

CITY OF MADISON, ALABAMA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
September 30, 2014

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**Prepared by:
Finance Department**



**City of Madison, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2014**

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SECTION I – INTRODUCTORY





FINANCE DEPARTMENT CITY OF MADISON, ALABAMA

March 20, 2015

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, 2014. 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 a make a full report thereof in writing. This report complies with State Law for the fiscal year ended September 30, 2014. The financial statements are presented in conformity with Generally Accepted Accounting Principles in the United State 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 exceed the benefits resulting from them, the City's comprehensive framework of internal controls is designed to provide reasonable; rather than absolute assurance, that the financial statement 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, 2014. 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, 2014, 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, 2014. 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 included 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, required supplementary information, 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 section 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.

Profile of the City of Madison, Alabama

The City of Madison was incorporated in 1869. Madison is located in the western part of Madison County and the eastern edge of Limestone County in the State of Alabama, has a land area of approximately 30.24 square miles, and serves a population of approximately 50,000. The City is empowered to levy taxes on real and personal property located within its corporate limits. 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 seven-member Council govern the City. The Mayor serves on a full-time basis and the 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 passed by Council, appointing heads of City departments, managing the affairs of the City, supervising a staff of 350+ 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 citizen 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 library services, trash collection and disposal services, cemetery services, senior citizens' programs, parks and recreational programs, and facilities and general administrative services. The above listed services are provided by the following departments:

General Services	Finance
Police	Human Resources
Public Works	Mayor's Office
City Clerk	Revenue
Parks & Recreation	Engineering
Fire & Rescue	Senior Center <i>(division of Recreation)</i>
Planning / Economic Development	Information Technology
Court	Legal
City Council	Building

Madison City Board of Education provides elementary and secondary educational services within the City. Madison Utilities provides water and wastewater services to the citizens of Madison. The City of Madison is financially accountable for these legally separate boards, both of which are reported separately within the financial statements of the City. Additional information on these components 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 and Limestone Counties, one of the fastest-growing areas in the State of Alabama. Madison is adjacent to the City of Huntsville and Redstone Arsenal, and located on Interstate I-565, linking an easy access to Interstate I-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 2014, the partnership landed several retail businesses scattered throughout the City.

The unemployment rate for the City of Madison was 3.9% *(US Bureau of Labor)* as of September 2014, as compared to 4.2% *(US Bureau of Labor)* in 2013. The new businesses and growth in the industrial and retail sites in 2014 were contributors in decreasing the unemployment rate of the area. Also, the area has seen an up-turn in the economic outlook of the area.

Financial Management Policies

The City of Madison is responsible to constantly try to improve 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 Financial Planning

The unassigned fund balance in the General Fund exceed 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 – established by Ordinance No. 2014-222 – Madison Code of Ordinances – as amended – Section 16-201*). Each year the City has exceeded this requirement.

During 2014, the City continued with its funded capital improvement plan. The total plan has a price-tag of just over \$20,000,000. The plan focuses on Madison’s infrastructure (*streets, roads and bridges*). The plan is funded by the 2013 bond proceeds, Municipal Government Capital Improvement revenue, state and federal revenue and a portion of the general-purpose ½ cent sales tax revenue.

The fiscal policy of the City requires the ½ cent general sales tax revenue and the 5 ½ mill property tax revenue be used, first and foremost, to provide for 100% of the City’s general obligation debt requirement each year.

In 2014, the City saw the completion of several capital improvement projects and the start of several important capital improvement projects (*County Line Road widening and repaving and the County Line Road – I-565 Interchange*).

Renovation of Historic Downtown Madison

The City also made great strides in the revitalization of its historic downtown area. Phases I & II of the revitalization project are now complete and the downtown area is, once again, one of the main centers of the City. New retail has opened and citizens are once again, frequenting the downtown area.



The City recognizes that many of the capital projects, after completion, will have a positive impact on the City’s economy. The many road projects will give easy access to new retail sites.

The City expects to reap benefits from the capital projects in the form of increased retail sales tax revenues.

The City of Madison Code of Ordinances Section 16-198 (h) (*Nonrecurring revenues*): states that one-time revenues (*bond proceeds*) will not be used for ongoing operations. Nonrecurring revenues will be used only for nonrecurring expenditures (*capital projects*). Nonrecurring revenues should not be used to balance the budget.

