase is a result of the prior year change in net assets including \$6,500,000 of expense related to the issuance of the 2011 General Obligation warrants. The remaining part of the increase is due to a combination of increased tax revenues from the addition of the Shoppes at Madison and of concentrated efforts to cut back on expenses for each department.

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

**CITY OF MADISON'S NET ASSETS**

|  | <b>Governmental Activities</b> |                               |                            |
|--|--------------------------------|-------------------------------|----------------------------|
|  | <b>September 30,<br/>2012</b>  | <b>September 30,<br/>2011</b> | <b>Change</b>              |
| Current and other assets                           | \$ 22,222,098                  | \$ 28,803,132                 | \$ (6,581,034)             |
| Capital assets                                     | <u>163,777,551</u>             | <u>161,496,473</u>            | <u>2,281,078</u>           |
| <b>Total assets</b>                                | <b>185,999,649</b>             | <b>190,299,605</b>            | <b>(4,299,956)</b>         |
| Long-term liabilities outstanding                  | 147,363,904                    | 154,414,335                   | (7,050,431)                |
| Other liabilities                                  | <u>4,812,330</u>               | <u>4,668,911</u>              | <u>143,419</u>             |
| <b>Total liabilities</b>                           | <b>152,176,234</b>             | <b>159,083,246</b>            | <b>(6,907,012)</b>         |
| <b>Net assets:</b>                                 |                                |                               |                            |
| Invested in capital assets,<br>net of related debt | 153,848,083                    | 150,200,353                   | 3,647,730                  |
| Restricted for:                                    |                                |                               |                            |
| Debt service                                       | 583,517                        | 885,733                       | (302,216)                  |
| Capital Improvements                               | 1,673,233                      | 2,543,189                     | (869,956)                  |
| Other purposes                                     | 1,828,195                      | 1,344,210                     | 483,985                    |
| Unrestricted (deficit)                             | <u>(124,109,613)</u>           | <u>(123,757,126)</u>          | <u>(352,487)</u>           |
| <b>Total net assets</b>                            | <b><u>\$ 33,823,415</u></b>    | <b><u>\$ 31,216,359</u></b>   | <b><u>\$ 2,607,056</u></b> |

## Management's Discussion and Analysis - Continued

Current and other assets decreased \$6,581,034 and long-term liabilities decreased \$7,050,431 due to cash disbursement in fiscal year 2012 of the refunding of the 2001-A Bond and the 2002 Bond. 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 2012 were \$153,848,083. The large negative unrestricted net assets in fiscal year 2011 (\$123,757,126) and 2012 (\$124,109,613) 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.

### **Governmental Activities**

Governmental activities increased the City of Madison's net assets by \$2,607,056. Key elements of the increase are as follows:

- Property taxes decreased by \$1,208,082 (9%) and sales taxes increased by \$1,602,982 (13%) during the year. Various other taxes increased by \$737,131 (20%) compared to 2011.
- Operating grants and contributions for governmental activities experienced a decrease of \$632,702. Capital grants and contribution experienced an increase of \$265,504, primarily due to the increase 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 \$548,908 (65%) and interest income increased by \$67,784 (63%).

See the City of Madison's Changes in Net Assets schedule on the next page for the condensed statement of activities.

Management's Discussion and Analysis - Continued

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

|   | <b>Governmental Activities</b> |                      |                     |
|---|--------------------------------|----------------------|---------------------|
|   | <b>September 30,</b>           | <b>September 30,</b> | <b>Change</b>       |
|   | <b>2012</b>                    | <b>2011</b>          |                     |
| Revenues                                    |                                |                      |                     |
| Program revenues:                           |                                |                      |                     |
| Charges for services                        | \$ 6,646,220                   | \$ 6,803,230         | \$ (157,010)        |
| Operating grants and contributions          | 407,899                        | 1,040,601            | (632,702)           |
| Capital grants and contributions            | 4,920,772                      | 4,655,268            | 265,504             |
| General revenues                            |                                |                      | -                   |
| Property taxes and payment in lieu of taxes | 12,092,412                     | 13,300,494           | (1,208,082)         |
| Other taxes                                 | 18,177,396                     | 15,837,283           | 2,340,113           |
| Other revenue                               | 1,567,416                      | 950,724              | 616,692             |
| Total revenues                              | <u>43,812,115</u>              | <u>42,587,600</u>    | <u>1,224,515</u>    |
| Expenses                                    |                                |                      |                     |
| General administration                      | 2,127,620                      | 8,932,566            | (6,804,946)         |
| Police                                      | 6,791,779                      | 6,885,036            | (93,257)            |
| Public works                                | 7,384,526                      | 7,626,295            | (241,769)           |
| City clerk                                  | 770,931                        | 713,036              | 57,895              |
| Recreation                                  | 2,581,025                      | 2,456,341            | 124,684             |
| Fire  | 5,393,049                      | 5,063,759            | 329,290             |
| Planning                                    | 332,599                        | 415,706              | (83,107)            |
| Court                                       | 1,157,938                      | 959,052              | 198,886             |
| City council                                | 140,604                        | 136,649              | 3,955               |
| Finance                                     | 657,614                        | 668,777              | (11,163)            |
| Human resources                             | 3,656,061                      | 3,814,565            | (158,504)           |
| Mayor's office                              | 333,115                        | 313,643              | 19,472              |
| Revenue                                     | 270,021                        | 282,792              | (12,771)            |
| Engineering                                 | 722,696                        | 540,623              | 182,073             |
| Senior Center                               | 332,911                        | 329,658              | 3,253               |
| Information technology                      | 425,901                        | 426,419              | (518)               |
| Legal                                       | 247,580                        | 245,139              | 2,441               |
| Building                                    | 874,239                        | 844,817              | 29,422              |
| Interest on long-term debt                  | 7,004,850                      | 7,102,163            | (97,313)            |
| Total expenses                              | <u>41,205,059</u>              | <u>47,757,036</u>    | <u>(6,551,977)</u>  |
| Increase (decrease) in net assets           | 2,607,056                      | (5,169,436)          | 7,776,492           |
| Net assets - 10/1/2011                      | <u>31,216,359</u>              | <u>36,385,795</u>    | <u>(5,169,436)</u>  |
| Net assets - 9/30/2012                      | <u>\$ 33,823,415</u>           | <u>\$ 31,216,359</u> | <u>\$ 2,607,056</u> |

## Management's Discussion and Analysis - Continued

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.

At the end of the current fiscal year, the City of Madison's governmental funds reported combined ending fund balances of \$9,424,730, a decrease of \$145,694 in comparison to the prior year. The amount of \$4,709,527 or 50% 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, \$404,100 are nonspendable for prepaid items, \$583,517 are restricted for debt service, \$1,673,233 are restricted for capital improvements, \$1,828,195 is other restricted, and \$226,158 is 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 2012, unassigned fund balance of the general fund was \$4,709,527, while the total fund balance was \$5,316,238. Unassigned fund balance represents 16 percent of the total general fund expenditures, while total general fund balance represents 19 percent of the same amount.

The General Fund's fund balance increased \$270,745 during the current fiscal year. Key factors in this increase are as follows:

- Sales tax revenue increased \$851,054 or 9% compared to prior fiscal year.
- Other taxes and licenses increased \$271,765 or 2% compared to prior fiscal year.
- Other revenue decreased \$157,228 or 4% compared to prior fiscal year.
- Other sources increased \$362,272 or 15% compared to prior fiscal year.
- Expenditures decreased \$523,786 or 2% compared to prior fiscal year.

## Management's Discussion and Analysis - Continued

At September 30, 2012, the water distribution and storage project fund had a fund balance of \$1,373,929, which represents an increase of \$545,419 or 66%. This increase directly is related to the increase in sales tax revenue of \$751,928. 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, 2012, the school bonds fund had a fund balance of \$8,143. This fund balance represents a decrease of \$8,514, which directly related to the refunding of the 2002 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 \$1,780,750. 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.

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 2012 and the capital items would not be reoccurring expenditures in the next fiscal year. In addition, expenditures at the end of each fiscal year projected to come under budget 5% or more. At the end of the fiscal year, expenditures were under budget by \$3,066,829 or 10%.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City of Madison's investment in capital assets for its governmental activities as of September 30, 2012, amounts to \$163,777,551 (net of accumulated depreciation). This investment in capital assets includes land, improvements to land, land improvements, 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 \$2,281,078 or 1% for 2012.

Management's Discussion and Analysis - Continued

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

- Construction of new fire station for \$2,016,794
- Construction for improvements to city buildings total \$61,119
- Purchases of several vehicles and other pieces of equipment for \$909,619
- Completed variety of improvements other than buildings for total cost \$324,708
- Construction began on various improvements

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

|                                   | <b>Governmental Activities</b> |                       |                     |
|-----------------------------------|--------------------------------|-----------------------|---------------------|
|                                   | <b>September 30,</b>           | <b>September 30,</b>  | <b>Change</b>       |
|                                   | <b>2012</b>                    | <b>2011</b>           |                     |
| Land                              | \$ 28,946,397                  | \$ 28,036,047         | \$ 910,350          |
| Improvements to land              | 63,616                         | 66,964                | (3,348)             |
| Buildings                         | 9,435,605                      | 7,337,718             | 2,097,887           |
| Building improvements             | 3,368,016                      | 3,232,320             | 135,696             |
| Improvements other than buildings | 2,077,287                      | 1,821,567             | 255,720             |
| Machinery and equipment           | 3,895,327                      | 4,331,614             | (436,287)           |
| Infrastructure                    | 110,258,010                    | 105,517,537           | 4,740,473           |
| Other                             | 18,548                         | 9,131                 | 9,417               |
| Construction in progress          | <u>5,714,745</u>               | <u>11,143,575</u>     | <u>(5,428,830)</u>  |
|                                   | <u>\$ 163,777,551</u>          | <u>\$ 161,496,473</u> | <u>\$ 2,281,078</u> |

Additional information on the City's capital assets can be found in Note 4 on pages 62 - 63 of this report.

**Long-Term Debt**

At the end of the current fiscal year, the City of Madison had total outstanding debt of \$147,363,904. Of this amount, \$145,213,726 was comprised of the general obligation warrants backed by the full faith and credit of the City, \$1,022,614 was comprised of capital lease obligations collateralized by certain vehicles and equipment, \$949,179 was comprised of employees' compensated absences balance, and \$178,385 was comprised of the liability for other postemployment benefits.

Management's Discussion and Analysis - Continued

Changes in debt outstanding are as follows:

| Governmental Activities        | Balance<br>September 30,<br>2012 | Balance<br>October 1,<br>2011 | Change                |
|--------------------------------|----------------------------------|-------------------------------|-----------------------|
| Compensated absences           | \$ 949,179                       | \$ 913,913                    | \$ 35,266             |
| Other post-employment benefits | 178,385                          | 145,690                       | 32,695                |
| Capital lease obligations      | 1,022,614                        | 1,402,695                     | (380,081)             |
| General obligation warrants    | 147,395,000                      | 153,870,000                   | (6,475,000)           |
| Less deferred amounts for:     |                                  |                               |                       |
| Issuance discounts             | (1,044,435)                      | (1,052,755)                   | 8,320                 |
| Deferred losses on refunding   | (1,136,839)                      | (865,208)                     | (271,631)             |
|                                | <u>\$ 147,363,904</u>            | <u>\$ 154,414,335</u>         | <u>\$ (7,050,431)</u> |

The City of Madison's total debt decreased \$7,050,431 or 5% during fiscal year 2012.

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 \$147,363,904 outstanding, the amount of \$87,585,000 is outstanding general obligation school warrants, which is not chargeable against the allowable debt limit. As of September 30, 2012, the City's allowable debt limit was \$111,850,104. The City's debt applicable to the limit was \$52,040,997 at September 30, 2012.

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

Additional information on the City's long-term debt is in Note 4 on pages 68 - 71 of this report.

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

The unemployment rate for the City of Madison was 5.8% in September 2011, and decreased to 4.7% in September 2012. The unemployment rate for the State of Alabama was 8.2% at September 30, 2012. *(data from U.S. Bureau of Labor Statistics)*

The City's sales tax showed an increase of approximately 13% at the end of fiscal year 2012. Sales tax is the largest revenues source of the City.

## Management's Discussion and Analysis - Continued

The Mayor and City Council took into consideration all of the prevailing economic factors in preparing the budget for fiscal year 2013. The Mayor and Council, working together, elected to adopt a conservative General Fund budget. The General Fund expenditures were decreased by \$618,560 or a two percent (2%) decrease from 2012.

The City of Madison did not use any of the unreserved fund balance of the General Fund to balance the 2013 budget. The budget was balanced without raising revenues. The revenues and other sources of the General Fund are projected to exceed the expenditures and other uses by \$309,255.

The fund balance of the General Fund is expected to increase \$309,255 (the amount by which revenues and other sources exceeds expenditures and other uses) in 2013. The fund balance is projected to be more than 15 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](http://www.madisonal.gov).



# **BASIC FINANCIAL STATEMENTS**

**CITY OF MADISON, ALABAMA**  
**STATEMENT OF NET ASSETS**  
**September 30, 2012**

|  | <b>Primary<br/>Government</b>      | <b>Component Units</b>                            |  |
|--|------------------------------------|---|--|
|  | <b>Governmental<br/>Activities</b> | <b>The Water<br/>and<br/>Wastewater<br/>Board</b> | <b>Madison City<br/>Board of<br/>Education</b> |
| <b>ASSETS</b>                                      |                                    |   |  |
| Cash and cash equivalents                          | \$ 7,894,451                       | \$ 5,138,879                                      | \$ 29,294,187                                  |
| Cash with fiscal agent                             | 583,517                            | -   | -  |
| Investments  | -                                  | -   | 3,423,666                                      |
| Receivables, net                                   |                                    |   |  |
| Tax and tax equivalents                            | 9,944,030                          | -   | -  |
| Grants   | 358,578                            | -   | -  |
| Other  | 1,266,973                          | 1,140,964   | 2,634,913                                      |
| Due from component unit                            | 118,907                            | -   | -  |
| Inventory  | -                                  | 259,531   | 145,954  |
| Prepaid expenses                                   | 404,100                            | 117,044   | -  |
| Other  | -                                  | -   | 124,609  |
| Total current assets                               | <u>20,570,556</u>                  | <u>6,656,418</u>                                  | <u>35,623,329</u>                              |
| Noncurrent assets:                                 |                                    |   |  |
| Other assets                                       | -                                  | 10,360,414  | -  |
| Bond issue costs, net                              | 1,651,542                          | 1,748,890   | -  |
| Capital assets not being depreciated               | 34,661,142                         | 4,515,182   | 65,569,735                                     |
| Capital assets net of accumulated depreciation     | <u>129,116,409</u>                 | <u>161,524,799</u>                                | <u>86,762,599</u>                              |
| Total noncurrent assets                            | <u>165,429,093</u>                 | <u>178,149,285</u>                                | <u>152,332,334</u>                             |
| <b>Total assets</b>                                | <u>185,999,649</u>                 | <u>184,805,703</u>                                | <u>187,955,663</u>                             |
| <b>LIABILITIES</b>                                 |                                    |   |  |
| Accounts payable and other                         |                                    |   |  |
| current liabilities                                | 2,285,936                          | 797,221   | 5,398,415                                      |
| Interest payable                                   | 1,670,027                          | 803,329   | -  |
| Due to component unit                              | 731,797                            | -   | -  |
| Deferred revenue                                   | 124,570                            | -   | 210,537  |
| Noncurrent liabilities:                            |                                    |   |  |
| Due within one year                                | 3,520,858                          | 2,105,000   | 624,781  |
| Due in more than one year                          | <u>143,843,046</u>                 | <u>72,295,092</u>                                 | <u>42,439,714</u>                              |
| <b>Total liabilities</b>                           | <u>152,176,234</u>                 | <u>76,000,642</u>                                 | <u>48,673,447</u>                              |
| <b>NET ASSETS</b>                                  |                                    |   |  |
| Invested in capital assets,<br>net of related debt | 153,848,083                        | 93,890,542  | 109,392,448                                    |
| Restricted for:                                    |                                    |   |  |
| Debt service                                       | 583,517                            | -   | 6,065,441                                      |
| Capital Improvements                               | 1,673,233                          | -   | 3,939,234                                      |
| Other purposes                                     | 1,828,195                          | 6,268,124   | -  |
| Unrestricted (deficit)                             | <u>(124,109,613)</u>               | <u>8,646,395</u>                                  | <u>19,885,093</u>                              |
| Total net assets                                   | <u>\$ 33,823,415</u>               | <u>\$ 108,805,061</u>                             | <u>\$ 139,282,216</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, 2012**

|  | <u>Program Revenues</u> |                                 |   |   | <u>Net (Expense) Revenue and<br/>Changes in Net Assets</u> |   |  |
|--|-------------------------|---------------------------------|---|---|--|---|--|
|  | <u>Expenses</u>         | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Primary</u>   | <u>Component Units</u>                            |  |
|  |                         |                                 |   |   | <u>Governmental</u>  | <u>The Water<br/>and<br/>Wastewater<br/>Board</u> | <u>Madison City<br/>Board of<br/>Education</u> |
|  |                         |                                 |   | <u>Governmental<br/>Activities</u>              |  |   |  |
| <b>Functions/Programs</b>                    |                         |                                 |   |   |  |   |  |
| <b>Primary government:</b>                   |                         |                                 |   |   |  |   |  |
| <b>Governmental activities:</b>              |                         |                                 |   |   |  |   |  |
| General Administration                       | \$ 2,127,620            | \$ 4,234,009                    | \$ 124,600  | \$ 56,759                                       | \$ 2,287,748   | \$ -  | \$ -   |
| Police                                       | 6,791,779               | 1,185,727                       | 155,883   | -   | (5,450,169)  | -   | -  |
| Public Works                                 | 7,384,526               | 907,638                         | -   | 3,381,927                                       | (3,094,961)  | -   | -  |
| City Clerk                                   | 770,931                 | -                               | -   | -   | (770,931)  | -   | -  |
| Recreation                                   | 2,581,025               | 253,618                         | 35,095  | 108,472   | (2,183,840)  | -   | -  |
| Fire   | 5,393,049               | -                               | 90,989  | 1,330,531                                       | (3,971,529)  | -   | -  |
| Planning                                     | 332,599                 | 36,213                          | 976   | -   | (295,410)  | -   | -  |
| Court  | 1,157,938               | -                               | -   | -   | (1,157,938)  | -   | -  |
| City Council                                 | 140,604                 | -                               | -   | -   | (140,604)  | -   | -  |
| Finance                                      | 657,614                 | -                               | -   | -   | (657,614)  | -   | -  |
| Human Resources                              | 3,656,061               | -                               | -   | -   | (3,656,061)  | -   | -  |
| Mayor's Office                               | 333,115                 | -                               | -   | 43,083  | (290,032)  | -   | -  |
| Revenue                                      | 270,021                 | -                               | -   | -   | (270,021)  | -   | -  |
| Engineering                                  | 722,696                 | -                               | -   | -   | (722,696)  | -   | -  |
| Senior Center                                | 332,911                 | -                               | 356   | -   | (332,555)  | -   | -  |
| Information Technology                       | 425,901                 | -                               | -   | -   | (425,901)  | -   | -  |
| Legal  | 247,580                 | -                               | -   | -   | (247,580)  | -   | -  |
| Building                                     | 874,239                 | 29,015                          | -   | -   | (845,224)  | -   | -  |
| Interest on long-term debt                   | 7,004,850               | -                               | -   | -   | (7,004,850)  | -   | -  |
| Total governmental activities                |                         |                                 |   |   |  |   |  |
|  | <u>\$ 41,205,059</u>    | <u>\$ 6,646,220</u>             | <u>\$ 407,899</u>                                 | <u>\$ 4,920,772</u>                             | (29,230,168)   | -   | -  |
| <b>Component units:</b>                      |                         |                                 |   |   |  |   |  |
| The Water and Wastewater Board               | \$ 12,519,990           | \$ 14,188,549                   | \$ -  | \$ 2,860,775                                    | -  | 4,529,334   | -  |
| Madison City Board of Education              | 81,924,953              | 8,068,251                       | 47,396,502  | 2,359,523                                       | -  | -   | (24,100,677)                                   |
| Total component units                        | <u>\$ 94,444,943</u>    | <u>\$ 22,256,800</u>            | <u>\$ 47,396,502</u>                              | <u>\$ 5,220,298</u>                             | -  | 4,529,334   | (24,100,677)                                   |
| <b>General revenues:</b>                     |                         |                                 |   |   |  |   |  |
| Property taxes and payments in lieu of taxes |                         |                                 |   |   | 12,092,412   | -   | 16,090,299                                     |
| Sales and use taxes                          |                         |                                 |   |   | 13,835,825   | -   | 10,111,186                                     |
| Franchise taxes                              |                         |                                 |   |   | 1,023,386  | -   | -  |
| Motor fuel taxes                             |                         |                                 |   |   | 761,049  | -   | -  |
| Alcoholic beverage taxes                     |                         |                                 |   |   | 911,979  | -   | -  |
| Rental taxes                                 |                         |                                 |   |   | 396,700  | -   | -  |
| Lodging taxes                                |                         |                                 |   |   | 1,030,577  | -   | -  |
| Other taxes                                  |                         |                                 |   |   | 217,880  | -   | 111,279  |
| Unrestricted interest income                 |                         |                                 |   |   | 174,777  | 19,040  | 187,471  |
| Other  |                         |                                 |   |   | 1,392,639  | -   | 4,219,669                                      |
| Gain on sale of capital assets               |                         |                                 |   |   | -  | -   | 23,945   |
| Total general revenues                       |                         |                                 |   |   | <u>31,837,224</u>  | <u>19,040</u>                                     | <u>30,743,849</u>                              |
| Change in net assets                         |                         |                                 |   |   | 2,607,056  | 4,548,374   | 6,643,172                                      |
| Net assets - beginning of year               |                         |                                 |   |   | <u>31,216,359</u>  | <u>104,256,687</u>                                | <u>132,639,044</u>                             |
| Net assets - end of year                     |                         |                                 |   |   | <u>\$ 33,823,415</u>                                       | <u>\$ 108,805,061</u>                             | <u>\$ 139,282,216</u>                          |