Moody’s Investors Service rated the City’s 2013 general obligation debt an Aa2 with a positive outlook and Standard and Poor’s rated the City’s 2013 general obligation debt an AA+ with a stable outlook. These ratings reflect the City’s strong wealth and income levels, expanding property base, improved financial position of the General Fund and good, sound 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 needs of the City. The main objective of the City's 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's investment policy is very conservative and details specific collateral and safekeeping requirements.

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. This City is a member of the Alabama Municipal Insurance Corporation (AMIC). AMIC 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 on the job. 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 and the projected expenditures to be incurred, to achieve specific objectives.

State law requires 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. The General Fund's fund balance *(by City Ordinance)* shall not fall to 15% of the General Fund's total operating revenues. The City's standard for a 15% reserve is more than allotted by the State *(State mandates a 10% reserve)*.

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, along with the Finance Committee of the Madison City Council, coordinate the budget preparation process. Each department head is responsible for preparing and submitting their respective appropriation requests, according to the budgetary guidelines and the 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 as 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 for the use of all available resources and to maintain the required level of reserves. The Revenue Department understands its revenue sources and enacts consistent collection measures and policies so the revenue base will materialize according to budgeted amounts.

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 proposed budget is then submitted to the full Council body for review and discussion at public work sessions. After conducting all scheduled work sessions, the City Council, at a regular meeting, holds a public hearing and considers the proposed annual budget for adoption.

General Reserves

The City's fiscal policy (*City of Madison Code of Ordinances Section 16-201, as amended*), requires that each year the fund balance of the General Fund must greater than fifteen percent (15%) of General Fund total operating revenues. The City's FY 2015 fund balance falls in line with the City's fiscal policy.

Major Initiatives

During FY 2014, strong financial management was used to meet the goals and objectives set forth in the annual operating budget. By obtaining the specified goals and objectives, this helps make Madison one of the top cities in which to live, work, play and rear a family.



Walgreen's – County Line Road

The Madison Economic Development Team has been working diligently to bring new retail trade to the City. This resulted in several retail stores opening in Madison, AL. Among the openings was a new Walgreen's Pharmacy, along with other retail stores which opened their doors during FY 2014.

Intergraph Complex (Corporate Headquarters)

Another major economic impact is the Intergraph new office complex (corporate headquarters) which opened its doors in FY 2014. This is a five-story facility with a total of 250,000 square feet and will house office space for 1,100 employees. The facility will also house a state-of-the-art data center, customer-friendly conference space and a food service area. The projected cost was \$58,000,000.



Another recent development that will add to Madison's future is the construction of a fifteen (15) screen cinema. This is the first of its kind within the Madison City limits. The cinema will contain 15 screens with stadium seating. The location of the cinema is set to serve the citizens of Madison and a large portion northern of Madison County. The cinema will generate a new revenue stream for the City of Madison (*entertainment tax*). The cinema is scheduled to open in November 2015. The management group which is building the cinema owns 13 cinemas across the Southeast.

Artist Rendering



Artist Rendering – Town Madison

In addition to the cinema, currently under development is "Town Madison" a \$400 million dollar development that will house 900,000 square feet of retail space and 450,000 square feet of office space. It is also expected to bring in 445 hotel rooms, 338 apartments and 1,600 new jobs. This 700 acre development lies at the intersection of Interstate 565 and Zierdt Road, described as "the most prime property in the Southeastern United States."

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

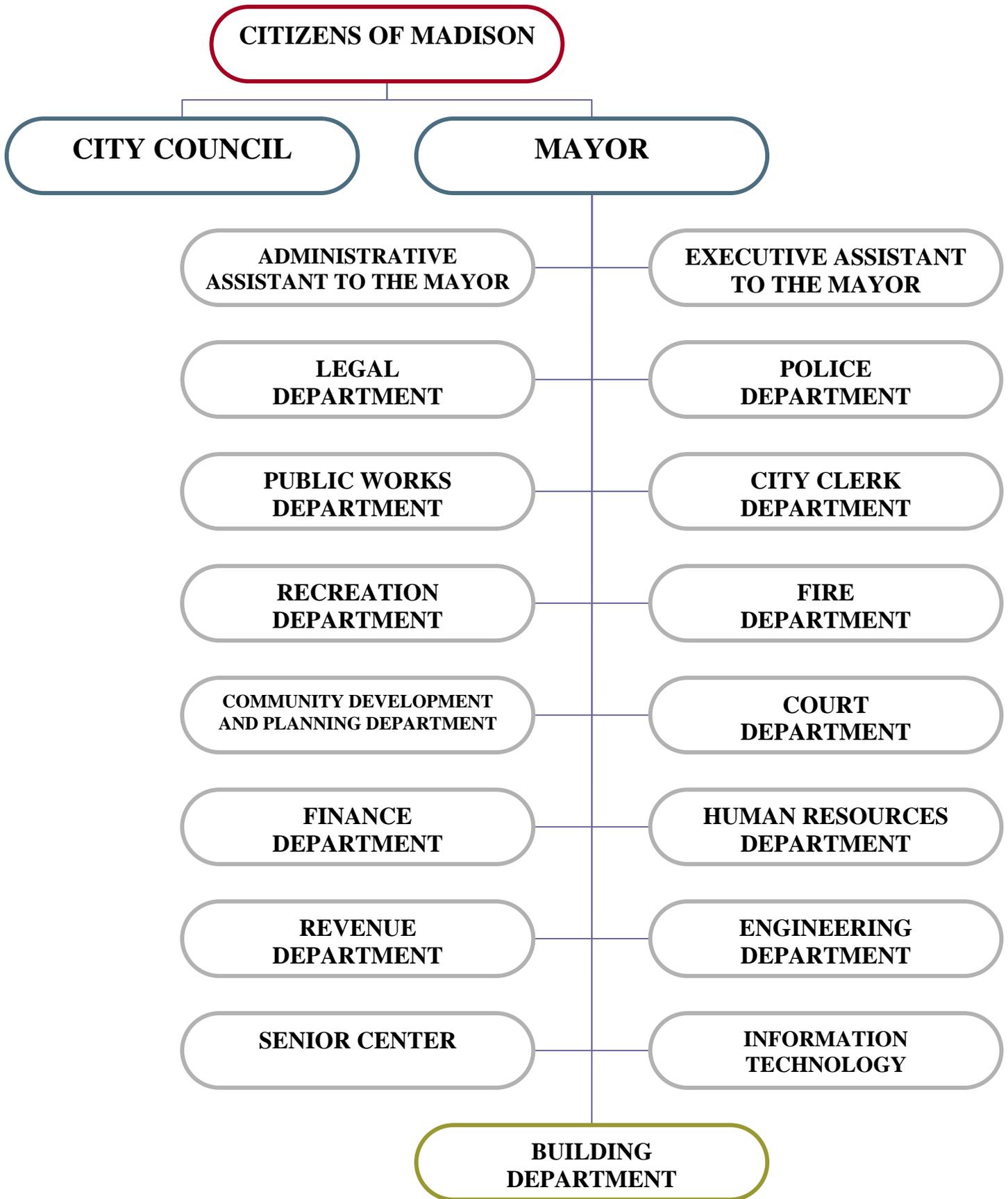
Respectfully submitted,

A handwritten signature in blue ink that reads "Roger D. Bellomy". The signature is written in a cursive style 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, 2014

Elected Officials

Mayor.....	Troy Trulock
Council Member - District 1	Tim Holcombe
	President Pro Tem
Council Member - District 2	Steve Smith
Council Member - District 3	D.J. Klein
Council Member - District 4	Mike Potter
Council Member - District 5	Tommy Overcash
	President of Council
Council Member - District 6	Gerald Clark
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
Recreation Director.....	Kory Alfred
Planning Director	Amy Sturdivant
Court Clerk.....	Rick Honea
Finance Director.....	Roger D. Bellomy
Human Resources Director.....	Terri Towry
Engineering Director	Gary Chynoweth
Revenue Department Director	Cameron Grounds
City Attorney.....	Kelly Butler
Building Director.....	James Morgan



SECTION II – FINANCIAL



INDEPENDENT AUDITORS' REPORT



MDA PROFESSIONAL GROUP, P.C.

Certified Public Accountants and Business Consultants

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

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Madison
Madison, Alabama

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Madison Board of Education and the Water and Wastewater Board of the City of Madison, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Madison, Alabama as of September 30, 2014, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and the General Obligation Bond Collection Fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2014 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 and the schedule of funding progress – other postemployment benefit plan on pages 23 through 33 and 95 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Madison's basic financial statements. 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 supplementary information and the combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic 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.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2015 on our consideration of the City of Madison's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering The City's internal control over financial reporting and compliance.

MDA Professional Group, P.C.