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

**CITY OF MADISON, ALABAMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2012**

|  | General              | Water<br>Distribution<br>and Storage<br>Project Fund | School<br>Bonds<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|--|-------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                              |                      |  |                         |                                |                                |
| Cash and cash equivalents                  | \$ 3,998,916         | \$ 1,958,208   | \$ -                    | \$ 1,937,327                   | \$ 7,894,451                   |
| Cash with fiscal agent                     | -                    | -  | 8,143                   | 575,374                        | 583,517                        |
| Receivables                                |                      |  |                         |                                |                                |
| Taxes                                      | 5,721,601            | 3,896,006  | -                       | 326,423                        | 9,944,030                      |
| Grants                                     | 12,540               | -  | -                       | 346,038                        | 358,578                        |
| Accounts                                   | 616,985              | -  | -                       | 168,573                        | 785,558                        |
| Due from component unit                    | 118,907              | -  | -                       | -                              | 118,907                        |
| Due from other funds                       | 2,473,223            | 620,790  | -                       | 1,053,079                      | 4,147,092                      |
| Prepaid items                              | 404,100              | -  | -                       | -                              | 404,100                        |
| <b>Total Assets</b>                        | <b>\$ 13,346,272</b> | <b>\$ 6,475,004</b>                                  | <b>\$ 8,143</b>         | <b>\$ 4,406,814</b>            | <b>\$ 24,236,233</b>           |
| <b>LIABILITIES AND FUND BALANCES</b>       |                      |  |                         |                                |                                |
| <b>Liabilities:</b>                        |                      |  |                         |                                |                                |
| Accounts payable                           | \$ 539,681           | \$ 69  | \$ -                    | \$ 341,279                     | \$ 881,029                     |
| Accrued liabilities                        | 828,559              | -  | -                       | -                              | 828,559                        |
| Due to other funds                         | 1,201,971            | 1,901,006  | -                       | 1,044,115                      | 4,147,092                      |
| Deferred revenue                           | 4,229,917            | 3,200,000  | -                       | 295,000                        | 7,724,917                      |
| Due to component unit                      | 731,797              | -  | -                       | -                              | 731,797                        |
| Other liabilities                          | 498,109              | -  | -                       | -                              | 498,109                        |
| <b>Total Liabilities</b>                   | <b>8,030,034</b>     | <b>5,101,075</b>                                     | <b>-</b>                | <b>1,680,394</b>               | <b>14,811,503</b>              |
| <b>Fund balances:</b>                      |                      |  |                         |                                |                                |
| Nonspendable:                              |                      |  |                         |                                |                                |
| Prepaid items                              | 404,100              | -  | -                       | -                              | 404,100                        |
| Restricted:                                |                      |  |                         |                                |                                |
| Debt service                               | -                    | -  | 8,143                   | 575,374                        | 583,517                        |
| Capital improvements                       | -                    | -  | -                       | 1,673,233                      | 1,673,233                      |
| Other                                      | -                    | 1,373,929  | -                       | 454,266                        | 1,828,195                      |
| Assigned                                   | 202,611              | -  | -                       | 23,547                         | 226,158                        |
| Unassigned                                 | 4,709,527            | -  | -                       | -                              | 4,709,527                      |
| <b>Total fund balances</b>                 | <b>5,316,238</b>     | <b>1,373,929</b>                                     | <b>8,143</b>            | <b>2,726,420</b>               | <b>9,424,730</b>               |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 13,346,272</b> | <b>\$ 6,475,004</b>                                  | <b>\$ 8,143</b>         | <b>\$ 4,406,814</b>            |                                |

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

|   |                      |
|---|----------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                         | 163,777,551          |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.                        | 8,081,762            |
| Accrued expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds. | (244,205)            |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.      | <u>(147,216,423)</u> |
| Net assets of governmental activities   | <u>\$ 33,823,415</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, 2012**

|  | General             | Water<br>Distribution<br>and Storage<br>Project Fund | School<br>Bonds<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--|-------------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>  |                     |  |                         |                                |                                |
| Taxes:   |                     |  |                         |                                |                                |
| Property and payments in lieu of taxes                       | \$ 4,280,627        | \$ 3,199,284   | \$ 3,901,508            | \$ 672,628                     | \$ 12,054,047                  |
| Sales and use  | 10,579,366          | 3,256,459  | -                       | -                              | 13,835,825                     |
| Franchise  | 1,023,386           | -  | -                       | -                              | 1,023,386                      |
| Alcoholic beverage   | 911,979             | -  | -                       | -                              | 911,979                        |
| Rental   | 396,700             | -  | -                       | -                              | 396,700                        |
| Lodging  | 1,030,577           | -  | -                       | -                              | 1,030,577                      |
| Other  | 217,880             | -  | -                       | -                              | 217,880                        |
| Licenses and permits   | 4,179,684           | -  | -                       | -                              | 4,179,684                      |
| Intergovernmental  | 262,631             | -  | -                       | 2,690,303                      | 2,952,934                      |
| Charges for services   | 1,278,808           | -  | -                       | -                              | 1,278,808                      |
| Fines  | 887,926             | -  | -                       | 269,937                        | 1,157,863                      |
| Interest income  | 148,878             | 6,092  | 12,608                  | 7,199                          | 174,777                        |
| Contributions and donations                                  | 51,571              | -  | -                       | 60,325                         | 111,896                        |
| Other revenues   | 866,076             | -  | -                       | 908,494                        | 1,774,570                      |
| <b>Total revenues</b>  | <b>26,116,089</b>   | <b>6,461,835</b>                                     | <b>3,914,116</b>        | <b>4,608,886</b>               | <b>41,100,926</b>              |
| <b>EXPENDITURES</b>  |                     |  |                         |                                |                                |
| Current:   |                     |  |                         |                                |                                |
| General Administration                                       | 1,080,625           | 4,453  | -                       | 622,798                        | 1,707,876                      |
| Police   | 6,299,999           | -  | -                       | 32,145                         | 6,332,144                      |
| Public Works   | 3,278,855           | -  | -                       | 995,526                        | 4,274,381                      |
| City Clerk   | 763,234             | -  | -                       | -                              | 763,234                        |
| Recreation   | 2,300,011           | -  | -                       | -                              | 2,300,011                      |
| Fire   | 4,761,015           | -  | -                       | -                              | 4,761,015                      |
| Planning   | 329,111             | -  | -                       | -                              | 329,111                        |
| Court  | 1,148,270           | -  | -                       | -                              | 1,148,270                      |
| City Council   | 140,391             | -  | -                       | -                              | 140,391                        |
| Finance  | 647,596             | -  | -                       | -                              | 647,596                        |
| Human Resources  | 3,649,337           | -  | -                       | -                              | 3,649,337                      |
| Mayor's Office   | 323,618             | -  | -                       | -                              | 323,618                        |
| Revenue  | 315,197             | -  | -                       | -                              | 315,197                        |
| Engineering  | 494,302             | -  | -                       | 209,178                        | 703,480                        |
| Senior Center  | 271,212             | -  | -                       | 10,066                         | 281,278                        |
| Information Technology                                       | 349,555             | -  | -                       | -                              | 349,555                        |
| Legal  | 247,741             | -  | -                       | -                              | 247,741                        |
| Building   | 850,979             | -  | -                       | -                              | 850,979                        |
| Debt service:  |                     |  |                         |                                |                                |
| Principal  | 380,081             | -  | 200,000                 | 905,000                        | 1,485,081                      |
| Interest   | 45,454              | -  | 3,738,268               | 2,800,988                      | 6,584,710                      |
| Bond issue costs   | -                   | -  | 228,757                 | -                              | 228,757                        |
| Capital outlay   | 1,027,537           | -  | -                       | 3,430,535                      | 4,458,072                      |
| <b>Total expenditures</b>                                    | <b>28,704,120</b>   | <b>4,453</b>   | <b>4,167,025</b>        | <b>9,006,236</b>               | <b>41,881,834</b>              |
| Excess (deficiency) of revenues<br>over (under) expenditures | (2,588,031)         | 6,457,382  | (252,909)               | (4,397,350)                    | (780,908)                      |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |  |                         |                                |                                |
| Transfers from other funds                                   | 2,722,162           | -  | -                       | 4,096,168                      | 6,818,330                      |
| Transfers to other funds                                     | (254,205)           | (5,911,963)  | -                       | (652,162)                      | (6,818,330)                    |
| Sales of capital assets                                      | 390,819             | -  | -                       | -                              | 390,819                        |
| Bond issue discount  | -                   | -  | (22,841)                | -                              | (22,841)                       |
| Issuance of refunding bonds                                  | -                   | -  | 18,460,000              | -                              | 18,460,000                     |
| Payment to refunded bonds escrow agent                       | -                   | -  | (18,192,764)            | -                              | (18,192,764)                   |
| <b>Total other financing sources (uses), net</b>             | <b>2,858,776</b>    | <b>(5,911,963)</b>                                   | <b>244,395</b>          | <b>3,444,006</b>               | <b>635,214</b>                 |
| Net change in fund balances                                  | 270,745             | 545,419  | (8,514)                 | (953,344)                      | (145,694)                      |
| <b>Fund balances - beginning of year</b>                     | <b>5,045,493</b>    | <b>828,510</b>                                       | <b>16,657</b>           | <b>3,679,764</b>               | <b>9,570,424</b>               |
| <b>Fund balances - end of year</b>                           | <b>\$ 5,316,238</b> | <b>\$ 1,373,929</b>                                  | <b>\$ 8,143</b>         | <b>\$ 2,726,420</b>            | <b>\$ 9,424,730</b>            |

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

**CITY OF MADISON, ALABAMA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2012**

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

|   |                            |
|---|----------------------------|
| Net change in fund balances - total governmental funds (page 37)  | \$ (145,694)               |
| 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.   | (301,014)                  |
| 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  | 3,034,651                  |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.  | (452,559)                  |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  | (323,462)                  |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets and statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 1,469,443                  |
| 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>(674,309)</u>           |
| Change in net assets of governmental activities (page 35)   | <u><u>\$ 2,607,056</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, 2012**

|  | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| <b>REVENUES</b>  |                         |                     |                           |                                       |
| Taxes:   |                         |                     |                           |                                       |
| Property and payments in lieu of taxes                       | \$ 4,256,829            | \$ 4,281,829        | \$ 4,280,627              | \$ (1,202)                            |
| Sales and use  | 10,500,000              | 10,983,000          | 10,579,366                | (403,634)                             |
| Franchise  | 993,806                 | 1,004,146           | 1,023,386                 | 19,240                                |
| Alcoholic beverage   | 856,846                 | 876,846             | 911,979                   | 35,133                                |
| Rental   | 445,000                 | 445,000             | 396,700                   | (48,300)                              |
| Lodging  | 1,195,000               | 1,195,000           | 1,030,577                 | (164,423)                             |
| Other  | 230,875                 | 230,875             | 217,880                   | (12,995)                              |
| Licenses and permits   | 4,300,858               | 4,300,908           | 4,179,684                 | (121,224)                             |
| Intergovernmental  | 251,833                 | 506,443             | 262,631                   | (243,812)                             |
| Charges for services   | 1,229,509               | 1,234,000           | 1,278,808                 | 44,808                                |
| Fines  | 722,674                 | 928,674             | 887,926                   | (40,748)                              |
| Interest income  | 45,600                  | 45,600              | 148,878                   | 103,278                               |
| Contributions and donations                                  | -                       | 35,510              | 51,571                    | 16,061                                |
| Other revenues   | 821,224                 | 871,020             | 866,076                   | (4,944)                               |
| <b>Total revenues</b>  | <b>25,850,054</b>       | <b>26,938,851</b>   | <b>26,116,089</b>         | <b>(822,762)</b>                      |
| <b>EXPENDITURES</b>  |                         |                     |                           |                                       |
| Current:   |                         |                     |                           |                                       |
| General Administration                                       | 1,022,439               | 1,068,939           | 1,080,625                 | (11,686)                              |
| Police   | 6,889,278               | 6,930,687           | 6,299,999                 | 630,688                               |
| Public Works   | 3,616,447               | 3,591,447           | 3,278,855                 | 312,592                               |
| City Clerk   | 806,444                 | 809,444             | 763,234                   | 46,210                                |
| Recreation   | 2,530,882               | 2,526,382           | 2,300,011                 | 226,371                               |
| Fire   | 5,203,896               | 5,248,639           | 4,761,015                 | 487,624                               |
| Planning   | 376,890                 | 376,890             | 329,111                   | 47,779                                |
| Court  | 1,015,104               | 1,237,360           | 1,148,270                 | 89,090                                |
| City Council   | 159,923                 | 159,923             | 140,391                   | 19,532                                |
| Finance  | 640,370                 | 650,370             | 647,596                   | 2,774                                 |
| Human Resources  | 3,800,370               | 3,800,370           | 3,649,337                 | 151,033                               |
| Mayor's Office   | 339,431                 | 337,431             | 323,618                   | 13,813                                |
| Revenue  | 242,258                 | 292,258             | 315,197                   | (22,939)                              |
| Engineering  | 572,195                 | 648,136             | 494,302                   | 153,834                               |
| Senior Center  | 326,421                 | 326,421             | 271,212                   | 55,209                                |
| Information Technology                                       | 516,667                 | 540,667             | 349,555                   | 191,112                               |
| Legal  | 280,069                 | 267,069             | 247,741                   | 19,328                                |
| Building   | 912,073                 | 948,445             | 850,979                   | 97,466                                |
| Debt service:  |                         |                     |                           |                                       |
| Principal  | 385,142                 | 385,161             | 380,081                   | 5,080                                 |
| Interest   | 47,183                  | 47,164              | 45,454                    | 1,710                                 |
| Capital outlay   | 306,717                 | 1,577,746           | 1,027,537                 | 550,209                               |
| <b>Total expenditures</b>                                    | <b>29,990,199</b>       | <b>31,770,949</b>   | <b>28,704,120</b>         | <b>3,066,829</b>                      |
| Excess (deficiency) of revenues<br>over (under) expenditures | (4,140,145)             | (4,832,098)         | (2,588,031)               | 2,244,067                             |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                         |                     |                           |                                       |
| Transfers from other funds                                   | 2,760,805               | 2,760,805           | 2,722,162                 | (38,643)                              |
| Transfers to other funds                                     | (314,547)               | (314,547)           | (254,205)                 | 60,342                                |
| Sales of capital assets                                      | 162,000                 | 461,560             | 390,819                   | (70,741)                              |
| Proceeds from capital leases                                 | -                       | 646,406             | -                         | (646,406)                             |
| <b>Total other financing sources (uses), net</b>             | <b>2,608,258</b>        | <b>3,554,224</b>    | <b>2,858,776</b>          | <b>(695,448)</b>                      |
| Net change in fund balances                                  | (1,531,887)             | (1,277,874)         | 270,745                   | 1,548,619                             |
| <b>Fund balances - beginning of year</b>                     | <b>5,045,493</b>        | <b>5,045,493</b>    | <b>5,045,493</b>          | <b>-</b>                              |
| <b>Fund balances - end of year</b>                           | <b>\$ 3,513,606</b>     | <b>\$ 3,767,619</b> | <b>\$ 5,316,238</b>       | <b>\$ 1,548,619</b>                   |

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

**CITY OF MADISON, ALABAMA**  
**WATER DISTRIBUTION AND STORAGE PROJECT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2012**

|   | <u>Budgeted Amounts</u> |                    | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|-------------------------|--------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>       |                           |                                       |
| <b>REVENUES</b>                             |                         |                    |                           |                                       |
| Taxes:                                      |                         |                    |                           |                                       |
| Property and payments in lieu of taxes      | \$ 3,200,000            | \$ 3,200,000       | \$ 3,199,284              | \$ (716)                              |
| Sales and use                               | 2,725,000               | 2,725,000          | 3,256,459                 | 531,459                               |
| Interest income                             | 6,500                   | 6,500              | 6,092                     | (408)                                 |
| <b>Total revenues</b>                       | <b>5,931,500</b>        | <b>5,931,500</b>   | <b>6,461,835</b>          | <b>530,335</b>                        |
| <b>EXPENDITURES</b>                         |                         |                    |                           |                                       |
| Current:                                    |                         |                    |                           |                                       |
| General Administration                      | 5,500                   | 5,500              | 4,453                     | 1,047                                 |
| <b>Total expenditures</b>                   | <b>5,500</b>            | <b>5,500</b>       | <b>4,453</b>              | <b>1,047</b>                          |
| Excess of revenues over expenditures        | 5,926,000               | 5,926,000          | 6,457,382                 | 531,382                               |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                         |                    |                           |                                       |
| Transfers to other funds                    | (6,205,988)             | (6,205,988)        | (5,911,963)               | 294,025                               |
| <b>Total other financing sources (uses)</b> | <b>(6,205,988)</b>      | <b>(6,205,988)</b> | <b>(5,911,963)</b>        | <b>294,025</b>                        |
| Net change in fund balances                 | (279,988)               | (279,988)          | 545,419                   | 825,407                               |
| <b>Fund balances - beginning of year</b>    | <b>828,510</b>          | <b>828,510</b>     | <b>828,510</b>            | <b>-</b>                              |
| <b>Fund balances - end of year</b>          | <b>\$ 548,522</b>       | <b>\$ 548,522</b>  | <b>\$ 1,373,929</b>       | <b>\$ 825,407</b>                     |

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, 2012**

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**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

**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, 2012**

**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. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances and transfers in the Statement of Net Assets have been eliminated except those representing balances or activity between the governmental activities and component units.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2012

**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 funds 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, 2012**

**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, 2012**

**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 measurable 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.

**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.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

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

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued**

**Receivables and Payables - Continued**

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 the Madison County Tax Collector and remitted to the City.

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

**Inventories**

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

**Prepaid Items**

Prepaid 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.

**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.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

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

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued**

**Interfund Receivables, Payables and Transfers - Continued**

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 as assets having estimated useful lives in excess of one year and exceeding the following threshold amounts: land and land improvements with cost of \$1 or more, buildings and building improvements with cost of \$5,000 or more, infrastructure assets with cost of \$50,000 or more, and all other assets with cost of \$1,000 or more. 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    | 25-50        |
| Building improvements           | 5-25         |
| Machinery, equipment, and other | 3-25         |

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2012

**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. Vacation leave that is expected to be liquidated during the next twelve months is considered a current liability on the government-wide financial statements. 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 are provided 2-5 days of personal leave per year with pay depending on years of service.

The State provides funding, at the substitute rate, for up to 2 days of personal leave per employee per year. Professional employees are paid, at the Board's substitute rate, for up to 2 days of unused personal leave. Professional and support personnel may convert unused, unreimbursed 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, 2012**

**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 20 days for less than 10 years of service and 30 days for greater than 10 years of service.

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, 2012**

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

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued**

**Fund Balance Classifications**

During the fiscal year ended September 30, 2011, the City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental fund Type Definition*, which redefined 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, 2012:

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 TVA Tax Distribution Fund by state law for payment to the Madison City Board of Education
    - 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 Municipal Government Capital Improvement Fund for capital improvements or capital projects in the City
    - 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 Street Repair and Maintenance Fund by grantor for repair and maintenance of City streets

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

**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, 2012.

- **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, 2012:

- (a) Assigned for use of resources donated for operational and capital needs of Madison Senior Center
- (b) Assigned for the amount of fund balance in the General Fund encumbered at September 30, 2012

- **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, 2012**

**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.

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

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

The governmental fund balance sheet includes a reconciliation between *fund balances - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of the reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this (\$147,216,423) difference are as follows:

|  |                         |
|--|-------------------------|
| Bonds payable  | \$ (147,395,000)        |
| Less: Deferred charge for issuance costs                 |                         |
| to be amortized over life of debt                        | 1,651,542               |
| Issuance discounts                                       | 1,044,435               |
| Deferred losses on refunding                             | 1,136,839               |
| Accrued interest payable                                 | (1,670,027)             |
| Capital lease payable                                    | (1,022,614)             |
| Compensated absences                                     | (783,213)               |
| Other postemployment benefits                            | <u>(178,385)</u>        |
| <br>Net adjustment to <i>fund balance</i> total          |                         |
| <i>governmental funds</i> to arrive at <i>net assets</i> |                         |
| <i>governmental activities</i>                           | <u>\$ (147,216,423)</u> |

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2012

**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 (\$301,014) difference are as follows:

|  |                     |
|--|---------------------|
| Capital outlay   | \$ 4,458,072        |
| Depreciation expense   | <u>(4,759,086)</u>  |
| Net adjustment to <i>net change in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | <u>\$ (301,014)</u> |

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

The details of this \$1,469,443 difference are as follows:

|  |                     |
|--|---------------------|
| Debt issued or incurred:   |                     |
| General obligation school debt   | \$ (18,460,000)     |
| Discount on bonds issued   | 22,841              |
| Bond issuance expense  | 228,757             |
| Principal repayments:  |                     |
| General obligation debt  | 1,105,000           |
| Payments on capital leases   | 380,081             |
| Payment to escrow agent for refunding  | <u>18,192,764</u>   |
| Net adjustment to <i>net change in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | <u>\$ 1,469,443</u> |

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2012

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

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this (\$674,309) difference are as follows:

|   |                     |
|---|---------------------|
| Compensated absences  | \$ (22,283)         |
| Accrued interest  | (420,138)           |
| Amortization of issuance costs  | (100,873)           |
| Amortization of bond discounts  | (68,326)            |
| Amortization of deferred losses on debt refunding   | (79,994)            |
| Claims and judgments  | 50,000              |
| Net other postemployment benefits   | <u>(32,695)</u>     |
|   |                     |
| Net adjustment to <i>net change in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i> | <u>\$ (674,309)</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 and the Street Repair and Maintenance 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.

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.

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2012**

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

**A. BUDGET INFORMATION - Continued**

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

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

**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 | \$ 11,686     |
|             | Revenue                | \$ 22,939     |

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, 2012.

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

**A. DEPOSITS AND INVESTMENTS**

**Primary Government**

At September 30, 2012, 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.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

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

**A. DEPOSITS AND INVESTMENTS - Continued**

**Primary Government - Continued**

Restricted cash in the debt service funds consists of investments held by a trustee that are restricted for debt service or other purposes as specifically defined by the City's debt agreements. At September 30, 2012, the City had investments in U.S. Treasury obligations held by banks trust departments with fair value of \$583,517 and weighted average maturity of 51 days. 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, 2012, the entire City's deposits and bank balances are insured by federal depository insurance or part of SAFE.

**Discretely Presented Component Units**

At September 30, 2012, 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, 2012, 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, 2012

**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)                                | \$ 4,105,347        | \$ -              |
| Property taxes receivable (library fund)                                | 295,000             | -                 |
| Property taxes receivable (water distribution and storage project fund) | 3,200,000           | -                 |
| Sidewalk revenue (general fund)   | -                   | 24,570            |
| Deposit on sale of fixed assets (general fund)                          | -                   | 100,000           |
|   | <u>\$ 7,600,347</u> | <u>\$ 124,570</u> |

**Receivables**

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

|              | General<br>Fund     | Water<br>Distribution<br>and Storage<br>Project<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------|---------------------|---|------------------------------------|--------------------------------|
|              | <u>          </u>   | <u>          </u>                                       | <u>          </u>                  | <u>          </u>              |
| Receivables: |                     |   |                                    |                                |
| Taxes        | \$ 5,721,601        | \$ 3,896,006  | \$ 326,423                         | \$ 9,944,030                   |
| Accounts     | 12,540              | -   | 346,038                            | 358,578                        |
| Grants       | <u>616,985</u>      | <u>-</u>  | <u>168,573</u>                     | <u>785,558</u>                 |
|              | <u>\$ 6,351,126</u> | <u>\$ 3,896,006</u>                                     | <u>\$ 841,034</u>                  | <u>\$ 11,088,166</u>           |

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

**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, 2012, is as follows:

| Governmental Activities                         | Balance<br>October 1,<br>2011 | Increase            | Decrease            | Transfers          | Balance<br>September 30,<br>2012 |
|---|-------------------------------|---------------------|---------------------|--------------------|----------------------------------|
| Capital assets, not being depreciated           |                               |                     |                     |                    |                                  |
| Land  | \$ 28,036,047                 | \$ 910,350          | \$ -                | \$ -               | \$ 28,946,397                    |
| Construction in progress                        | <u>11,143,575</u>             | <u>1,380,270</u>    | <u>(12,626)</u>     | <u>(6,796,474)</u> | <u>5,714,745</u>                 |
| Total capital assets,<br>not being depreciated  | 39,179,622                    | 2,290,620           | (12,626)            | (6,796,474)        | 34,661,142                       |
| Capital assets, being depreciated               |                               |                     |                     |                    |                                  |
| Improvements to land                            | 66,964                        | -                   | -                   | -                  | 66,964                           |
| Buildings                                       | 11,066,230                    | 2,058,815           | (403,249)           | 539,587            | 13,261,383                       |
| Improvements to buildings                       | 3,829,595                     | 61,119              | -                   | 279,169            | 4,169,883                        |
| Improvements other than buildings               | 2,397,448                     | 324,708             | -                   | 62,269             | 2,784,425                        |
| Machinery and equipment                         | 16,302,038                    | 909,619             | (1,656,178)         | -                  | 15,555,479                       |
| Infrastructure                                  | 142,101,814                   | 1,828,842           | -                   | 5,915,449          | 149,846,105                      |
| Other   | <u>14,300</u>                 | <u>19,000</u>       | <u>(14,300)</u>     | <u>-</u>           | <u>19,000</u>                    |
| Total capital assets,<br>being depreciated      | 175,778,389                   | 5,202,103           | (2,073,727)         | 6,796,474          | 185,703,239                      |
| Less accumulated depreciation for:              |                               |                     |                     |                    |                                  |
| Improvements to land                            | -                             | (3,348)             | -                   | -                  | (3,348)                          |
| Buildings                                       | (3,728,512)                   | (250,603)           | 153,337             | -                  | (3,825,778)                      |
| Improvements to buildings                       | (597,275)                     | (204,592)           | -                   | -                  | (801,867)                        |
| Improvements other than buildings               | (575,881)                     | (131,257)           | -                   | -                  | (707,138)                        |
| Machinery and equipment                         | (11,970,424)                  | (1,163,484)         | 1,473,756           | -                  | (11,660,152)                     |
| Infrastructure                                  | (36,584,277)                  | (3,003,818)         | -                   | -                  | (39,588,095)                     |
| Other   | <u>(5,169)</u>                | <u>(1,984)</u>      | <u>6,701</u>        | <u>-</u>           | <u>(452)</u>                     |
| Total accumulated depreciation                  | <u>(53,461,538)</u>           | <u>(4,759,086)</u>  | <u>1,633,794</u>    | <u>-</u>           | <u>(56,586,830)</u>              |
| Total capital assets<br>being depreciated, net  | <u>122,316,851</u>            | <u>443,017</u>      | <u>(439,933)</u>    | <u>6,796,474</u>   | <u>129,116,409</u>               |
| Governmental activities,<br>capital assets, net | <u>\$ 161,496,473</u>         | <u>\$ 2,733,637</u> | <u>\$ (452,559)</u> | <u>\$ -</u>        | <u>\$ 163,777,551</u>            |

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2012

**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                               | \$ 137,858          |
| Police   | 417,961             |
| Public Works   | 3,328,948           |
| City Clerk   | 5,515               |
| Recreation   | 263,266             |
| Fire   | 385,817             |
| Planning   | 2,436               |
| Court  | 8,275               |
| City Council   | 213                 |
| Finance  | 27,632              |
| Human Resources                                      | 3,129               |
| Mayor's Office                                       | 8,983               |
| Revenue  | 1,957               |
| Engineering  | 19,973              |
| Senior Center  | 52,500              |
| Information Technology                               | 74,012              |
| Legal  | 988                 |
| Building   | <u>19,623</u>       |
| Total depreciation expense - governmental activities | <u>\$ 4,759,086</u> |

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2012

**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:

|   | <u>Balance<br/>October 1,<br/>2011</u> | <u>Increase</u>     | <u>Decrease</u>     | <u>Balance<br/>September 30,<br/>2012</u> |
|---|--|---------------------|---------------------|---|
| Water system  | \$ 90,023,338                          | \$ 2,912,930        | \$ 876,499          | \$ 92,059,769                             |
| Wastewater system   | 103,357,261                            | 2,886,841           | 163,946             | 106,080,156                               |
| General plant   | 4,742,183                              | 140,743             | 24,002              | 4,858,924                                 |
| Construction in progress                                  | <u>1,207,884</u>                       | <u>6,024,933</u>    | <u>5,940,514</u>    | <u>1,292,303</u>                          |
| Total capital assets,<br>being depreciated                | 199,330,666                            | 11,965,447          | 7,004,961           | 204,291,152                               |
| Less accumulated depreciation for:                        |  |                     |                     |   |
| Water system  | 14,280,114                             | 2,054,443           | 873,326             | 15,461,231                                |
| Wastewater system   | 17,668,964                             | 2,261,279           | 159,621             | 19,770,622                                |
| General plant   | <u>2,752,985</u>                       | <u>289,135</u>      | <u>22,801</u>       | <u>3,019,319</u>                          |
| Total accumulated depreciation                            | <u>34,702,063</u>                      | <u>4,604,857</u>    | <u>1,055,748</u>    | <u>38,251,172</u>                         |
| Madison Water and Wastewater<br>Board capital assets, net | <u>\$ 164,628,603</u>                  | <u>\$ 7,360,590</u> | <u>\$ 5,949,213</u> | <u>\$ 166,039,980</u>                     |

Depreciation expense charged as follows:

|         |                     |
|---------|---------------------|
| Expense | \$ 4,531,792        |
| Other   | <u>73,065</u>       |
|         | <u>\$ 4,604,857</u> |

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2012

**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:

| <u>Governmental Activities</u>                  | <u>Balance<br/>October 1,<br/>2011</u> | <u>Additions</u> | <u>Retirements and<br/>Reclassifications</u> | <u>Balance<br/>September 30,<br/>2012</u> |
|---|--|------------------|--|---|
| Capital assets, not being depreciated           |  |                  |  |   |
| Land  | \$ 7,410,334                           | \$ -             | \$ -   | \$ 7,410,334                              |
| Land Improvements                               | 8,587,093                              | -                | -  | 8,587,093                                 |
| Buildings                                       | 103,317,229                            | 419,512          | -  | 103,736,741                               |
| Equipment                                       | 3,668,500                              | 498,883          | -  | 4,167,383                                 |
| Construction in progress                        | 27,442,293                             | 30,979,125       | 262,017                                      | 58,159,401                                |
| Vehicles  | <u>5,215,143</u>                       | <u>351,461</u>   | <u>183,400</u>                               | <u>5,383,204</u>                          |
| Total at historic cost                          | 155,640,592                            | 32,248,981       | 445,417                                      | 187,444,156                               |
| Less accumulated depreciation for:              |  |                  |  |   |
| Land Improvements                               | 4,082,827                              | 340,499          | -  | 4,423,326                                 |
| Buildings                                       | 23,082,378                             | 1,990,916        | -  | 25,073,294                                |
| Equipment                                       | 2,128,070                              | 383,502          | -  | 2,511,572                                 |
| Vehicles  | <u>2,893,464</u>                       | <u>393,566</u>   | <u>183,400</u>                               | <u>3,103,630</u>                          |
| Total accumulated depreciation                  | <u>32,186,739</u>                      | <u>3,108,483</u> | <u>183,400</u>                               | <u>35,111,822</u>                         |
| Governmental activities,<br>capital assets, net | <u>\$ 123,453,853</u>                  |                  |  | <u>\$ 152,332,334</u>                     |

Depreciation expense charged to governmental functions is as follows:

|  |                     |
|--|---------------------|
| Instructional services                             | \$ 2,051,599        |
| Instructional support services                     | 341,933             |
| Operational and maintenance services               | 62,170              |
| Student transportation services                    | 373,018             |
| Food services                                      | <u>279,763</u>      |
| Total governmental activities depreciation expense | <u>\$ 3,108,483</u> |

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2012

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

**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, 2012, is as follows:

Due to/from other funds (Primary Government):

| <u>Receivable Fund</u>                      | <u>Payable Fund</u>                         | <u>Amount</u>       |
|---|---|---------------------|
|   | Water Distribution and Storage Project fund | \$ 1,901,006        |
| General Fund                                | Non-major governmental funds                | 572,217             |
| General Fund                                |   |                     |
| Water Distribution and Storage Project fund | General Fund                                | 620,790             |
| Non-major governmental funds                | General Fund                                | 581,181             |
| Non-major governmental funds                | Non-major governmental funds                | <u>471,898</u>      |
|   | Total                                       | <u>\$ 4,147,092</u> |

Interfund transfers:

| <u>Transfer From</u>                        | <u>Transfer To</u>           | <u>Amount</u>       |
|---|------------------------------|---------------------|
| General Fund                                | Non-major governmental funds | \$ 254,205          |
| Water Distribution and Storage Project fund | General Fund                 | 2,500,000           |
| Water Distribution and Storage Project fund | Non-major governmental funds | 3,411,963           |
| Non-major governmental funds                | General Fund                 | 222,162             |
| Non-major governmental funds                | Non-major governmental funds | <u>430,000</u>      |
|   | Total                        | <u>\$ 6,818,330</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.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2012

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

**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:

| Asset:                         | <u>Governmental<br/>Activities</u> |
|--------------------------------|------------------------------------|
| Machinery and equipment        | \$ 2,673,935                       |
| Less: Accumulated depreciation | <u>1,514,081</u>                   |
| Total                          | <u>\$ 1,159,854</u>                |

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012, are as follows:

| <u>Year Ending September 30</u>         | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| 2013                                    | \$ 432,321                         |
| 2014                                    | 243,057                            |
| 2015                                    | 197,144                            |
| 2016                                    | 81,420                             |
| 2017                                    | 81,420                             |
| 2018                                    | <u>61,064</u>                      |
| Total minimum lease payments            | 1,096,426                          |
| Less: amount representing interest      | <u>(73,812)</u>                    |
| Present value of minimum lease payments | <u>\$ 1,022,614</u>                |

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

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

**E. CAPITAL LEASES - Continued**

**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. At September 30, 2012, 6 pieces of equipment had been purchased in five separate lease transactions. At the inception of each lease obligation, the aggregate cost of the equipment purchased under the master lease agreement was \$736,837. During 2011, two leases were retired. During 2012, the remaining three leases were retired.

**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).

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2012

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

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

**Primary Government - Continued**

Outstanding Debt

General obligation warrants currently outstanding as of September 30, 2012, are as follows:

|   | <u>Original Issue<br/>Amount</u> | <u>Maturity<br/>Date</u> | <u>Range of<br/>Interest Rates</u> | <u>Balance at<br/>9/30/2012</u> |
|---|----------------------------------|--------------------------|------------------------------------|---------------------------------|
| <u>General Obligation Warrants</u>        |                                  |                          |                                    |                                 |
| Series 2005                               | \$ 18,775,000                    | 04/01/23                 | 4.70% - 5.75%                      | \$ 16,610,000                   |
| Series 2006-A                             | 37,980,000                       | 12/01/36                 | 3.50% - 4.54%                      | 35,900,000                      |
| Series 2011 - Taxable                     | 7,300,000                        | 03/01/22                 | 1.50% - 5.24%                      | 7,300,000                       |
| <u>General Obligation School Warrants</u> |                                  |                          |                                    |                                 |
| Series 2008-A                             | 12,235,000                       | 03/01/25                 | 2.40% - 4.750%                     | 11,870,000                      |
| Series 2009                               | 51,110,000                       | 02/01/39                 | 1.25% - 5.250%                     | 50,810,000                      |
| Series 2011-A                             | 6,525,000                        | 11/01/26                 | 0.85% - 4.000%                     | 6,445,000                       |
| Series 2011-B                             | <u>18,460,000</u>                | 02/01/32                 | 2.00% - 4.200%                     | <u>18,460,000</u>               |
|   | <u>\$ 152,385,000</u>            |                          |                                    | <u>\$ 147,395,000</u>           |

**Current Refunding**

In December 2011, the City issued \$18,460,000 General Obligation School Warrants for a current refunding of the 2002 General Obligation School warrants for \$18,192,764. The City refunded the 2002 General obligation School Warrants to reduce total future debt service payments. The transaction reduced debt service payments by \$1,261,409 and resulted in an economic gain of \$1,214,032.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2012

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

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

**Primary Government - Continued**

**Future Debt Service**

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

| Year Ending<br><u>September 30</u> | <u>Governmental Activities</u> |                       |
|------------------------------------|--------------------------------|-----------------------|
|                                    | <u>Principal</u>               | <u>Interest</u>       |
| 2013                               | \$ 2,510,000                   | \$ 6,763,412          |
| 2014                               | 2,950,000                      | 6,668,925             |
| 2015                               | 3,190,000                      | 6,558,047             |
| 2016                               | 3,640,000                      | 6,427,493             |
| 2017                               | 3,785,000                      | 6,279,815             |
| 2018 - 2022                        | 23,600,000                     | 28,788,494            |
| 2023 - 2027                        | 28,885,000                     | 22,742,664            |
| 2028 - 2032                        | 30,170,000                     | 15,827,323            |
| 2033 - 2037                        | 37,850,000                     | 7,691,056             |
| 2038 - 2039                        | 10,815,000                     | 564,054               |
| Total governmental activities      | <u>\$ 147,395,000</u>          | <u>\$ 108,311,283</u> |

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

**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, 2012, the following changes occurred in the City's long-term liabilities:

| <u>Governmental Activities</u> | Balance<br>October 1,<br>2011 | Additions            | Reductions           | Balance<br>September 30,<br>2012 | Amounts Due<br>Within<br>One Year |
|--------------------------------|-------------------------------|----------------------|----------------------|----------------------------------|-----------------------------------|
| Compensated absences           | \$ 913,913                    | \$ 796,223           | \$ 760,957           | \$ 949,179                       | \$ 760,957                        |
| Other post-employment benefits | 145,690                       | 38,462               | 5,767                | 178,385                          | -                                 |
| Capital lease obligations      | 1,402,695                     | -                    | 380,081              | 1,022,614                        | 399,919                           |
| General obligation warrants    | 153,870,000                   | 18,460,000           | 24,935,000           | 147,395,000                      | 2,510,000                         |
| Less deferred amounts for:     |                               |                      |                      |                                  |                                   |
| Issuance discounts             | (1,052,755)                   | (22,841)             | (31,161)             | (1,044,435)                      | (67,094)                          |
| Deferred losses on refunding   | <u>(865,208)</u>              | <u>(351,625)</u>     | <u>(79,994)</u>      | <u>(1,136,839)</u>               | <u>(82,924)</u>                   |
|                                | <u>\$ 154,414,335</u>         | <u>\$ 18,920,219</u> | <u>\$ 25,970,650</u> | <u>\$ 147,363,904</u>            | <u>\$ 3,520,858</u>               |