Huntsville, Alabama
March 20, 2015



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, 2014.

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 132 - 147 of this report.

Financial Highlights

- Assets of the City of Madison exceeded its liabilities at the close of fiscal year 2014 by \$45,210,217 (net position). Of this amount, the City has a deficit unrestricted net position of \$121,889,251 offset by \$19,049,339 in restricted net position and \$148,050,129 in net investment in capital assets.
- The City's total net position increased \$7,921,339 (21%) in fiscal year 2014. Page 26 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 \$26,046,010, a decrease of \$618,579 compared to the prior year. The unassigned fund balance of the General Fund was \$6,479,778, which the City may use for any lawful purpose. The unassigned fund balance of the General fund represents 23 percent of the total general fund expenditures.
- The City's total capital asset (net of accumulated depreciation) increased \$5,467,129, which primarily consists of the acquisition of land, equipment, construction of infrastructure, facilities and construction in progress.
- The City's general obligation warrants decreased \$2,950,000. This decrease is due to debt service on the warrants in fiscal year 2014. Page 32 of this report provides detailed information on the changes in long-term liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the City's net position 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 36 - 37 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.

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 nineteen (19) 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, General Obligation Bond Collection Fund, School Bonds Fund and Capital Improvement 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 non-major governmental funds is provided in the form of *combining statements* elsewhere in this report, which is on pages 100 - 123 of this report.

The City of Madison adopted an annual appropriated budget for its general fund, general obligation debt collection fund and school bonds funds. A budgetary comparison statement for the general fund and the general obligation bond collection fund has been provided for these funds to demonstrate compliance with this budget and can be found on pages 41 - 42 of this report. The budgetary comparison schedule for the school bonds fund can be found on page 98. The capital improvement fund budget was adopted by project. As a project was approved, Council would add the approved project to the list of projects funded by the remaining 2006 bond proceeds and the 2013 bond proceeds.

The basic governmental fund financial statements are on pages 36 through 42 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 45 - 92 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 95 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position, especially net position by category, may serve over time as a useful indicator of a government's financial position. At September 30, 2014, the City's net position was \$45,210,217 which increased by \$7,921,339 (21%) compared to prior fiscal year. This increase is a result of several factors: (1) purchase of capital assets (land, heavy equipment and communications equipment), (2) an additional half cent sales tax levied in fiscal year 2014, and (3) concentrated efforts to cut back expenses for each department.

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

CITY OF MADISON'S NET POSITION

	<u>Governmental Activities</u>		
	<u>September 30,</u> <u>2014</u>	<u>September 30,</u> <u>2013</u>	<u>Change</u>
Assets			
Current and other assets	\$ 39,962,123	\$ 40,131,308	\$ (169,185)
Capital assets	<u>174,592,639</u>	<u>169,125,510</u>	<u>5,467,129</u>
Total assets	214,554,762	209,256,818	5,297,944
Deferred outflows of resources			
Unamortized bond refunding charge	<u>1,914,204</u>	<u>2,107,017</u>	<u>(192,813)</u>
Total assets and deferred outflows of resources	<u>216,468,966</u>	<u>211,363,835</u>	<u>5,105,131</u>
Liabilities			
Long-term liabilities outstanding	164,317,394	167,338,245	(3,020,851)
Other liabilities	<u>6,941,355</u>	<u>6,736,712</u>	<u>204,643</u>
Total liabilities	171,258,749	174,074,957	(2,816,208)
Net position:			
Net investment in capital assets	148,050,129	144,025,227	4,024,902
Restricted for:			
Debt service	1,162,037	838,533	323,504
Capital Improvements	14,304,678	17,488,658	(3,183,980)
Other purposes	3,582,624	2,017,784	1,564,840
Unrestricted	<u>(121,889,251)</u>	<u>(127,081,324)</u>	<u>5,192,073</u>
Total net position	<u>\$ 45,210,217</u>	<u>\$ 37,288,878</u>	<u>\$ 7,921,339</u>

Management's Discussion and Analysis - Continued

Capital assets increased \$5,467,129 (3%) due to purchase of land, heavy equipment and communications equipment. Long-term liabilities outstanding decreased \$3,020,851 (2%) due to service on the debt in fiscal year 2014. By far, the largest portion of the City of Madison's net position is invested in capital assets (e.g. land, building, machinery and equipment), less any related outstanding debt, which was used to acquire the assets. Investments in capital assets at 2014 were \$148,050,129. The large negative unrestricted net position in fiscal year 2013 (\$127,081,324) and 2014 (\$121,889,251) 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 position by \$7,921,339. Key elements of the increase are as follows:

- Property taxes increased by \$682,442 (5%) during the year due to expansion of infrastructure in the City in recent years to provide for a larger tax base from additional businesses and residents.
- Other taxes increased by \$3,152,100 (18%) during the year due to the expansion of infrastructure discussed above as well as the additional half cent sales tax levied in 2014.
- Capital grants and contributions experienced an increase of \$767,309, 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 mainly of land and equipment.