Line of credit

During the year ended September 30, 2012, the City entered into a \$2,520,000 line of credit agreement with a local bank to provide matching funds, if needed, for the Alabama Transportation Rehabilitation and Improvement Program for five road resurfacing and repair projects in the City. The line of credit has a term of 5 years. The City has two payment options from which to choose in the event draws are made on the line. Option 1 calls for principal payable in 10 substantially equal semi-annual installments of 1/10 the original principal amount with a fixed interest rate of 3.50% also payable semi-annually. Option 2 calls for principal payable in 9 substantially equal semi-annual installments of 1/20 the original principal amount and one final installment of all unpaid principal at maturity with a fixed interest rate of 3.80% also payable semi-annually. There were no draws or payments associated with this line of credit during the fiscal year and no balance was outstanding at September 30, 2012.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2012

**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, 2012, are as follows:

| <u>Year Ending</u><br><u>September 30</u> | <u>Principal</u>     | <u>Interest</u>      |
|---|----------------------|----------------------|
| 2013                                      | \$ 2,105,000         | \$ 2,986,235         |
| 2014                                      | 2,180,000            | 2,913,481            |
| 2015                                      | 2,265,000            | 2,831,295            |
| 2016                                      | 2,350,000            | 2,750,691            |
| 2017                                      | 2,435,000            | 2,665,007            |
| 2018 - 2022                               | 13,130,000           | 11,941,422           |
| 2023 - 2027                               | 15,990,000           | 8,951,700            |
| 2028 - 2032                               | 19,875,000           | 5,069,510            |
| 2033 - 2035                               | <u>12,765,000</u>    | <u>770,206</u>       |
|   | <u>\$ 73,095,000</u> | <u>\$ 40,879,547</u> |

Changes in long-term liabilities

During the year ended September 30, 2012, the following changes in the liabilities reported for the Madison Water and Wastewater Board, a discretely presented component unit:

|                       | <u>Balance</u><br><u>October 1,</u><br><u>2011</u> | <u>Additions</u> | <u>Reductions</u>   | <u>Balance</u><br><u>September 30,</u><br><u>2012</u> | <u>Amounts Due</u><br><u>Within</u><br><u>One Year</u> |
|-----------------------|--|------------------|---------------------|---|--|
| Revenue bonds         | \$ <u>75,125,000</u>                               | \$ <u>-</u>      | \$ <u>2,030,000</u> | \$ <u>73,095,000</u>                                  | \$ <u>2,105,000</u>                                    |
| Long-term liabilities | \$ <u>75,125,000</u>                               | \$ <u>-</u>      | \$ <u>2,030,000</u> | \$ <u>73,095,000</u>                                  | \$ <u>2,105,000</u>                                    |

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2012

**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:

| Activity                        | Restricted By               |              |
|---------------------------------|-----------------------------|--------------|
| Debt service                    | General obligation warrants | \$ 583,517   |
| Capital improvements            | Law                         | 1,673,233    |
| Non-major special revenue funds | Law                         | 1,828,195    |
| Total restricted net assets     |                             | \$ 4,084,945 |

**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 Madison City Board of Education pays an annual premium based on the amount of coverage. 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.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

**NOTE 5. OTHER INFORMATION - Continued -**

**A. RISK MANAGEMENT - Continued**

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 is self-sustaining. Monthly premiums for employee and dependent coverage are set annually based on the amounts necessary to fund coverage. The Board contributes the specified amount monthly to the PEEHIF for each employee.

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

**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 \$344,284 from the Water and Wastewater Board for the year ended September 30, 2012 for these related franchise fees. The franchise agreement also calls for the Water and Wastewater Board to pay the City two percent of its gross revenues from sales of utility services for the preceding fiscal year for street repairs and maintenance. The City received \$52,302 from the Water and Wastewater Board for the year ended September 30, 2012 for these funds.

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, 2012, the City received \$356,130 from the North Alabama Gas District.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

**NOTE 5. OTHER INFORMATION - Continued -**

**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**

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 March 4, 2013, which is the date the financial statements were available for issuance.

**E. COMMITMENTS AND CONTINGENCIES**

The City is a defendant in several lawsuits. The City has entered into a settlement agreement on one lawsuit. The City's liability for this settlement is \$244,205 at September 30, 2012. Of this total amount, \$94,000 is due in fiscal year 2013, and \$150,205 is due contingent on the plaintiff providing the proper documentation of the claim to the City. The full \$244,205 liability has been accrued as of September 30, 2012. The outcome of the other 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.

**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.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

**NOTE 5. OTHER INFORMATION - Continued -**

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

**Primary Government - Continued**

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, 2012, was 8.68% of covered payroll.

Annual Pension Cost

For fiscal year September 30, 2012, the City's annual pension cost of \$1,295,815 was equal to the City's required and actual annual contributions. The required contribution was determined as part of the September 30, 2011 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 3.75% to 7.25% per year. There are no cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. 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, 2011 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:

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2012**

**NOTE 5. OTHER INFORMATION - Continued -**

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

**Primary Government - Continued**

| <u>Fiscal Year<br/>Ending</u> | <u>Annual Pension<br/>Cost (APC)</u> | <u>Percentage of<br/>APC Contributed</u> | <u>Net Pension<br/>Obligation</u> |
|-------------------------------|--------------------------------------|--|-----------------------------------|
| 09/30/09                      | \$1,358,593                          | 100.0%                                   | \$0                               |
| 09/30/10                      | \$1,384,917                          | 100.0%                                   | \$0                               |
| 09/30/11                      | \$1,495,915                          | 100.0%                                   | \$0                               |

Funding Status

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

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Assets<br/>(a)</u> | <u>Actuarial<br/>Accrued<br/>Liability (AAL)<br/>(b)</u> | <u>Unfunded AAL<br/>(UAAL)<br/>(b-a)</u> | <u>Funded<br/>Ratio<br/>(a/b)</u> | <u>Covered<br/>Payroll<br/>(c)</u> | <u>Percentage<br/>of Covered<br/>Payroll<br/>((b-a)/c)</u> |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| 09/30/11                                | \$28,887,900                                     | \$42,081,122   | \$13,193,222                             | 68.6%                             | \$15,860,901                       | 83.2%  |

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.

**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.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE 5. OTHER INFORMATION - Continued -**

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

**Discretely Presented Component Units - Continued**

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 7.25% 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, 2013, Madison Utilities Board will be required to contribute the following percentage of gross payroll to the plan:

|                              |                |
|------------------------------|----------------|
| Normal cost                  | 0.88%          |
| Accrued liability            | 5.62%          |
| Pre-retirement death benefit | 0.14%          |
| Administrative expense       | <u>0.21%</u>   |
| Total                        | <u>6.85%</u>   |
| Employer contribution factor | <u>.913333</u> |

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, 2011, the most recent year for which information is available, the Annual Pension Cost is as follows:

**Trend Information**

| <u>Fiscal Year</u><br><u>Ending</u> | <u>Annual Pension</u><br><u>Cost (APC)</u> | <u>Percentage of</u><br><u>APC Contributed</u> | <u>Net Pension</u><br><u>Obligation</u> |
|-------------------------------------|--|--|---|
| 09/30/09                            | \$177,895                                  | 100.0%   | \$0                                     |
| 09/30/10                            | \$175,677                                  | 100.0%   | \$0                                     |
| 09/30/11                            | \$184,964                                  | 100.0%   | \$0                                     |

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2012**

**NOTE 5. OTHER INFORMATION - Continued -**

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

**Discretely Presented Component Units - Continued**

Schedule of Funding Progress for the System

Madison Utilities Board Funding Progress in the schedule below is equal to the Utilities' required and actual contributions. The required contribution was determined as part of the September 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included in (a) an 8% investment rate of return (net of administrative expenses), (b) projected salary increases of between 3.75% and 7.25% a year, (c) 0% per year cost of living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of Madison Utilities Board assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year smoothed market period.

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, 2011 was 30 years.

Based on an actuarial valuation completed as of September 30, 2011, the most recent year for which information is available, the schedule of funding progress for Madison Utilities is as follows:

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets* | Actuarial<br>Accrued<br>Liability<br>(AAL) <sup>1</sup> | Funding<br>Under/(Over)<br>AAL<br>(UAAL) | Funded<br>Ratio | Covered<br>Payroll | UAAL<br>Percentage<br>of Payroll |
|--------------------------------|----------------------------------|---|--|-----------------|--------------------|----------------------------------|
| 09/30/09                       | \$4,856,431                      | \$6,513,169   | \$1,656,738                              | 74.6%           | \$2,474,933        | 66.9%                            |
| 9/30/2010 <sup>2</sup>         | \$4,891,169                      | \$7,114,669   | \$2,223,500                              | 68.7%           | \$2,349,145        | 94.7%                            |
| 9/30/2011 <sup>2</sup>         | \$4,853,172                      | \$7,118,160   | \$2,264,988                              | 68.2%           | \$2,443,587        | 92.7%                            |

<sup>1</sup> Reflects liability for cost of living increases granted on or after October 1, 1978.

<sup>2</sup> Reflects impact of Act 2011-27 and Act 2011-676 that increases member contribution by 2.25% in 2011 and .25% in 2012

\* Market Value of Assets as of September 30, 2011: \$4,179,854

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

**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 are 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, 2012

**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 7.25 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>2012</u>        | <u>2011</u>        | <u>2010</u>        |
|-------------------------------------|--------------------|--------------------|--------------------|
| <u>Contributions:</u>               |                    |                    |                    |
| Percentage contributed by the Board | 10.00%             | 12.51%             | 12.51%             |
| Percentage contributed by employees | 7.25%              | 5.00%              | 5.00%              |
| Amount contributed by the Board     | \$4,189,682        | \$5,243,788        | \$5,186,889        |
| Amount contributed by employees     | <u>3,037,497</u>   | <u>2,095,838</u>   | <u>2,073,097</u>   |
| Total contributions                 | <u>\$7,227,179</u> | <u>\$7,339,626</u> | <u>\$7,259,986</u> |

**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.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

**NOTE 5. OTHER INFORMATION - Continued -**

**G. OTHER POSTEMPLOYMENT BENEFITS - Continued**

**Primary Government - Continued**

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 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.

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) is used for the OPEB.

**CITY OF MADISON, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2012**

**NOTE 5. OTHER INFORMATION - Continued -**

**G. OTHER POSTEMPLOYMENT BENEFITS - Continued**

**Primary Government - Continued**

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>2012</u>       | <u>2011</u>       | <u>2010</u>       |
|---|-------------------|-------------------|-------------------|
| Annual required contribution (ARC)                      | \$ 41,750         | \$ 41,750         | \$ 54,205         |
| Interest on net OPEB obligation                         | 5,827             | 4,283             | -                 |
| Adjustments to annual required contribution             | <u>(9,115)</u>    | <u>(6,193)</u>    | <u>-</u>          |
| Annual OPEB cost  | 38,462            | 39,840            | 54,205            |
| Actual annual employer contribution -<br>pay-as-go cost | <u>(5,767)</u>    | <u>(1,236)</u>    | <u>-</u>          |
| Change in net OPEB obligation                           | 32,695            | 38,604            | 54,205            |
| Beginning net OPEB obligation                           | <u>145,690</u>    | <u>107,086</u>    | <u>52,881</u>     |
| Ending net OPEB obligation                              | <u>\$ 178,385</u> | <u>\$ 145,690</u> | <u>\$ 107,086</u> |

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.

**CITY OF MADISON, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE 5. OTHER INFORMATION - Continued -**

**G. OTHER POSTEMPLOYMENT BENEFITS - Continued**

The City's OPEB plan funding progress is as follows:

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>Projected<br>Unit Credit<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|--|
| 09/30/09                       | \$0                                    | \$537,826   | \$537,826                          | 0.00%                    | \$14,318,376              | 3.76%  |
| 09/30/10                       | \$0                                    | \$489,174   | \$489,174                          | 0.00%                    | \$15,305,233              | 3.20%  |
| 09/30/11                       | \$0                                    | \$489,174   | \$489,174                          | 0.00%                    | \$15,305,233              | 3.20%  |

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, 2012**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets*<br>(a) | Actuarial<br>Liability (AAL)<br>(b) <sup>1</sup> | Unfunded AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | Percentage of<br>Covered<br>Payroll<br>((b-a)/c) |
|--------------------------------|---|--|---------------------------------|--------------------------|---------------------------|--|
| 9/30/2006 <sup>2</sup>         | \$19,217,250                            | \$25,715,396                                     | \$6,498,146                     | 74.7%                    | \$11,844,287              | 54.9%  |
| 09/30/07                       | \$21,965,631                            | \$29,197,548                                     | \$7,231,917                     | 75.2%                    | \$13,225,948              | 54.7%  |
| 09/30/08                       | \$24,205,496                            | \$33,258,128                                     | \$9,052,632                     | 72.8%                    | \$14,636,269              | 61.9%  |
| 09/30/09                       | \$26,167,044                            | \$37,862,188                                     | \$11,695,144                    | 69.1%                    | \$15,174,051              | 77.1%  |
| 9/30/2010 <sup>3</sup>         | \$27,567,350                            | \$40,920,926                                     | \$13,353,576                    | 67.4%                    | \$15,215,226              | 87.8%  |
| 9/30/2011 <sup>4</sup>         | \$28,887,900                            | \$42,081,122                                     | \$13,193,222                    | 68.6%                    | \$15,860,901              | 83.2%  |

<sup>1</sup> Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

<sup>2</sup> Reflects changes in actuarial assumptions.

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

<sup>4</sup> Reflects changes in actuarial assumptions.

\* Market Value of Assets as of September 30, 2011: \$25,254,158

## **SUPPLEMENTARY INFORMATION**

**CITY OF MADISON, ALABAMA**  
**SCHOOL BONDS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2012**

|  | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|-------------------|---------------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>      |                           |                                       |
| <b>REVENUES</b>                              |                         |                   |                           |                                       |
| Taxes:                                       |                         |                   |                           |                                       |
| Property and payments in lieu of taxes       | \$ 5,746,057            | \$ 5,746,057      | \$ 3,901,508              | \$ (1,844,549)                        |
| Interest income                              | -                       | -                 | 12,608                    | 12,608                                |
| <b>Total revenues</b>                        | <b>5,746,057</b>        | <b>5,746,057</b>  | <b>3,914,116</b>          | <b>(1,831,941)</b>                    |
| <b>EXPENDITURES</b>                          |                         |                   |                           |                                       |
| Debt service:                                |                         |                   |                           |                                       |
| Principal                                    | 1,290,000               | 730,000           | 200,000                   | 530,000                               |
| Interest                                     | 4,456,057               | 4,112,551         | 3,738,268                 | 374,283                               |
| Bond issue costs                             | -                       | -                 | 228,757                   | (228,757)                             |
| <b>Total expenditures</b>                    | <b>5,746,057</b>        | <b>4,842,551</b>  | <b>4,167,025</b>          | <b>675,526</b>                        |
| Excess of revenues over (under) expenditures | -                       | 903,506           | (252,909)                 | (1,156,415)                           |
| <b>OTHER FINANCING SOURCES (USES)</b>        |                         |                   |                           |                                       |
| Bond issue discount                          | -                       | -                 | (22,841)                  | (22,841)                              |
| Bond proceeds                                | -                       | -                 | 18,460,000                | 18,460,000                            |
| Payment to escrow agent                      | -                       | -                 | (18,192,764)              | (18,192,764)                          |
| <b>Total other financing sources (uses)</b>  | <b>-</b>                | <b>-</b>          | <b>244,395</b>            | <b>244,395</b>                        |
| Net change in fund balances                  | -                       | 903,506           | (8,514)                   | (912,020)                             |
| <b>Fund balances - beginning of year</b>     | <b>16,657</b>           | <b>16,657</b>     | <b>16,657</b>             | <b>-</b>                              |
| <b>Fund balances - end of year</b>           | <b>\$ 16,657</b>        | <b>\$ 920,163</b> | <b>\$ 8,143</b>           | <b>\$ (912,020)</b>                   |

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, 2012**

|  | <u>Special<br/>Revenue<br/>Funds</u> | <u>Debt<br/>Service<br/>Funds</u> | <u>Capital<br/>Projects<br/>Funds</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|--|--------------------------------------|-----------------------------------|---------------------------------------|--|
| <b>ASSETS</b>                              |                                      |                                   |                                       |  |
| Cash and cash equivalents                  | \$ 1,661,736                         | \$ -                              | \$ 275,591                            | \$ 1,937,327   |
| Cash with fiscal agent                     | -                                    | 575,374                           | -                                     | 575,374  |
| Receivables                                |                                      |                                   |                                       |  |
| Taxes                                      | 326,423                              | -                                 | -                                     | 326,423  |
| Grants                                     | 6,038                                | -                                 | 340,000                               | 346,038  |
| Accounts                                   | 168,573                              | -                                 | -                                     | 168,573  |
| Due from other funds                       | 176,519                              | -                                 | 876,560                               | 1,053,079  |
| <b>Total assets</b>                        | <u>\$ 2,339,289</u>                  | <u>\$ 575,374</u>                 | <u>\$ 1,492,151</u>                   | <u>\$ 4,406,814</u>                                  |
| <b>LIABILITIES</b>                         |                                      |                                   |                                       |  |
| Accounts payable                           | \$ 203,833                           | \$ -                              | \$ 137,446                            | \$ 341,279   |
| Due to other funds                         | 995,259                              | -                                 | 48,856                                | 1,044,115  |
| Deferred revenue                           | 295,000                              | -                                 | -                                     | 295,000  |
| <b>Total liabilities</b>                   | 1,494,092                            | -                                 | 186,302                               | 1,680,394  |
| <b>FUND BALANCES</b>                       |                                      |                                   |                                       |  |
| Restricted                                 |                                      |                                   |                                       |  |
| Debt service                               | -                                    | 575,374                           | -                                     | 575,374  |
| Capital improvements                       | 367,384                              | -                                 | 1,305,849                             | 1,673,233  |
| Other                                      | 454,266                              | -                                 | -                                     | 454,266  |
| Assigned                                   | 23,547                               | -                                 | -                                     | 23,547   |
| <b>Total fund balances</b>                 | <u>845,197</u>                       | <u>575,374</u>                    | <u>1,305,849</u>                      | <u>2,726,420</u>                                     |
| <b>Total liabilities and fund balances</b> | <u>\$ 2,339,289</u>                  | <u>\$ 575,374</u>                 | <u>\$ 1,492,151</u>                   | <u>\$ 4,406,814</u>                                  |

**CITY OF MADISON, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

|  | <u>Special Revenue<br/>Funds</u> | <u>Debt<br/>Service<br/>Funds</u> | <u>Capital Projects<br/>Funds</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|--|----------------------------------|-----------------------------------|-----------------------------------|--|
| <b>REVENUES</b>  |                                  |                                   |                                   |  |
| Taxes  | \$ 672,628                       | \$ -                              | \$ -                              | \$ 672,628   |
| Intergovernmental  | 889,473                          | -                                 | 1,800,830                         | 2,690,303  |
| Fines  | 269,937                          | -                                 | -                                 | 269,937  |
| Contributions and donations                                  | 18,356                           | -                                 | 41,969                            | 60,325   |
| Interest income  | 3,640                            | 323                               | 3,236                             | 7,199  |
| Other  | 425,380                          | -                                 | 483,114                           | 908,494  |
| <b>Total revenues</b>  | <b>2,279,414</b>                 | <b>323</b>                        | <b>2,329,149</b>                  | <b>4,608,886</b>                                     |
| <b>EXPENDITURES</b>  |                                  |                                   |                                   |  |
| General Administration                                       | 621,958                          | -                                 | 840                               | 622,798  |
| Police   | 32,145                           | -                                 | -                                 | 32,145   |
| Public Works   | 995,526                          | -                                 | -                                 | 995,526  |
| Engineering  | -                                | -                                 | 209,178                           | 209,178  |
| Senior Center  | 10,066                           | -                                 | -                                 | 10,066   |
| Debt service:  |                                  |                                   |                                   |  |
| Principal  | -                                | 905,000                           | -                                 | 905,000  |
| Interest   | -                                | 2,800,988                         | -                                 | 2,800,988  |
| Capital outlay   | 77,866                           | -                                 | 3,352,669                         | 3,430,535  |
| <b>Total expenditures</b>                                    | <b>1,737,561</b>                 | <b>3,705,988</b>                  | <b>3,562,687</b>                  | <b>9,006,236</b>                                     |
| Excess (deficiency) of revenues<br>over (under) expenditures | 541,853                          | (3,705,665)                       | (1,233,538)                       | (4,397,350)  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                                  |                                   |                                   |  |
| Transfers from other funds                                   | 254,205                          | 3,411,963                         | 430,000                           | 4,096,168  |
| Transfers to other funds                                     | (652,162)                        | -                                 | -                                 | (652,162)  |
| <b>Total other financing sources (uses)</b>                  | <b>(397,957)</b>                 | <b>3,411,963</b>                  | <b>430,000</b>                    | <b>3,444,006</b>                                     |
| Net change in fund balances                                  | 143,896                          | (293,702)                         | (803,538)                         | (953,344)  |
| Fund balances - beginning of year                            | 701,301                          | 869,076                           | 2,109,387                         | 3,679,764  |
| Fund balances - end of year                                  | <u>\$ 845,197</u>                | <u>\$ 575,374</u>                 | <u>\$ 1,305,849</u>               | <u>\$ 2,726,420</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.

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

**Street Repairs and Maintenance Fund** - This fund is used to account for revenues and expenditures for repairs and maintenance work performed on City streets in accordance with agreement with Madison Utilities. There is no approved budget for this fund.

**CITY OF MADISON, ALABAMA  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012**

|  | <b>Gasoline<br/>Taxes and<br/>Inspection<br/>Fees<br/>Fund</b> | <b>TVA Tax<br/>Distribution<br/>Fund</b> | <b>Senior<br/>Center<br/>Donation<br/>Fund</b> | <b>Library<br/>Fund</b> | <b>Correctional<br/>Fund</b> | <b>Municipal<br/>Government<br/>Capital<br/>Improvement<br/>Fund</b> | <b>Federal<br/>Forfeiture<br/>Fund</b> | <b>Domestic<br/>Violence<br/>Fund</b> | <b>Street<br/>Repair and<br/>Maintenance<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|--|--|--|--|-------------------------|------------------------------|--|--|---------------------------------------|---|--|
| <b>ASSETS</b>                              |  |  |  |                         |                              |  |  |                                       |   |  |
| Cash and cash equivalents                  | \$ 665,430   | \$ 102,949                               | \$ 23,547                                      | \$ 8,709                | \$ 9,188                     | \$ 797,384   | \$ 2,200                               | \$ -                                  | \$ 52,329   | \$ 1,661,736   |
| Receivables:                               |  |  |  |                         |                              |  |  |                                       |   |  |
| Taxes                                      | -  | -  | -  | 326,423                 | -                            | -  | -                                      | -                                     | -   | 326,423  |
| Grants                                     | -  | -  | -  | -                       | -                            | -  | -                                      | 6,038                                 | -   | 6,038  |
| Accounts                                   | 152,087  | 16,486                                   | -  | -                       | -                            | -  | -                                      | -                                     | -   | 168,573  |
| Due from other funds                       | 9,203  | -  | -  | 16,962                  | 147,969                      | -  | -                                      | 2,385                                 | -   | 176,519  |
| <b>Total assets</b>                        | <b>\$ 826,720</b>  | <b>\$ 119,435</b>                        | <b>\$ 23,547</b>                               | <b>\$ 352,094</b>       | <b>\$ 157,157</b>            | <b>\$ 797,384</b>  | <b>\$ 2,200</b>                        | <b>\$ 8,423</b>                       | <b>\$ 52,329</b>                                      | <b>\$ 2,339,289</b>                                  |
| <b>LIABILITIES</b>                         |  |  |  |                         |                              |  |  |                                       |   |  |
| Accounts payable                           | \$ 131,575   | \$ 68,211                                | \$ -   | \$ 4,047                | \$ -                         | \$ -   | \$ -                                   | \$ -                                  | \$ -  | \$ 203,833   |
| Due to other funds                         | 494,634  | 43,455                                   | -  | 21,132                  | -                            | 430,000  | -                                      | 6,038                                 | -   | 995,259  |
| Deferred revenue                           | -  | -  | -  | 295,000                 | -                            | -  | -                                      | -                                     | -   | 295,000  |
| <b>Total liabilities</b>                   | <b>626,209</b>   | <b>111,666</b>                           | <b>-</b>                                       | <b>320,179</b>          | <b>-</b>                     | <b>430,000</b>   | <b>-</b>                               | <b>6,038</b>                          | <b>-</b>  | <b>1,494,092</b>                                     |
| <b>FUND BALANCES</b>                       |  |  |  |                         |                              |  |  |                                       |   |  |
| Restricted:                                |  |  |  |                         |                              |  |  |                                       |   |  |
| Capital improvements                       | -  | -  | -  | -                       | -                            | 367,384  | -                                      | -                                     | -   | 367,384  |
| Other                                      | 200,511  | 7,769                                    | -  | 31,915                  | 157,157                      | -  | 2,200                                  | 2,385                                 | 52,329  | 454,266  |
| Assigned                                   | -  | -  | 23,547   | -                       | -                            | -  | -                                      | -                                     | -   | 23,547   |
| <b>Total fund balances</b>                 | <b>200,511</b>   | <b>7,769</b>                             | <b>23,547</b>                                  | <b>31,915</b>           | <b>157,157</b>               | <b>367,384</b>   | <b>2,200</b>                           | <b>2,385</b>                          | <b>52,329</b>   | <b>845,197</b>                                       |
| <b>Total liabilities and fund balances</b> | <b>\$ 826,720</b>  | <b>\$ 119,435</b>                        | <b>\$ 23,547</b>                               | <b>\$ 352,094</b>       | <b>\$ 157,157</b>            | <b>\$ 797,384</b>  | <b>\$ 2,200</b>                        | <b>\$ 8,423</b>                       | <b>\$ 52,329</b>                                      | <b>\$ 2,339,289</b>                                  |

**CITY OF MADISON, ALABAMA  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

|  | <b>Gasoline<br/>Taxes and<br/>Inspection<br/>Fees<br/>Fund</b> | <b>TVA Tax<br/>Distribution<br/>Fund</b> | <b>Senior<br/>Center<br/>Donation<br/>Fund</b> | <b>Library<br/>Fund</b> | <b>Correctional<br/>Fund</b> | <b>Municipal<br/>Government<br/>Capital<br/>Improvement<br/>Fund</b> | <b>Federal<br/>Forfeiture<br/>Fund</b> | <b>Domestic<br/>Violence<br/>Fund</b> | <b>Street<br/>Repairs and<br/>Maintenance<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|--|--|--|--|-------------------------|------------------------------|--|--|---------------------------------------|--|--|
| <b>REVENUES</b>  |  |  |  |                         |                              |  |  |                                       |  |  |
| Taxes  | \$ 381,779   | \$ -                                     | \$ -   | \$ 290,849              | \$ -                         | \$ -   | \$ -                                   | \$ -                                  | \$ -   | \$ 672,628   |
| Intergovernmental  | 761,049  | 96,660                                   | -  | -                       | -                            | -  | -                                      | 31,764                                | -  | 889,473  |
| Fines  | -  | -  | -  | -                       | 269,937                      | -  | -                                      | -                                     | -  | 269,937  |
| Contributions and donations                                  | -  | -  | 356  | 18,000                  | -                            | -  | -                                      | -                                     | -  | 18,356   |
| Other  | 850  | -  | -  | 10,162                  | -                            | 362,066  | -                                      | -                                     | 52,302   | 425,380  |
| Interest income  | 1,642  | 179                                      | 72   | 148                     | -                            | 1,516  | 56                                     | -                                     | 27   | 3,640  |
| <b>Total revenues</b>  | <b>1,145,320</b>   | <b>96,839</b>                            | <b>428</b>                                     | <b>319,159</b>          | <b>269,937</b>               | <b>363,582</b>   | <b>56</b>                              | <b>31,764</b>                         | <b>52,329</b>  | <b>2,279,414</b>                                     |
| <b>EXPENDITURES</b>  |  |  |  |                         |                              |  |  |                                       |  |  |
| Current:   |  |  |  |                         |                              |  |  |                                       |  |  |
| General Administration                                       | 35   | 62,829                                   | -  | 559,094                 | -                            | -  | -                                      | -                                     | -  | 621,958  |
| Police   | -  | -  | -  | -                       | -                            | -  | -                                      | 32,145                                | -  | 32,145   |
| Public Works   | 995,526  | -  | -  | -                       | -                            | -  | -                                      | -                                     | -  | 995,526  |
| Senior Center  | -  | -  | 10,066   | -                       | -                            | -  | -                                      | -                                     | -  | 10,066   |
| Capital outlay   | 57,737   | -  | 1,129  | -                       | -                            | -  | 19,000                                 | -                                     | -  | 77,866   |
| <b>Total expenditures</b>                                    | <b>1,053,298</b>   | <b>62,829</b>                            | <b>11,195</b>                                  | <b>559,094</b>          | <b>-</b>                     | <b>-</b>   | <b>19,000</b>                          | <b>32,145</b>                         | <b>-</b>   | <b>1,737,561</b>                                     |
| Excess (deficiency) of revenues<br>over (under) expenditures | 92,022   | 34,010                                   | (10,767)                                       | (239,935)               | 269,937                      | 363,582  | (18,944)                               | (381)                                 | 52,329   | 541,853  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |  |  |  |                         |                              |  |  |                                       |  |  |
| Transfers from other funds                                   | -  | -  | -  | 253,824                 | -                            | -  | -                                      | 381                                   | -  | 254,205  |
| Transfers to other funds                                     | -  | (33,831)                                 | -  | -                       | (188,331)                    | (430,000)  | -                                      | -                                     | -  | (652,162)  |
| <b>Total other financing sources (uses)</b>                  | <b>-</b>   | <b>(33,831)</b>                          | <b>-</b>                                       | <b>253,824</b>          | <b>(188,331)</b>             | <b>(430,000)</b>   | <b>-</b>                               | <b>381</b>                            | <b>-</b>   | <b>(397,957)</b>                                     |
| Net change in fund balances                                  | 92,022   | 179                                      | (10,767)                                       | 13,889                  | 81,606                       | (66,418)   | (18,944)                               | -                                     | 52,329   | 143,896  |
| <b>Fund balances - beginning of year</b>                     | <b>108,489</b>   | <b>7,590</b>                             | <b>34,314</b>                                  | <b>18,026</b>           | <b>75,551</b>                | <b>433,802</b>   | <b>21,144</b>                          | <b>2,385</b>                          | <b>-</b>   | <b>701,301</b>                                       |
| <b>Fund balances - end of year</b>                           | <b>\$ 200,511</b>  | <b>\$ 7,769</b>                          | <b>\$ 23,547</b>                               | <b>\$ 31,915</b>        | <b>\$ 157,157</b>            | <b>\$ 367,384</b>  | <b>\$ 2,200</b>                        | <b>\$ 2,385</b>                       | <b>\$ 52,329</b>                                       | <b>\$ 845,197</b>                                    |

**CITY OF MADISON, ALABAMA**  
**GASOLINE TAXES AND INSPECTION FEES FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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|  | <b>Final Amended<br/>Budgeted<br/>Amounts</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget</b> |
|--|---|---------------------------|---------------------------------------|
| <b>REVENUES</b>                          |   |                           |                                       |
| Taxes                                    | \$ 385,000                                    | \$ 381,779                | \$ (3,221)                            |
| Intergovernmental                        | 713,000                                       | 761,049                   | 48,049                                |
| Interest income                          | 1,200   | 1,642                     | 442                                   |
| Other                                    | -   | 850                       | 850                                   |
| <b>Total revenues</b>                    | 1,099,200                                     | 1,145,320                 | 46,120                                |
| <b>EXPENDITURES</b>                      |   |                           |                                       |
| Current:                                 |   |                           |                                       |
| General Administration                   | -   | 35                        | (35)                                  |
| Public Works                             | 1,175,236                                     | 995,526                   | 179,710                               |
| Capital Outlay                           | 67,000  | 57,737                    | 9,263                                 |
| <b>Total expenditures</b>                | 1,242,236                                     | 1,053,298                 | 188,938                               |
| Net change in fund balances              | (143,036)                                     | 92,022                    | 235,058                               |
| <b>Fund balances - beginning of year</b> | 108,489                                       | 108,489                   | -                                     |
| <b>Fund balances - end of year</b>       | \$ (34,547)                                   | \$ 200,511                | \$ 235,058                            |

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, 2012

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|   | <u>Final Amended<br/>Budgeted<br/>Amounts</u> | <u>Actual<br/>Amounts</u> | <u>Variance<br/>with<br/>Final Budget</u> |
|---|---|---------------------------|---|
| <b>REVENUES</b>                             |   |                           |   |
| Intergovernmental                           | \$ 78,055                                     | \$ 96,660                 | \$ 18,605                                 |
| Interest income                             | 100   | 179                       | 79  |
|   | <hr/>   | <hr/>                     | <hr/>                                     |
| <b>Total revenues</b>                       | 78,155  | 96,839                    | 18,684                                    |
| <b>EXPENDITURES</b>                         |   |                           |   |
| Current:                                    |   |                           |   |
| General Administration                      | 50,736  | 62,829                    | (12,093)                                  |
|   | <hr/>   | <hr/>                     | <hr/>                                     |
| <b>Total expenditures</b>                   | 50,736  | 62,829                    | (12,093)                                  |
|   | <hr/>   | <hr/>                     | <hr/>                                     |
| Excess of revenues over expenditures        | 27,419  | 34,010                    | 6,591                                     |
| <b>OTHER FINANCING SOURCES (USES)</b>       |   |                           |   |
| Transfers to other funds                    | (27,319)                                      | (33,831)                  | (6,512)                                   |
|   | <hr/>   | <hr/>                     | <hr/>                                     |
| <b>Total other financing sources (uses)</b> | (27,319)                                      | (33,831)                  | (6,512)                                   |
|   | <hr/>   | <hr/>                     | <hr/>                                     |
| Net change in fund balances                 | 100   | 179                       | 79  |
| <b>Fund balances - beginning of year</b>    | 7,590   | 7,590                     | -   |
|   | <hr/>   | <hr/>                     | <hr/>                                     |
| <b>Fund balances - end of year</b>          | <u>\$ 7,690</u>                               | <u>\$ 7,769</u>           | <u>\$ 79</u>                              |

**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, 2012**

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|  | <b>Final Amended<br/>Budgeted<br/>Amounts</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget</b> |
|--|---|---------------------------|---------------------------------------|
| <b>REVENUES</b>                          |   |                           |                                       |
| Contributions and donations              | \$ 1,000                                      | \$ 356                    | \$ (644)                              |
| Interest income                          | 20  | 72                        | 52                                    |
| <b>Total revenues</b>                    | 1,020   | 428                       | (592)                                 |
| <b>EXPENDITURES</b>                      |   |                           |                                       |
| Current:                                 |   |                           |                                       |
| General Administration                   | 1,020   | -                         | 1,020                                 |
| Senior Center                            | 28,844  | 10,066                    | 18,778                                |
| Capital Outlay                           | -   | 1,129                     | (1,129)                               |
| <b>Total Expenditures</b>                | 29,864  | 11,195                    | 18,669                                |
| Net change in fund balances              | (28,844)                                      | (10,767)                  | 18,077                                |
| <b>Fund balances - beginning of year</b> | 34,314  | 34,314                    | -                                     |
| <b>Fund balances - end of year</b>       | \$ 5,470                                      | \$ 23,547                 | \$ 18,077                             |

**CITY OF MADISON, ALABAMA  
LIBRARY FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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|   | <b>Final Amended<br/>Budgeted<br/>Amounts</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget</b> |
|---|---|---------------------------|---------------------------------------|
|   | <u>          </u>                             | <u>          </u>         | <u>          </u>                     |
| <b>REVENUES</b>                           |   |                           |                                       |
| Taxes                                     | \$ 289,652                                    | \$ 290,849                | \$ 1,197                              |
| Contributions and donations               | -   | 18,000                    | 18,000                                |
| Interest income                           | 750   | 148                       | (602)                                 |
| Other                                     | -   | 10,162                    | 10,162                                |
|   | <u>          </u>                             | <u>          </u>         | <u>          </u>                     |
| <b>Total revenues</b>                     | 290,402                                       | 319,159                   | 28,757                                |
| <b>EXPENDITURES</b>                       |   |                           |                                       |
| Current:                                  |   |                           |                                       |
| General Administration                    | 553,746                                       | 559,094                   | (5,348)                               |
|   | <u>          </u>                             | <u>          </u>         | <u>          </u>                     |
| <b>Total expenditures</b>                 | 553,746                                       | 559,094                   | (5,348)                               |
|   | <u>          </u>                             | <u>          </u>         | <u>          </u>                     |
| Deficiency of revenues under expenditures | (263,344)                                     | (239,935)                 | 23,409                                |
| <b>OTHER FINANCING SOURCES</b>            |   |                           |                                       |
| Transfers from other funds                | 269,047                                       | 253,824                   | (15,223)                              |
|   | <u>          </u>                             | <u>          </u>         | <u>          </u>                     |
| <b>Total other financing sources</b>      | 269,047                                       | 253,824                   | (15,223)                              |
|   | <u>          </u>                             | <u>          </u>         | <u>          </u>                     |
| Net change in fund balances               | 5,703   | 13,889                    | 8,186                                 |
| <b>Fund balances - beginning of year</b>  | 18,026  | 18,026                    | -                                     |
|   | <u>          </u>                             | <u>          </u>         | <u>          </u>                     |
| <b>Fund balances - end of year</b>        | <u>\$ 23,729</u>                              | <u>\$ 31,915</u>          | <u>\$ 8,186</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, 2012**

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|   | <b>Final Amended<br/>Budgeted<br/>Amounts</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget</b> |
|---|---|---------------------------|---------------------------------------|
| <b>REVENUES</b>                             |   |                           |                                       |
| Fines                                       | \$ 198,414                                    | \$ 269,937                | \$ 71,523                             |
| <b>Total revenues</b>                       | 198,414                                       | 269,937                   | 71,523                                |
| <br><b>OTHER FINANCING SOURCES (USES)</b>   |   |                           |                                       |
| Transfers to other funds                    | (188,331)                                     | (188,331)                 | -                                     |
| <b>Total other financing sources (uses)</b> | (188,331)                                     | (188,331)                 | -                                     |
| Net change in fund balances                 | 10,083  | 81,606                    | 71,523                                |
| <b>Fund balances - beginning of year</b>    | 75,551  | 75,551                    | -                                     |
| <b>Fund balances - end of year</b>          | \$ 85,634                                     | \$ 157,157                | \$ 71,523                             |

**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, 2012**

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|  | <b>Final Amended<br/>Budgeted<br/>Amounts</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget</b> |
|--|---|---------------------------|---------------------------------------|
| <b>REVENUES</b>                          |   |                           |                                       |
| Other                                    | \$ 362,066                                    | \$ 362,066                | \$ -                                  |
| Interest income                          | 645   | 1,516                     | 871                                   |
|  | <b>Total revenues</b>                         | 363,582                   | 871                                   |
| <b>OTHER FINANCING SOURCES (USES)</b>    |   |                           |                                       |
| Transfers to other funds                 | (280,000)                                     | (430,000)                 | (150,000)                             |
|  | <b>Total other financing sources (uses)</b>   | (430,000)                 | (150,000)                             |
| Net change in fund balances              | 82,711  | (66,418)                  | (149,129)                             |
| <b>Fund balances - beginning of year</b> | 433,802                                       | 433,802                   | -                                     |
| <b>Fund balances - end of year</b>       | \$ 516,513                                    | \$ 367,384                | \$ (149,129)                          |