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

CITY OF MADISON'S CHANGES IN NET POSITION

	Governmental Activities		
	September 30,	September 30,	Change
	2014	2013	
Revenues			
Program revenues:			
Charges for services	\$ 7,126,606	\$ 7,179,582	\$ (52,976)
Operating grants and contributions	350,844	363,410	(12,566)
Capital grants and contributions	6,291,232	5,523,923	767,309
General revenues			
Property taxes and payment in lieu of taxes	14,236,579	13,554,137	682,442
Other taxes	21,115,291	17,963,191	3,152,100
Other revenue	1,087,585	1,762,178	(674,593)
Total revenues	<u>50,208,137</u>	<u>46,346,421</u>	3,861,716
Expenses			
General administration	1,963,075	1,939,223	23,852
Police	6,707,560	6,391,926	315,634
Public works	8,514,327	7,705,609	808,718
City clerk	774,285	723,096	51,189
Recreation	2,746,201	2,474,776	271,425
Fire	5,252,932	4,974,746	278,186
Planning	408,623	311,790	96,833
Court	1,334,489	1,320,690	13,799
City council	201,915	136,979	64,936
Finance	516,318	533,923	(17,605)
Human resources	3,214,142	3,670,791	(456,649)
Mayor's office	257,373	296,785	(39,412)
Revenue	288,614	270,793	17,821
Engineering	1,079,360	1,392,612	(313,252)
Senior Center	302,445	304,294	(1,849)
Information technology	383,576	398,886	(15,310)
Legal	256,238	245,279	10,959
Building	747,933	756,481	(8,548)
Interest on long-term debt	7,337,392	7,016,825	320,567
Total expenses	<u>42,286,798</u>	<u>40,865,504</u>	1,421,294
Increase in net position	7,921,339	5,480,917	2,440,422
Net position - 10/1/2013, as restated	<u>37,288,878</u>	<u>31,807,961</u>	5,480,917
Net position - 9/30/2014	<u>\$ 45,210,217</u>	<u>\$ 37,288,878</u>	<u>\$ 7,921,339</u>

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 \$26,046,010, a decrease of \$618,579 in comparison to the prior year. The amount of \$6,479,778 or 25% 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, \$456,687 are non-spendable for prepaid items, \$1,162,037 are restricted for debt service, \$14,304,678 are restricted for capital improvements, \$3,582,624 is other restricted, and \$60,206 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 2014, unassigned fund balance of the general fund was \$6,479,778, while the total fund balance was \$6,990,043. Unassigned general fund balance and total general fund balance represent 23 percent of the total general fund expenditures.

The General Fund's fund balance increased \$698,877 during the current fiscal year. Key factors in this increase are as follows:

- Property taxes increased by \$239,536 (6%) during the year due to expansion of infrastructure in the City in recent years to provide for a larger tax base from additional businesses and residents.
- Sales taxes increased by \$119,535 (1%) during the year due to the expansion of infrastructure discussed above as well as the additional half cent sales tax levied in 2014.

Management's Discussion and Analysis - Continued

At September 30, 2014, the general obligation bond collection fund had a fund balance of \$2,661,400, which represents an increase of \$1,390,405 or 109%. This increase is directly related to an increase in total revenues (property taxes and sales taxes) in the amount of \$1,728,765. 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, 2014, the school bonds fund had a fund balance of \$8,316. This fund balance represents an increase of \$93, which is directly related to interest income earned on the cash accounts with fiscal agent in the fund. The fund balance is restricted for debt service requirements (payments of principal and interest).

At September 30, 2014, the capital improvement fund had a fund balance of \$13,358,971, which represents a decrease of \$3,916,134. This decrease is directly related to the capital outlay expenditures on several capital projects in the current year.