**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, 2012**

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|   | <b>Final Amended<br/>Budgeted<br/>Amounts</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget</b> |
|---|---|---------------------------|---------------------------------------|
| <b>REVENUES</b>                           |   |                           |                                       |
| Intergovernmental                         | \$ 11,500                                     | \$ 31,764                 | \$ 20,264                             |
| <b>Total revenues</b>                     | 11,500  | 31,764                    | 20,264                                |
| <b>EXPENDITURES</b>                       |   |                           |                                       |
| Current:                                  |   |                           |                                       |
| Police                                    | 19,500  | 32,145                    | (12,645)                              |
| <b>Total expenditures</b>                 | 19,500  | 32,145                    | (12,645)                              |
| Deficiency of revenues under expenditures | (8,000)                                       | (381)                     | 7,619                                 |
| <b>OTHER FINANCING SOURCES</b>            |   |                           |                                       |
| Transfers from other funds                | 8,000   | 381                       | (7,619)                               |
| <b>Total other financing sources</b>      | 8,000   | 381                       | (7,619)                               |
| Net change in fund balances               | -   | -                         | -                                     |
| <b>Fund balances - beginning of year</b>  | 2,385   | 2,385                     | -                                     |
| <b>Fund balances - end of year</b>        | \$ 2,385                                      | \$ 2,385                  | \$ -                                  |

## DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS

### DEBT SERVICE

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

**2005 Bond Fund** - This fund is used to account for the accumulation of resources for 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, 2012**

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|                            | <u>2005<br/>Bond<br/>Fund</u> | <u>2006<br/>Bond<br/>Fund</u> | <u>2011<br/>Bond<br/>Fund</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|----------------------------|-------------------------------|-------------------------------|-------------------------------|--|
| <b>ASSETS</b>              |                               |                               |                               |  |
| Cash with fiscal agent     | <u>\$ 426,464</u>             | <u>\$ 213</u>                 | <u>\$ 148,697</u>             | <u>\$ 575,374</u>                                    |
| <b>Total assets</b>        | <u><u>\$ 426,464</u></u>      | <u><u>\$ 213</u></u>          | <u><u>\$ 148,697</u></u>      | <u><u>\$ 575,374</u></u>                             |
| <br><b>FUND BALANCES</b>   |                               |                               |                               |  |
| Restricted:                |                               |                               |                               |  |
| Debt service               | <u>\$ 426,464</u>             | <u>\$ 213</u>                 | <u>\$ 148,697</u>             | <u>\$ 575,374</u>                                    |
| <b>Total fund balances</b> | <u><u>\$ 426,464</u></u>      | <u><u>\$ 213</u></u>          | <u><u>\$ 148,697</u></u>      | <u><u>\$ 575,374</u></u>                             |

**CITY OF MADISON, ALABAMA  
DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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|  | <b>2005<br/>Bond<br/>Fund</b> | <b>2006<br/>Bond<br/>Fund</b> | <b>2011<br/>Bond<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|--|-------------------------------|-------------------------------|-------------------------------|--|
| <b>REVENUES</b>                              |                               |                               |                               |  |
| Interest income                              | \$ -                          | \$ -                          | \$ 323                        | \$ 323   |
| <b>Total revenues</b>                        | -                             | -                             | 323                           | 323  |
| <b>EXPENDITURES</b>                          |                               |                               |                               |  |
| Debt service:                                |                               |                               |                               |  |
| Principal                                    | 185,000                       | 720,000                       | -                             | 905,000  |
| Interest                                     | 863,563                       | 1,648,719                     | 288,706                       | 2,800,988  |
| <b>Total expenditures</b>                    | 1,048,563                     | 2,368,719                     | 288,706                       | 3,705,988  |
| Deficiency of revenues<br>under expenditures | (1,048,563)                   | (2,368,719)                   | (288,383)                     | (3,705,665)  |
| <b>OTHER FINANCING SOURCES</b>               |                               |                               |                               |  |
| Transfers from other funds                   | 1,043,244                     | 2,368,719                     | -                             | 3,411,963  |
| <b>Total other financing sources</b>         | 1,043,244                     | 2,368,719                     | -                             | 3,411,963  |
| Net change in fund balances                  | (5,319)                       | -                             | (288,383)                     | (293,702)  |
| <b>Fund balances - beginning of year</b>     | 431,783                       | 213                           | 437,080                       | 869,076  |
| <b>Fund balances - end of year</b>           | <u>\$ 426,464</u>             | <u>\$ 213</u>                 | <u>\$ 148,697</u>             | <u>\$ 575,374</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, 2012

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|   | Final Amended<br>Budgeted<br>Amounts | Actual<br>Amounts | Variance with<br>Final Budget |
|---|--------------------------------------|-------------------|-------------------------------|
| <b>REVENUES</b>                           |                                      |                   |                               |
| Interest income                           | \$ -                                 | \$ -              | \$ -                          |
| <b>Total revenues</b>                     | -                                    | -                 | -                             |
| <b>EXPENDITURES</b>                       |                                      |                   |                               |
| Debt Service:                             |                                      |                   |                               |
| Principal                                 | 185,000                              | 185,000           | -                             |
| Interest                                  | 863,563                              | 863,563           | -                             |
| <b>Total expenditures</b>                 | 1,048,563                            | 1,048,563         | -                             |
| Deficiency of revenues under expenditures | (1,048,563)                          | (1,048,563)       | -                             |
| <b>OTHER FINANCING SOURCES</b>            |                                      |                   |                               |
| Transfers from other funds                | 1,048,563                            | 1,043,244         | (5,319)                       |
| <b>Total other financing sources</b>      | 1,048,563                            | 1,043,244         | (5,319)                       |
| Net change in fund balances               | -                                    | (5,319)           | (5,319)                       |
| <b>Fund balances - beginning of year</b>  | 431,783                              | 431,783           | -                             |
| <b>Fund balances - end of year</b>        | \$ 431,783                           | \$ 426,464        | \$ (5,319)                    |

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, 2012**

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|   | <b>Final Amended<br/>Budgeted<br/>Amounts</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget</b> |
|---|---|---------------------------|---------------------------------------|
| <b>REVENUES</b>                           |   |                           |                                       |
| Interest income                           | \$ -  | \$ -                      | \$ -                                  |
| <b>Total revenues</b>                     | -   | -                         | -                                     |
| <b>EXPENDITURES</b>                       |   |                           |                                       |
| Debt Service:                             |   |                           |                                       |
| Principal                                 | 720,000                                       | 720,000                   | -                                     |
| Interest                                  | 1,648,719                                     | 1,648,719                 | -                                     |
| <b>Total expenditures</b>                 | 2,368,719                                     | 2,368,719                 | -                                     |
| Deficiency of revenues under expenditures | (2,368,719)                                   | (2,368,719)               | -                                     |
| <b>OTHER FINANCING SOURCES</b>            |   |                           |                                       |
| Transfers from other funds                | 2,119,144                                     | 2,368,719                 | 249,575                               |
| <b>Total other financing sources</b>      | 2,119,144                                     | 2,368,719                 | 249,575                               |
| Net change in fund balances               | (249,575)                                     | -                         | 249,575                               |
| <b>Fund balances - beginning of year</b>  | 213   | 213                       | -                                     |
| <b>Fund balances - end of year</b>        | \$ (249,362)                                  | \$ 213                    | \$ 249,575                            |



## 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. There is no approved budget for this fund.

**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). There is no approved budget for this fund.

**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, 2012**

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|  | <b>Forward<br/>Purchase<br/>Bond<br/>Fund</b> | <b>2001<br/>Capital<br/>Improvement<br/>Fund</b> | <b>2006<br/>Capital<br/>Improvement<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|--|---|--|--|--|
| <b>ASSETS</b>                              |   |  |  |  |
| Cash and cash equivalents                  | \$ -  | \$ -   | \$ 275,591                                       | \$ 275,591   |
| Grants receivable                          | -   | -  | 340,000  | 340,000  |
| Due from other funds                       | 35,289  | 6,609  | 834,662  | 876,560  |
| <b>Total assets</b>                        | <b>\$ 35,289</b>                              | <b>\$ 6,609</b>                                  | <b>\$ 1,450,253</b>                              | <b>\$ 1,492,151</b>                                  |
| <br><b>LIABILITIES AND FUND BALANCES</b>   |   |  |  |  |
| Liabilities:                               |   |  |  |  |
| Accounts payable                           | \$ -  | \$ -   | \$ 137,446                                       | \$ 137,446   |
| Due to other funds                         | -   | -  | 48,856   | 48,856   |
| <b>Total Liabilities</b>                   | -   | -  | 186,302  | 186,302  |
| <br><b>FUND BALANCES</b>                   |   |  |  |  |
| Restricted:                                |   |  |  |  |
| Capital projects                           | 35,289  | 6,609  | 1,263,951  | 1,305,849  |
| <b>Total fund balances</b>                 | 35,289  | 6,609  | 1,263,951  | 1,305,849  |
| <b>Total liabilities and fund balances</b> | <b>\$ 35,289</b>                              | <b>\$ 6,609</b>                                  | <b>\$ 1,450,253</b>                              | <b>\$ 1,492,151</b>                                  |

CITY OF MADISON, ALABAMA  
 CAPITAL PROJECTS FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES -  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

|   | Forward<br>Purchase<br>Bond<br>Account | 2001<br>Capital<br>Improvement<br>Fund | 2006<br>Capital<br>Improvement<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|--|--|--|--|
| <b>REVENUES</b>                             |  |  |  |  |
| Intergovernmental                           | \$ -                                   | \$ -                                   | \$ 1,800,830                           | \$ 1,800,830                               |
| Interest income                             | -                                      | -                                      | 3,236                                  | 3,236                                      |
| Contribution and donations                  | -                                      | -                                      | 41,969                                 | 41,969                                     |
| Other                                       | -                                      | -                                      | 483,114                                | 483,114                                    |
| <b>Total revenues</b>                       | -                                      | -                                      | 2,329,149                              | 2,329,149                                  |
| <b>EXPENDITURES</b>                         |  |  |  |  |
| Current:                                    |  |  |  |  |
| General Administration                      | -                                      | -                                      | 840                                    | 840  |
| Engineering                                 | -                                      | -                                      | 209,178                                | 209,178                                    |
| Capital outlay                              | -                                      | -                                      | 3,352,669                              | 3,352,669                                  |
| <b>Total expenditures</b>                   | -                                      | -                                      | 3,562,687                              | 3,562,687                                  |
| Excess of revenues over expenditures        | -                                      | -                                      | (1,233,538)                            | (1,233,538)                                |
| <b>OTHER FINANCING SOURCES (USES)</b>       |  |  |  |  |
| Transfers from other funds                  | -                                      | -                                      | 430,000                                | 430,000                                    |
| <b>Total other financing sources (uses)</b> | -                                      | -                                      | 430,000                                | 430,000                                    |
| Net change in fund balances                 | -                                      | -                                      | (803,538)                              | (803,538)                                  |
| <b>FUND BALANCES AT BEGINNING OF YEAR</b>   | 35,289                                 | 6,609                                  | 2,067,489                              | 2,109,387                                  |
| <b>FUND BALANCES AT END OF YEAR</b>         | <u>\$ 35,289</u>                       | <u>\$ 6,609</u>                        | <u>\$ 1,263,951</u>                    | <u>\$ 1,305,849</u>                        |

**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, 2012**

|   | <b>Final Amended<br/>Budgeted<br/>Amounts</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget</b> |
|---|---|---------------------------|---------------------------------------|
| <b>REVENUES</b>                           |   |                           |                                       |
| Intergovernmental                         | \$ -  | \$ 1,800,830              | \$ 1,800,830                          |
| Contributions and donations               | -   | 41,969                    | 41,969                                |
| Interest income                           | 2,000   | 3,236                     | 1,236                                 |
| Other                                     | 50,000  | 483,114                   | 433,114                               |
|   | <u>52,000</u>                                 | <u>2,329,149</u>          | <u>2,277,149</u>                      |
| <b>Total revenues</b>                     | <b>52,000</b>                                 | <b>2,329,149</b>          | <b>2,277,149</b>                      |
| <b>EXPENDITURES</b>                       |   |                           |                                       |
| Current:                                  |   |                           |                                       |
| General Administration                    | -   | 840                       | (840)                                 |
| Engineering                               | -   | 209,178                   | (209,178)                             |
| Capital outlay                            | 6,672,197                                     | 3,352,669                 | 3,319,528                             |
|   | <u>6,672,197</u>                              | <u>3,562,687</u>          | <u>3,109,510</u>                      |
| <b>Total expenditures</b>                 | <b>6,672,197</b>                              | <b>3,562,687</b>          | <b>3,109,510</b>                      |
| Deficiency of revenues under expenditures | (6,620,197)                                   | (1,233,538)               | 5,386,659                             |
| <b>OTHER FINANCING SOURCES</b>            |   |                           |                                       |
| Transfers from other funds                | -   | 430,000                   | 430,000                               |
|   | <u>-</u>                                      | <u>430,000</u>            | <u>430,000</u>                        |
| <b>Total other financing sources</b>      | <b>-</b>                                      | <b>430,000</b>            | <b>430,000</b>                        |
| Net change in fund balances               | (6,620,197)                                   | (803,538)                 | 5,816,659                             |
| <b>Fund balances - beginning of year</b>  | <u>2,067,489</u>                              | <u>2,067,489</u>          | <u>-</u>                              |
| <b>Fund balances - end of year</b>        | <u>\$ (4,552,708)</u>                         | <u>\$ 1,263,951</u>       | <u>\$ 5,816,659</u>                   |

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

**CITY OF MADISON, ALABAMA  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
COMPARATIVE SCHEDULES BY SOURCE  
SEPTEMBER 30, 2012 AND 2011**

---

|   | <b>2012</b>        | <b>2011</b>        |
|---|--------------------|--------------------|
| <b>Governmental funds capital assets:</b>                       |                    |                    |
| Land  | \$ 28,946,397      | \$ 28,036,047      |
| Improvements to land  | 66,964             | 66,964             |
| Buildings   | 13,261,383         | 11,066,230         |
| Improvements to buildings                                       | 4,169,883          | 3,829,595          |
| Improvements other than buildings                               | 2,784,425          | 2,397,448          |
| Machinery and equipment   | 15,555,479         | 16,302,038         |
| Infrastructure  | 149,846,105        | 142,101,814        |
| Other   | 19,000             | 14,300             |
| Construction in progress  | 5,714,745          | 11,143,575         |
| <br>Total governmental funds capital assets                     | <br>\$ 220,364,381 | <br>\$ 214,958,011 |
| <br>Investments in governmental funds capital assets by source: |                    |                    |
| Current revenues  | \$ 65,893,373      | \$ 64,660,850      |
| Federal and state grants  | 3,827,459          | 2,668,263          |
| Donations   | 150,643,549        | 147,608,898        |
| <br>Total investments in governmental funds capital assets      | <br>\$ 220,364,381 | <br>\$ 214,938,011 |

**CITY OF MADISON, ALABAMA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**September 30, 2012**

| Function and Activity               | Land                 | Improvements<br>to<br>Land | Buildings            | Improvements<br>to<br>Buildings | Improvements<br>Other than<br>Buildings | Machinery<br>and<br>Equipment | Infrastructure        | Other            | Construction<br>in<br>Progress | Total                 |
|-------------------------------------|----------------------|----------------------------|----------------------|---------------------------------|---|-------------------------------|-----------------------|------------------|--------------------------------|-----------------------|
| <b>General Government:</b>          |                      |                            |                      |                                 |   |                               |                       |                  |                                |                       |
| General Administration              | \$ 1,657,060         | -                          | \$ 3,275,439         | \$ 1,399,651                    | \$ 47,836                               | \$ 521,137                    | \$ 3,694              | \$ -             | \$ -                           | \$ 6,904,817          |
| City Clerk                          | -                    | -                          | -                    | -                               | -                                       | 65,754                        | -                     | -                | -                              | 65,754                |
| Court                               | -                    | -                          | -                    | 39,638                          | -                                       | 70,855                        | -                     | -                | -                              | 110,493               |
| City Council                        | -                    | -                          | -                    | -                               | -                                       | 43,191                        | -                     | -                | -                              | 43,191                |
| Finance                             | -                    | -                          | -                    | -                               | 483,472                                 | 131,240                       | -                     | -                | -                              | 614,712               |
| Human Resources                     | -                    | -                          | -                    | 6,781                           | -                                       | 38,176                        | -                     | -                | -                              | 44,957                |
| Mayor's Office                      | -                    | -                          | -                    | -                               | 34,808                                  | 54,613                        | -                     | -                | -                              | 89,421                |
| Revenue                             | -                    | -                          | -                    | -                               | -                                       | 22,429                        | -                     | -                | -                              | 22,429                |
| Information Technology              | -                    | -                          | -                    | -                               | 22,707                                  | 338,733                       | -                     | -                | -                              | 361,440               |
| Legal                               | -                    | -                          | -                    | -                               | -                                       | 4,343                         | -                     | -                | -                              | 4,343                 |
| <b>Total General Government</b>     | <u>1,657,060</u>     | <u>-</u>                   | <u>3,275,439</u>     | <u>1,446,070</u>                | <u>588,823</u>                          | <u>1,290,471</u>              | <u>3,694</u>          | <u>-</u>         | <u>-</u>                       | <u>8,261,557</u>      |
| <b>Public Safety:</b>               |                      |                            |                      |                                 |   |                               |                       |                  |                                |                       |
| Police                              | -                    | -                          | 6,139                | 1,500,524                       | 22,723                                  | 4,276,178                     | -                     | 19,000           | -                              | 5,824,564             |
| Fire                                | 264,712              | -                          | 4,350,899            | 208,668                         | 153,501                                 | 4,615,796                     | -                     | -                | -                              | 9,593,576             |
| Economic Development and Planning   | -                    | -                          | -                    | -                               | -                                       | 99,774                        | -                     | -                | -                              | 99,774                |
| Building                            | -                    | -                          | 2,175                | 56,762                          | -                                       | 167,466                       | -                     | -                | -                              | 226,403               |
| <b>Total Public Safety</b>          | <u>264,712</u>       | <u>-</u>                   | <u>4,359,213</u>     | <u>1,765,954</u>                | <u>176,224</u>                          | <u>9,159,214</u>              | <u>-</u>              | <u>19,000</u>    | <u>-</u>                       | <u>15,744,317</u>     |
| <b>Highways and Streets:</b>        |                      |                            |                      |                                 |   |                               |                       |                  |                                |                       |
| Public Works                        | 25,311,616           | -                          | 273,105              | 110,419                         | 121,132                                 | 3,621,130                     | 149,830,701           | -                | 1,135,175                      | 180,403,278           |
| Engineering                         | -                    | -                          | -                    | 8,167                           | -                                       | 150,306                       | 8,710                 | -                | 3,536,829                      | 3,704,012             |
| <b>Total Highways and Streets</b>   | <u>25,311,616</u>    | <u>-</u>                   | <u>273,105</u>       | <u>118,586</u>                  | <u>121,132</u>                          | <u>3,771,436</u>              | <u>149,839,411</u>    | <u>-</u>         | <u>4,672,004</u>               | <u>184,107,290</u>    |
| <b>Culture and Recreation:</b>      |                      |                            |                      |                                 |   |                               |                       |                  |                                |                       |
| Recreation                          | 1,713,009            | 66,964                     | 4,634,909            | 437,772                         | 1,895,601                               | 1,187,271                     | 3,000                 | -                | 1,042,741                      | 10,981,267            |
| Senior Center                       | -                    | -                          | 718,717              | 401,501                         | 2,645                                   | 147,087                       | -                     | -                | -                              | 1,269,950             |
| <b>Total Culture and Recreation</b> | <u>1,713,009</u>     | <u>66,964</u>              | <u>5,353,626</u>     | <u>839,273</u>                  | <u>1,898,246</u>                        | <u>1,334,358</u>              | <u>3,000</u>          | <u>-</u>         | <u>1,042,741</u>               | <u>12,251,217</u>     |
| <b>Total Governmental Funds</b>     |                      |                            |                      |                                 |   |                               |                       |                  |                                |                       |
| <b>Capital Assets</b>               | <u>\$ 28,946,397</u> | <u>\$ 66,964</u>           | <u>\$ 13,261,383</u> | <u>\$ 4,169,883</u>             | <u>\$ 2,784,425</u>                     | <u>\$ 15,555,479</u>          | <u>\$ 149,846,105</u> | <u>\$ 19,000</u> | <u>\$ 5,714,745</u>            | <u>\$ 220,364,381</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, 2012**

| Function and Activity                              | Governmental<br>Funds Capital<br>Assets<br>Oct. 1, 2011 | Additions           | Transfers<br>In (Out) | Deductions            | Governmental<br>Funds Capital<br>Assets<br>Sept. 30, 2012 |
|--|---|---------------------|-----------------------|-----------------------|---|
| <b>General Government:</b>                         |   |                     |                       |                       |   |
| General Administration                             | \$ 6,884,205  | \$ 29,738           | \$ (9,126)            | \$ -                  | \$ 6,904,817  |
| City Clerk   | 68,408  | -                   | -                     | (2,654)               | 65,754  |
| Court  | 115,525   | -                   | -                     | (5,032)               | 110,493   |
| City Council                                       | 48,397  | -                   | (5,206)               | -                     | 43,191  |
| Finance  | 619,805   | -                   | -                     | (5,093)               | 614,712   |
| Human Resources                                    | 46,070  | -                   | 585                   | (1,698)               | 44,957  |
| Mayor's Office                                     | 138,023   | 34,808              | (83,410)              | -                     | 89,421  |
| Revenue  | 29,526  | -                   | (7,097)               | -                     | 22,429  |
| Information Technology                             | 337,105   | 54,327              | 363                   | (30,355)              | 361,440   |
| Legal  | 9,189   | -                   | (1,450)               | (3,396)               | 4,343   |
| <b>Total General Government</b>                    | <b>8,296,253</b>  | <b>118,873</b>      | <b>(105,341)</b>      | <b>(48,228)</b>       | <b>8,261,557</b>  |
| <b>Public Safety:</b>                              |   |                     |                       |                       |   |
| Police   | 5,768,243   | 347,792             | (50,956)              | (240,515)             | 5,824,564   |
| Fire   | 7,864,098   | 2,097,454           | (11,873)              | (356,103)             | 9,593,576   |
| Planning   | 79,187  | -                   | 23,795                | (3,208)               | 99,774  |
| Building   | 192,804   | 6,875               | 29,745                | (3,021)               | 226,403   |
| <b>Total Public Safety</b>                         | <b>13,904,332</b>                                       | <b>2,452,121</b>    | <b>(9,289)</b>        | <b>(602,847)</b>      | <b>15,744,317</b>   |
| <b>Highways and Streets:</b>                       |   |                     |                       |                       |   |
| Public Works                                       | 178,657,442   | 3,518,618           | (520,658)             | (1,252,124)           | 180,403,278   |
| Engineering  | 1,952,586   | 1,112,082           | 653,765               | (14,421)              | 3,704,012   |
| <b>Total Highways and Streets</b>                  | <b>180,610,028</b>                                      | <b>4,630,700</b>    | <b>133,107</b>        | <b>(1,266,545)</b>    | <b>184,107,290</b>  |
| <b>Culture and Recreation:</b>                     |   |                     |                       |                       |   |
| Recreation   | 11,554,063  | 289,900             | (697,360)             | (165,336)             | 10,981,267  |
| Senior Center                                      | 593,335   | 1,129               | 678,883               | (3,397)               | 1,269,950   |
| <b>Total Culture and Recreation</b>                | <b>12,147,398</b>                                       | <b>291,029</b>      | <b>(18,477)</b>       | <b>(168,733)</b>      | <b>12,251,217</b>   |
| <b>Total Governmental Funds<br/>Capital Assets</b> | <b>\$ 214,958,011</b>                                   | <b>\$ 7,492,723</b> | <b>\$ -</b>           | <b>\$ (2,086,353)</b> | <b>\$ 220,364,381</b>                                     |

## **SECTION III - STATISTICAL**



# STATISTICAL SECTION

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

| <b>Contents</b>   | <b>Page</b> |
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| <b>Financial Trends</b><br>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 .....   | 120         |
| <b>Revenue Capacity</b><br>The revenue capacity schedules contain information to help the reader assess the City’s most significant local revenue sources .....   | 126         |
| <b>Debt Capacity</b><br>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 .....                                | 129         |
| <b>Demographic and Economic Information</b><br>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 .....                                  | 132         |
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Schedule 1  
**CITY OF MADISON, ALABAMA**  
**Net Assets by Component**  
**Last Ten Fiscal Years**

|   | Fiscal Year                   |                               |                               |                               |                             |                             |                             |                             |                             |                             |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|   | 2003                          | 2004                          | 2005                          | 2006                          | 2007                        | 2008                        | 2009                        | 2010                        | 2011                        | 2012                        |
| 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              | \$ 153,848,083              |
| 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                   | 4,084,945                   |
| 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>        | <u>(124,109,613)</u>        |
| Total primary government net assets             | <u><u>\$ (67,703,970)</u></u> | <u><u>\$ (58,883,344)</u></u> | <u><u>\$ (49,595,704)</u></u> | <u><u>\$ (33,650,840)</u></u> | <u><u>\$ 55,329,081</u></u> | <u><u>\$ 51,753,318</u></u> | <u><u>\$ 33,860,985</u></u> | <u><u>\$ 36,385,795</u></u> | <u><u>\$ 31,216,359</u></u> | <u><u>\$ 33,823,415</u></u> |

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

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

|   | Fiscal Year         |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | 2003                | 2004                | 2005                | 2006                | 2007                | 2008                | 2009                | 2010                | 2011                | 2012                |
| <b>Expenses</b>                                       |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Primary government:                                   |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Governmental activities:                              |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| General Administration                                | \$ 1,394,540        | \$ 1,498,013        | \$ 1,843,331        | \$ 1,637,763        | \$ 2,243,804        | \$ 13,864,248       | \$ 24,400,173       | \$ 1,909,670        | \$ 8,932,566        | \$ 2,127,620        |
| 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           | 6,791,779           |
| 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           | 7,384,526           |
| City Clerk  | 509,185             | 497,313             | 514,980             | 593,326             | 600,855             | 716,232             | 701,582             | 723,726             | 713,036             | 770,931             |
| 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           | 2,581,025           |
| 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           | 5,393,049           |
| Planning  | 646,654             | 670,844             | 1,113,999           | 1,108,540           | 950,345             | 1,044,590           | 1,033,775           | 297,284             | 415,706             | 332,599             |
| Court   | 733,894             | 782,283             | 728,975             | 820,348             | 977,773             | 1,141,156           | 1,009,392           | 947,423             | 959,052             | 1,157,938           |
| City Council  | 194,887             | 148,081             | 166,347             | 166,233             | 164,042             | 136,565             | 139,128             | 132,518             | 136,649             | 140,604             |
| Finance   | 336,586             | 325,728             | 412,043             | 676,174             | 933,230             | 975,935             | 783,590             | 641,623             | 668,777             | 657,614             |
| 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           | 3,656,061           |
| Mayor's Office  | 215,210             | 221,062             | 205,702             | 222,821             | 294,973             | 240,042             | 534,363             | 362,853             | 313,643             | 333,115             |
| Revenue   | 164,043             | 172,564             | 177,909             | 193,477             | 271,231             | 267,950             | 267,595             | 290,319             | 282,792             | 270,021             |
| Engineering   | 317,077             | 508,776             | -                   | -                   | 370,309             | 475,749             | 522,673             | 607,580             | 540,623             | 722,696             |
| Senior Center   | 192,828             | 205,440             | 221,414             | 240,054             | 247,233             | 264,757             | 291,083             | 330,938             | 329,658             | 332,911             |
| Information Technology                                | 165,658             | 264,432             | 195,542             | -                   | -                   | -                   | -                   | 322,760             | 426,419             | 425,901             |
| Legal   | 321,162             | 331,916             | 238,394             | 270,325             | 342,431             | 353,696             | 358,047             | 323,660             | 245,139             | 247,580             |
| Building  | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 816,850             | 844,817             | 874,239             |
| 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           | 7,004,850           |
| <b>Total primary government expenses</b>              | <b>23,012,442</b>   | <b>24,761,107</b>   | <b>26,235,408</b>   | <b>27,368,534</b>   | <b>33,740,814</b>   | <b>48,815,802</b>   | <b>60,900,069</b>   | <b>39,345,637</b>   | <b>47,757,036</b>   | <b>41,205,059</b>   |
| <b>Program Revenues</b>                               |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Governmental activities:                              |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Charges for services:                                 |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| General Administration                                | 2,276,788           | 2,527,571           | 3,291,409           | 3,883,220           | 4,309,020           | 4,386,155           | 4,667,747           | 2,753,816           | 4,668,479           | 4,234,009           |
| Police  | 815,943             | 775,629             | 726,247             | 929,819             | 1,301,002           | 1,431,594           | 1,096,954           | 912,124             | 949,583             | 1,185,727           |
| Public Works  | 268,497             | 281,387             | 557,889             | 701,200             | 885,562             | 959,913             | 990,721             | 975,398             | 938,761             | 907,638             |
| Recreation  | 203,199             | 213,074             | 212,315             | 199,431             | 196,753             | 211,911             | 211,029             | 208,430             | 222,547             | 253,618             |
| 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              | 36,213              |
| Building  | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 1,598,029           | -                   | 29,015              |
| Operating grants and contributions                    | 275,534             | 462,353             | 571,702             | 719,661             | 798,730             | 538,991             | 552,339             | 549,698             | 1,040,601           | 407,899             |
| 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           | 4,920,772           |
| <b>Total primary government program revenues</b>      | <b>9,582,029</b>    | <b>11,882,092</b>   | <b>11,247,935</b>   | <b>17,361,202</b>   | <b>13,563,156</b>   | <b>19,455,801</b>   | <b>12,391,074</b>   | <b>12,128,603</b>   | <b>12,499,099</b>   | <b>11,974,891</b>   |
| <b>Total primary government net (expense)/revenue</b> | <b>(13,430,413)</b> | <b>(12,879,015)</b> | <b>(14,987,473)</b> | <b>(10,007,332)</b> | <b>(20,177,658)</b> | <b>(29,360,001)</b> | <b>(48,508,995)</b> | <b>(27,217,034)</b> | <b>(35,257,937)</b> | <b>(29,230,168)</b> |

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

|   | Fiscal Year                   |                            |                            |                             |                             |                          |                               |                            |                              |                            |
|---|-------------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|--------------------------|-------------------------------|----------------------------|------------------------------|----------------------------|
|   | 2003                          | 2004                       | 2005                       | 2006                        | 2007                        | 2008                     | 2009                          | 2010                       | 2011                         | 2012                       |
| <b>General Revenues and other Changes in Net Assets</b> |                               |                            |                            |                             |                             |                          |                               |                            |                              |                            |
| Governmental activities:                                |                               |                            |                            |                             |                             |                          |                               |                            |                              |                            |
| Property taxes and payments in lieu of taxes            | 4,038,035                     | 4,363,486                  | 4,977,999                  | 5,840,049                   | 6,365,870                   | 7,841,325                | 7,411,800                     | 12,696,539                 | 13,300,494                   | 12,092,412                 |
| 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                   | 13,835,825                 |
| Franchise taxes   | 223,573                       | 221,689                    | 254,292                    | 264,641                     | 272,468                     | 221,258                  | 327,829                       | 347,142                    | 395,607                      | 1,023,386                  |
| Motor fuel taxes  | 864,166                       | 855,290                    | 901,617                    | 901,443                     | 953,992                     | 934,719                  | 960,310                       | 1,005,444                  | 608,793                      | 761,049                    |
| Alcoholic beverage taxes                                | 749,075                       | 683,839                    | 714,943                    | 769,249                     | 828,045                     | 839,850                  | 855,690                       | 826,942                    | 867,085                      | 911,979                    |
| Rental taxes  | 362,116                       | 339,205                    | 323,682                    | 355,019                     | 408,314                     | 452,728                  | 424,872                       | 405,911                    | 426,918                      | 396,700                    |
| Lodging taxes   | 420,887                       | 669,228                    | 766,627                    | 872,677                     | 909,090                     | 968,545                  | 939,661                       | 969,411                    | 1,115,104                    | 1,030,577                  |
| Other taxes   | 172,257                       | 318,803                    | 377,061                    | 483,421                     | 218,401                     | 264,834                  | 288,481                       | 216,899                    | 190,933                      | 217,880                    |
| Unrestricted investment earnings                        | 237,034                       | 130,950                    | 241,056                    | 447,027                     | 1,168,713                   | 724,089                  | 371,540                       | 117,585                    | 106,993                      | 174,777                    |
| Other   | -                             | 4,618,776                  | 5,614,248                  | 4,761,282                   | 18,314,482                  | 5,355,535                | 6,726,170                     | 831,401                    | 843,731                      | 1,392,639                  |
| 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>            | <u>31,837,224</u>          |
| <b>Changes in Net Assets</b>                            |                               |                            |                            |                             |                             |                          |                               |                            |                              |                            |
| 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>           | <u>2,607,056</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> | <u><u>\$ 2,607,056</u></u> |

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

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

|                                    | Fiscal Year          |                     |                     |                      |                      |                      |                      |                      |                     |                     |
|------------------------------------|----------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|
|                                    | 2003                 | 2004                | 2005                | 2006                 | 2007                 | 2008                 | 2009                 | 2010                 | 2011                | 2012                |
| General Fund                       |                      |                     |                     |                      |                      |                      |                      |                      |                     |                     |
| Nonspendable                       | \$ -                 | \$ -                | \$ -                | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ 409,615          | \$ 404,100          |
| Restricted                         | -                    | -                   | -                   | -                    | -                    | -                    | -                    | -                    | -                   | -                   |
| Assigned                           | -                    | -                   | -                   | -                    | -                    | -                    | -                    | -                    | 160,196             | 202,611             |
| Unassigned                         | -                    | -                   | -                   | -                    | -                    | -                    | -                    | -                    | 4,380,087           | 4,709,527           |
| Reserved                           | 376,410              | 1,180,616           | 821,403             | 1,271,389            | 1,307,743            | 1,251,195            | 831,902              | 2,080,342            | -                   | -                   |
| Unreserved                         | 2,323,275            | 1,555,491           | 2,190,712           | 3,855,965            | 5,667,055            | 5,858,033            | 6,211,608            | 4,450,460            | -                   | -                   |
| Total general fund                 | <u>\$ 2,699,685</u>  | <u>\$ 2,736,107</u> | <u>\$ 3,012,115</u> | <u>\$ 5,127,354</u>  | <u>\$ 6,974,798</u>  | <u>\$ 7,109,228</u>  | <u>\$ 7,043,510</u>  | <u>\$ 6,530,802</u>  | <u>\$ 4,949,898</u> | <u>\$ 5,316,238</u> |
| All Other Governmental Funds       |                      |                     |                     |                      |                      |                      |                      |                      |                     |                     |
| Nonspendable                       | \$ -                 | \$ -                | \$ -                | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                | \$ -                |
| Restricted                         | -                    | -                   | -                   | -                    | -                    | -                    | -                    | -                    | 4,483,028           | 4,084,945           |
| Assigned                           | -                    | -                   | -                   | -                    | -                    | -                    | -                    | -                    | 129,908             | 23,547              |
| Unassigned                         | -                    | -                   | -                   | -                    | -                    | -                    | -                    | -                    | 7,590               | -                   |
| Reserved                           | 8,394,699            | 5,944,429           | 5,614,365           | 6,082,274            | 15,870,504           | 14,517,312           | 12,063,577           | 7,290,334            | -                   | -                   |
| Unreserved, reported in            |                      |                     |                     |                      |                      |                      |                      |                      |                     |                     |
| Special revenue funds              | 389,544              | 204,314             | 200,855             | 491,002              | 10,400               | 13,294               | 13,672               | 14,032               | -                   | -                   |
| Total all other governmental funds | <u>\$ 8,784,243</u>  | <u>\$ 6,148,743</u> | <u>\$ 5,815,220</u> | <u>\$ 6,573,276</u>  | <u>\$ 15,880,904</u> | <u>\$ 14,530,606</u> | <u>\$ 12,077,249</u> | <u>\$ 7,304,366</u>  | <u>\$ 4,620,526</u> | <u>\$ 4,108,492</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> | <u>\$ 9,424,730</u> |

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

Note: GASB Statement No. 54 replaced the categories that previously had been used to classify fund balance. The City implemented GASB 54 in fiscal year 2011, and has shown fund balance classifications based on the categories defined in GASB 54 from 2011 forward. Fiscal years before 2011 presented above are shown as presented under the format prior to GASB 54.

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

|  | Fiscal Year         |                    |                    |                    |                    |                    |                    |                    |                     |                   |
|--|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|-------------------|
|  | 2003                | 2004               | 2005               | 2006               | 2007               | 2008               | 2009               | 2010               | 2011                | 2012              |
| <b>Revenues</b>  |                     |                    |                    |                    |                    |                    |                    |                    |                     |                   |
| Taxes  | \$ 13,968,476       | \$ 15,230,729      | \$ 16,324,294      | \$ 19,085,131      | \$ 20,733,461      | \$ 22,371,904      | \$ 22,697,157      | \$ 27,960,779      | \$ 28,286,262       | \$ 29,470,394     |
| 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           | 4,179,684         |
| 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           | 2,952,934         |
| 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           | 1,278,808         |
| Fines  | 785,322             | 752,292            | 708,177            | 913,974            | 1,287,580          | 1,416,272          | 1,080,529          | 887,985            | 906,518             | 1,157,863         |
| Investment earnings  | 237,034             | 130,950            | 241,056            | 447,027            | 1,168,713          | 724,089            | 363,160            | 125,965            | 106,993             | 174,777           |
| Contributions and donations                                      | 17,745              | 79,092             | 11,178             | 10,471             | 48,606             | 24,058             | 6,077              | 17,573             | 292,534             | 111,896           |
| 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           | 1,774,570         |
| <b>Total revenues</b>  | <b>19,852,548</b>   | <b>27,212,019</b>  | <b>28,785,488</b>  | <b>32,884,517</b>  | <b>36,212,169</b>  | <b>37,956,357</b>  | <b>38,373,326</b>  | <b>37,013,798</b>  | <b>38,484,589</b>   | <b>41,100,926</b> |
| <b>Expenditures</b>  |                     |                    |                    |                    |                    |                    |                    |                    |                     |                   |
| General Administration   | 1,179,019           | 1,342,417          | 1,175,864          | 1,360,195          | 1,250,802          | 1,580,257          | 1,557,569          | 1,571,884          | 8,217,235           | 1,707,876         |
| 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           | 6,332,144         |
| 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           | 4,274,381         |
| City Clerk   | 504,695             | 492,853            | 510,793            | 589,262            | 596,897            | 711,846            | 697,422            | 718,119            | 704,585             | 763,234           |
| 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           | 2,300,011         |
| 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           | 4,761,015         |
| Planning   | 636,677             | 660,742            | 1,096,434          | 1,088,186          | 935,285            | 1,015,373          | 1,008,823          | 293,654            | 405,786             | 329,111           |
| Court  | 730,278             | 778,990            | 725,414            | 816,962            | 973,634            | 1,136,203          | 1,004,457          | 937,885            | 947,780             | 1,148,270         |
| City Council   | 193,299             | 146,493            | 164,692            | 163,735            | 161,141            | 127,562            | 129,429            | 124,375            | 136,436             | 140,391           |
| Finance  | 327,814             | 316,854            | 403,115            | 658,035            | 914,484            | 964,909            | 775,708            | 633,046            | 653,632             | 647,596           |
| 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           | 3,649,337         |
| Mayor's Office   | 213,934             | 219,818            | 204,634            | 221,642            | 293,795            | 234,878            | 527,103            | 352,846            | 300,596             | 323,618           |
| Revenue  | 164,043             | 170,955            | 174,212            | 191,697            | 269,254            | 265,641            | 266,791            | 288,707            | 280,049             | 315,197           |
| Engineering  | 312,273             | 502,861            | -                  | -                  | 365,580            | 466,412            | 505,271            | 587,040            | 515,095             | 703,480           |
| Senior Center  | 187,685             | 198,251            | 214,903            | 230,697            | 238,550            | 255,041            | 276,566            | 312,042            | 292,077             | 281,278           |
| Information Technology   | 159,160             | 256,366            | 186,124            | -                  | -                  | -                  | -                  | 294,394            | 367,196             | 349,555           |
| Legal  | 321,014             | 331,768            | 238,057            | 269,951            | 342,057            | 353,696            | 358,047            | 322,919            | 243,754             | 247,741           |
| Building   | -                   | -                  | -                  | -                  | -                  | -                  | -                  | 797,627            | 824,896             | 850,979           |
| 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           | 1,485,081         |
| 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           | 6,584,710         |
| Bond issuance costs  | 260,316             | -                  | 206,213            | -                  | 559,525            | 264,695            | 124,665            | -                  | 263,737             | 228,757           |
| 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           | 4,458,072         |
| <b>Total expenditures</b>  | <b>33,313,551</b>   | <b>36,657,047</b>  | <b>35,596,612</b>  | <b>40,799,716</b>  | <b>37,835,396</b>  | <b>40,831,077</b>  | <b>41,282,257</b>  | <b>43,080,306</b>  | <b>50,095,433</b>   | <b>41,881,834</b> |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | <b>(13,461,003)</b> | <b>(9,445,028)</b> | <b>(6,811,124)</b> | <b>(7,915,199)</b> | <b>(1,623,227)</b> | <b>(2,874,720)</b> | <b>(2,908,931)</b> | <b>(6,066,508)</b> | <b>(11,610,844)</b> | <b>(780,908)</b>  |

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

|  | Fiscal Year           |                       |                    |                     |                      |                       |                       |                       |                       |                     |
|--|-----------------------|-----------------------|--------------------|---------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
|  | 2003                  | 2004                  | 2005               | 2006                | 2007                 | 2008                  | 2009                  | 2010                  | 2011                  | 2012                |
| <b>Other Financing - Sources and (Uses)</b>                    |                       |                       |                    |                     |                      |                       |                       |                       |                       |                     |
| Transfers from other funds                                     | 4,185,594             | 4,640,911             | 5,076,988          | 5,085,410           | 17,698,428           | 5,618,438             | 6,168,902             | 6,674,742             | 7,657,339             | 6,818,330           |
| 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)           | (6,818,330)         |
| 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                 | 390,819             |
| Bond Proceeds  | 21,325,000            | -                     | 1,250,000          | -                   | -                    | 12,235,000            | -                     | -                     | 13,828,860            | 18,460,000          |
| Refunding bond issued  | -                     | -                     | 18,775,000         | -                   | 37,980,000           | -                     | 51,110,000            | -                     | -                     | -                   |
| Payment to refund bond issue                                   | -                     | -                     | (18,568,787)       | -                   | (25,707,746)         | -                     | (27,389,525)          | -                     | (6,424,155)           | (18,192,764)        |
| 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)              | (22,841)            |
| Capital leases   | 1,166,090             | 610,000               | -                  | 776,961             | 185,305              | 1,370,348             | -                     | 747,594               | -                     | -                   |
| Other  | -                     | -                     | 300                | -                   | 200                  | -                     | -                     | -                     | -                     | -                   |
| <b>Total other financing sources (uses)</b>                    | <b>10,891,305</b>     | <b>6,845,950</b>      | <b>6,753,609</b>   | <b>10,788,494</b>   | <b>12,778,299</b>    | <b>1,658,852</b>      | <b>389,856</b>        | <b>780,917</b>        | <b>7,346,100</b>      | <b>635,214</b>      |
| <b>Net change in fund balances</b>                             | <b>\$ (2,569,698)</b> | <b>\$ (2,599,078)</b> | <b>\$ (57,515)</b> | <b>\$ 2,873,295</b> | <b>\$ 11,155,072</b> | <b>\$ (1,215,868)</b> | <b>\$ (2,519,075)</b> | <b>\$ (5,285,591)</b> | <b>\$ (4,264,744)</b> | <b>\$ (145,694)</b> |
| <b>Debt service as a percentage of noncapital expenditures</b> | <b>31.24%</b>         | <b>30.33%</b>         | <b>29.89%</b>      | <b>27.76%</b>       | <b>26.14%</b>        | <b>24.38%</b>         | <b>25.30%</b>         | <b>24.81%</b>         | <b>21.40%</b>         | <b>22.17%</b>       |

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

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

| Fiscal<br>Year | Property<br>Tax | Sales and<br>Use Tax | Franchise<br>Tax | (1)<br>Alcoholic<br>Beverage<br>Tax | Rental<br>Tax | Lodging<br>Tax | (2)<br>Other<br>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 |
| 2012           | \$ 12,054,047   | \$ 13,835,825        | \$ 1,023,386     | \$ 911,979                          | \$ 396,700    | \$ 1,030,577   | \$ 217,880            | \$ 29,470,394 |

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

(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 Ten Fiscal Years**

| <u>Fiscal Year Ended September 30</u> | <u>Assessed<br/>Valuation<br/>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                           |
| 2012                                  | \$ 559,250,520                           |

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

Schedule 7  
**CITY OF MADISON, ALABAMA**  
**Principal Property Taxpayers**  
**2012**

| <u>Taxpayer</u>                      | <u>Type of Business</u> | <u>Assessed<br/>Valuation</u>       | <u>Rank</u> | <u>Percentage of<br/>Total Assessed<br/>Valuation</u> |
|--------------------------------------|-------------------------|-------------------------------------|-------------|---|
| Intergraph Unimproved Properties LLC | Computer sales          | \$ 5,134,620                        | 1           | 0.92%   |
| CMF 7 Portfolio LLC                  | Apartment rental        | 4,681,180                           | 2           | 0.84%   |
| Intergraph Corporation               | Computer sales          | 5,018,600                           | 3           | 0.90%   |
| Continental 258 Fund LLC             | Apartment rental        | 4,411,600                           | 4           | 0.79%   |
| Carrington Property LLC              | Asset management        | 3,278,520                           | 5           | 0.59%   |
| TIC Huntsville LLC                   | Apartment rental        | 3,109,260                           | 6           | 0.56%   |
| Grand Reserve at Madison LLC         | Apartment rental        | 3,099,060                           | 7           | 0.55%   |
| Knology of Huntsville, Inc.          | Communication company   | 3,044,520                           | 8           | 0.54%   |
| Jetplex Associates I LLC             | Industrial rental       | 2,499,420                           | 9           | 0.45%   |
| Lowe's Homes Centers, Inc.           | Home improvement store  | <u>1,888,340</u>                    | 10          | <u>0.34%</u>  |
| Top 10 Total                         |                         | 36,165,120                          |             | 6.47%   |
| Other taxpayers                      |                         | <u>523,085,400</u>                  |             | <u>93.53%</u>   |
| <b>Totals</b>                        |                         | <b><u><u>\$ 559,250,520</u></u></b> |             | <b><u><u>100.00%</u></u></b>                          |

Assessed Valuation of City at September 30, 2012  
\$559,250,520

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 Ten Fiscal Years**

| <b>Fiscal<br/>Year</b> | <b>General<br/>Obligation<br/>Bonds</b> | <b>Capital<br/>Leases</b> | <b>Total<br/>Primary<br/>Government</b> | <b>Percentage<br/>of Personal<br/>Income*</b> | <b>Per<br/>Capita*</b> |
|------------------------|---|---------------------------|---|---|------------------------|
| 2003                   | \$ 108,155,000                          | \$ 1,386,715              | \$ 109,541,715                          | 9.11%   | 3,357                  |
| 2004                   | \$ 105,785,000                          | \$ 1,685,557              | \$ 107,470,557                          | 6.97%   | 3,112                  |
| 2005                   | \$ 104,650,000                          | \$ 1,363,423              | \$ 106,013,423                          | 6.35%   | 2,959                  |
| 2006                   | \$ 102,045,000                          | \$ 1,821,975              | \$ 103,866,975                          | 5.71%   | 2,698                  |
| 2007                   | \$ 112,420,000                          | \$ 1,514,987              | \$ 113,934,987                          | 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                  |
| 2012                   | \$ 147,395,000                          | \$ 1,022,614              | \$ 148,417,614                          | 0.00%   | 3,298                  |

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 Ten Fiscal Years**

| <b>Fiscal<br/>Year</b> | <b>General<br/>Obligation<br/>Bonds</b> | <b>Total</b>   | <b>Percentage of<br/>Actual Taxable<br/>Value of<br/>Property*</b> | <b>Per Capita**</b> |
|------------------------|---|----------------|--|---------------------|
| 2003                   | \$ 108,155,000                          | \$ 108,155,000 | 35.21%   | 3,315               |
| 2004                   | \$ 105,785,000                          | \$ 105,785,000 | 32.56%   | 3,064               |
| 2005                   | \$ 104,650,000                          | \$ 104,650,000 | 25.83%   | 2,921               |
| 2006                   | \$ 102,045,000                          | \$ 102,045,000 | 23.47%   | 2,651               |
| 2007                   | \$ 112,420,000                          | \$ 112,420,000 | 23.16%   | 2,806               |
| 2008                   | \$ 122,285,000                          | \$ 122,285,000 | 23.93%   | 2,990               |
| 2009                   | \$ 143,715,000                          | \$ 143,715,000 | 27.36%   | 3,358               |
| 2010                   | \$ 141,955,000                          | \$ 141,955,000 | 26.92%   | 3,306               |
| 2011                   | \$ 153,870,000                          | \$ 153,870,000 | 29.18%   | 3,584               |
| 2012                   | \$ 147,395,000                          | \$ 147,395,000 | 26.36%   | 3,275               |

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          |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2003                 | 2004                 | 2005                 | 2006                 | 2007                 | 2008                 | 2009                 | 2010                 | 2011                 | 2012                 |
| Debt limit  | \$ 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       | \$ 111,850,104       |
| Total net debt applicable to limit                                      | <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>    | <u>52,040,997</u>    |
| Legal debt margin   | <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> | <u>\$ 59,809,107</u> |
| Total net debt applicable to the limit<br>as a percentage of debt limit | <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>        | <u>46.53%</u>        |

**Legal Debt Margin Calculation for Fiscal 2012:**

|  |                             |
|--|-----------------------------|
| Assessed Value                               | \$ 559,250,520              |
| Debt limit (20% of total assessed value)     | 111,850,104                 |
| Debt Applicable to limit                     |                             |
| General obligation bonds                     | 147,395,000                 |
| Less: Exempt Debt                            |                             |
| General obligations water and sewer warrants | 7,185,486                   |
| General obligation school warrants           | <u>87,585,000</u>           |
| Total exempt debt                            | 94,770,486                  |
| Total net debt applicable to limit           | 52,624,514                  |
| Less assets available for debt service       | <u>583,517</u>              |
| Total net debt applicable to limit           | <u>52,040,997</u>           |
| <b>Legal debt margin</b>                     | <b><u>\$ 59,809,107</u></b> |

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

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

| <u>Year</u>        | <u>Population</u> | <u>Personal<br/>Income*</u> | <u>Per Capita<br/>Personal Income*</u> | <u>Unemployment<br/>Rate**</u> |
|--------------------|-------------------|-----------------------------|--|--------------------------------|
| 2003               | 32,626            | \$ 1,202,355,000            | \$ 36,853                              | 2.60%                          |
| 2004               | 34,529            | \$ 1,542,555,000            | \$ 44,674                              | 2.50%                          |
| 2005               | 35,829            | \$ 1,670,025,000            | \$ 46,611                              | 2.30%                          |
| 2006               | 38,500            | \$ 1,818,180,000            | \$ 47,225                              | 2.00%                          |
| 2007               | 40,060            | -                           | -                                      | 2.00%                          |
| 2008               | 40,900            | -                           | -                                      | 2.70%                          |
| 2009               | 42,800            | -                           | -                                      | 5.20%                          |
| 2010               | 42,938            | -                           | -                                      | 5.40%                          |
| 2011               | 42,938            | -                           | -                                      | 5.60%                          |
| 2012 (approximate) | 45,000            | -                           | -                                      | 4.70%                          |

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

\*\* U.S. Bureau of Labor Statistics

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

| <u>Employer</u>                   | <u>Product</u>         | <u>Employees</u> | <u>Rank</u> | <u>Percentage<br/>of Total City<br/>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%   |
| <b>Total</b>                      |                        | <b>4,120</b>     |             | <b>100.00%</b>                                     |

**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 |      |      |      |      |      |      |      |      |      |
|-----------------------------|-------------|------|------|------|------|------|------|------|------|------|
|                             | 2003        | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| <b>General Government:</b>  |             |      |      |      |      |      |      |      |      |      |
| City Clerk                  | 4           | 4    | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    |
| Court Clerk                 | 6           | 6    | 6    | 6    | 6    | 6    | 6    | 6    | 6    | 7    |
| City Council                | 4           | 4    | 4    | 4    | 3    | 4    | 4    | 4    | 4    | 4    |
| Finance                     | 6           | 6    | 7    | 8    | 13   | 13   | 12   | 8    | 8    | 8    |
| Human Resources             | 4           | 4    | 4    | 7    | 4    | 4    | 5    | 5    | 5    | 5    |
| Mayor's Office              | 3           | 3    | 3    | 3    | 3    | 3    | 4    | 4    | 3    | 3    |
| Revenue                     | 3           | 3    | 3    | 3    | 4    | 4    | 4    | 4    | 3    | 1    |
| Information Technology      | 3           | 0    | 0    | 0    | 0    | 1    | 1    | 1    | 1    | 3    |
| Legal                       | 2           | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    |
| Total                       | 35          | 32   | 34   | 38   | 40   | 42   | 43   | 39   | 37   | 38   |
| <b>Public Safety:</b>       |             |      |      |      |      |      |      |      |      |      |
| Police                      | 80          | 84   | 92   | 98   | 106  | 107  | 107  | 114  | 109  | 108  |
| Fire                        | 51          | 51   | 52   | 58   | 70   | 70   | 70   | 70   | 70   | 70   |
| Building                    | 0           | 0    | 0    | 0    | 0    | 0    | 0    | 17   | 17   | 15   |
| Planning                    | 15          | 15   | 24   | 21   | 19   | 19   | 18   | 4    | 5    | 5    |
| Total                       | 146         | 150  | 168  | 177  | 195  | 196  | 195  | 205  | 201  | 198  |
| <b>Streets and Highways</b> |             |      |      |      |      |      |      |      |      |      |
| Public Works                | 51          | 51   | 51   | 51   | 58   | 58   | 58   | 55   | 55   | 59   |
| Engineering                 | 6           | 11   | 0    | 0    | 7    | 5    | 7    | 7    | 8    | 7    |
| Total                       | 57          | 62   | 51   | 51   | 65   | 63   | 65   | 62   | 63   | 66   |
| <b>Parks and Recreation</b> |             |      |      |      |      |      |      |      |      |      |
| Recreation                  | 32          | 32   | 32   | 32   | 33   | 33   | 33   | 33   | 32   | 37   |
| Senior Center               | 6           | 6    | 6    | 6    | 6    | 7    | 7    | 7    | 7    | 7    |
| Total                       | 38          | 38   | 38   | 38   | 39   | 40   | 40   | 40   | 39   | 44   |
| Total - all departments     | 276         | 282  | 291  | 304  | 339  | 341  | 343  | 346  | 340  | 346  |

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 |      |      |      |      |      |      |      |      |      |
|--------------------------------|-------------|------|------|------|------|------|------|------|------|------|
|                                | 2003        | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| <b>Public Safety</b>           |             |      |      |      |      |      |      |      |      |      |
| Police                         |             |      |      |      |      |      |      |      |      |      |
| Stations                       | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Sub-Station                    | 1           | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    |
| Fire Stations                  | 3           | 3    | 3    | 3    | 3    | 3    | 3    | 3    | 3    | 3    |
| <b>Parks and Recreation</b>    |             |      |      |      |      |      |      |      |      |      |
| Recreation                     |             |      |      |      |      |      |      |      |      |      |
| Swimming pools                 | 3           | 3    | 3    | 3    | 3    | 3    | 2    | 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*

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

Honorable Mayor and City Council  
City of Madison  
Madison, Alabama

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Madison, Alabama (the City) as of and for the year ended September 30, 2012, which collectively comprise the City of Madison, Alabama's basic financial statements and have issued our report thereon dated March 4, 2013. 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**

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

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

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Honorable Mayor and City Council  
City of Madison  
Page two

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, others within the entity, 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  
March 4, 2013



**MDA PROFESSIONAL GROUP, P.C.**  
*Certified Public Accountants and Business Consultants*

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

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

**Compliance**

We have audited the City of Madison, Alabama (the City)'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2012. 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 \$4,821,642 in federal awards which is not included in the schedule during the year ended September 30, 2012. 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, 2012.

### **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.

Mayor and City Council  
City of Madison, Alabama  
Page three

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  
March 4, 2013



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF MADISON, ALABAMA

Year ended September 30, 2012

|  | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-through<br/>Entity Identifying<br/>Number</u> | <u>Federal<br/>Expenditures</u> |
|--|------------------------------------|---|---------------------------------|
| <b><u>U.S. DEPARTMENT OF JUSTICE</u></b>   |                                    |   |                                 |
| <i>Direct Programs:</i>  |                                    |   |                                 |
| Bulletproof Vest Program   | 16.607                             | -   | \$ 6,113                        |
| Domestic Violence (2008DDBX0638)   | 16.753                             | -   | 10,537                          |
| Equitable Sharing Program  | 16.922                             | -   | 19,000                          |
| <i>Passed through Alabama Department of Public Safety:</i>   |                                    |   |                                 |
| ARRA-High Intensity Drug Trafficking Areas Program   | 16.809                             | G10GC0002A  | 9,719                           |
| <i>Passed through Alabama Department of Economic and Community Affairs:</i>  |                                    |   |                                 |
| Domestic Violence Program (Violence Against Women)   | 16.588                             | 11-WF-LE-004  | 30,620                          |
| Domestic Violence Program (Violence Against Women)   | 16.588                             | 08-WF-LE-010  | <u>1,144</u>                    |
| <i>TOTAL U.S. DEPARTMENT OF JUSTICE</i>  |                                    |   | 77,133                          |
| <b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>  |                                    |   |                                 |
| <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)                                      | 108,554                         |
| <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                             | 12-SP-PT-005  | 7,676                           |
| Alcohol Impaired Driving Countermeasures Incentive Grants (DUI Blitz)  | 20.601                             | 12-TF-OP-007  | <u>441</u>                      |
| <i>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</i>   |                                    |   | 116,671                         |
| <b><u>U.S. DEPARTMENT OF ENERGY</u></b>  |                                    |   |                                 |
| <i>Direct Programs:</i>  |                                    |   |                                 |
| ARRA-Energy Efficiency and Conservation Block Grant (DE-EE0002245)   | 81.128                             |   | <u>43,083</u>                   |
| <i>TOTAL U.S. DEPARTMENT OF ENERGY</i>   |                                    |   | 43,083                          |
| <b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>   |                                    |   |                                 |
| <i>Direct Programs:</i>  |                                    |   |                                 |
| Staffing for Adequate Fire and Emergency Response (SAFER) Grant (EMW-2007-FF-00153)  | 97.044                             | -   | 35,516                          |
| ARRA-Fire Station Construction Grant (EMW-2009-FC-00277R)  | 97.115                             | -   | 990,531                         |
| <i>Passed through the Alabama Department of Homeland Security/City of Huntsville (dba Huntsville-Madison County Emergency Management Agency)</i>   |                                    |   |                                 |
| Homeland Security Grant Program  | 97.067                             | EMA 10-SHL  | 26,998                          |
| Homeland Security Grant Program  | 97.067                             | EMA 10-MAL  | <u>27,000</u>                   |
| <i>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</i>  |                                    |   | <u>1,080,045</u>                |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>  |                                    |   | <b><u>\$ 1,316,932</u></b>      |

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, 2012

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### (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, 2012

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### Section I - Summary of Auditors' Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Madison, Alabama.
2. No significant deficiencies were disclosed during the audit of the financial statements of the City of Madison, Alabama.
3. No instances of noncompliance material to the financial statements of the City of Madison, Alabama, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. 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 program tested as a major program:

| <u>CFDA Number</u> | <u>Name of Federal Program</u>                            |
|--------------------|---|
| 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 high-risk auditee.

### Section II - Financial Statement Audit Findings:

None noted.

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

None noted.