General Fund Budgetary Highlights

During the year, the appropriations between the original and final amended budget increased \$1,085,267. Following are the main components to the increase:

- The final amended budget increase consists of the following one-time appropriations made by City Council: (1) Transfer of approximately \$500,000 from Capital Replacement Fund to the General Fund for the purchase of heavy equipment, vehicles and other equipment and (2) Transfer of approximately \$500,000 from Neighborhood Street Repair Fund to General Fund for the maintenance on neighborhood streets.

The City Council approved the one-time transfers based on the increase in sales tax revenues due to the ½ cent sales tax which became effective on October 1, 2014.

At the end of the fiscal year, actual expenditures were under budget by \$1,626,721 or 5%. This is mainly due to three (3) contributing factors: (1) the actual cost of insurances (medical, dental, liability, auto, etc.) coming in under budget amounts, (2) delaying the filling of vacant positions and (3) Finance Committee (sub-committee of City Council) closely monitoring the spending of each City department.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Madison's investment in capital assets for its governmental activities as of September 30, 2014, amounts to \$174,592,639 (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 \$5,467,129 or 3% for 2014.

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

- Approximately \$1.3 million on construction of Graphics Drive.
- Approximately \$1.2 million on construction of Downtown Streetscape.
- Approximately \$500,000 on new bridge at Wall Triana and Mill Creek.
- Purchases of several vehicles and other pieces of heavy equipment
- Construction began on various street, road and bridge maintenance and upgrade projects

CITY OF MADISON'S CAPITAL ASSETS

(Net of depreciation)

	Governmental Activities		
	September 30,	September 30,	Change
	2014	2013	
Land	\$ 32,183,331	\$ 30,895,071	\$ 1,288,260
Improvements to land	56,920	60,268	(3,348)
Buildings	8,802,322	9,123,711	(321,389)
Building improvements	3,219,259	3,157,786	61,473
Improvements other than buildings	3,044,217	2,011,797	1,032,420
Machinery and equipment	4,329,188	4,176,020	153,168
Infrastructure	117,072,157	113,411,745	3,660,412
Other	8,976	15,833	(6,857)
Construction in progress	5,876,269	6,273,279	(397,010)
	<u>\$ 174,592,639</u>	<u>\$ 169,125,510</u>	<u>\$ 5,467,129</u>

Additional information on the City's capital assets can be found in Note 4 on pages 69 - 72 of this report.

Long-Term Debt

At the end of the current fiscal year, the City of Madison had total outstanding debt of \$164,317,394. Of this amount, \$162,348,180 was comprised of the general obligation warrants backed by the full faith and credit of the City, \$682,564 was comprised of capital lease obligations collateralized by certain vehicles and equipment, \$99,887 was comprised of a note payable agreement on property purchased in current year, \$921,213 was comprised of employees' compensated absences balance, and \$265,550 was comprised of the liability for other postemployment benefits.

Changes in debt outstanding are as follows:

<u>Governmental Activities</u>	<u>Balance September 30, 2014</u>	<u>Balance September 30, 2013</u>	<u>Change</u>
Compensated absences	\$ 921,213	\$ 861,936	\$ 59,277
Other post-employment benefits	265,550	210,923	54,627
Notes payable	99,887	199,775	(99,888)
Capital lease obligations	682,564	748,978	(66,414)
General obligation warrants	161,560,000	164,510,000	(2,950,000)
Plus deferred amounts for:			
Issuance premiums, net	<u>788,180</u>	<u>806,633</u>	<u>(18,453)</u>
	<u>\$ 164,317,394</u>	<u>\$ 167,338,245</u>	<u>\$ (3,020,851)</u>

The City of Madison's total debt decreased \$3,020,851 or 2% during fiscal year 2014.

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 \$164,317,394 outstanding, the amount of \$85,420,000 is outstanding general obligation school warrants, which is not chargeable against the allowable debt limit. As of September 30, 2014, the City's allowable debt limit was \$111,227,328. The City's debt applicable to the limit was \$71,815,657 at September 30, 2014.

The City of Madison maintains a rating of "AA+ with a stable outlook" 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 75 - 78 of this report.

ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES

The unemployment rate for the City of Madison was 4.2% in September 2013, and decreased to 3.9% in September 2014. The unemployment rate for the State of Alabama was 6.4% at September 30, 2014. *(data from U.S. Bureau of Labor Statistics)*

With the adoption of the FY 2015 budget, the City is making use of the newly collected ½ cent sales tax which went into effect on October 1, 2013. Over a half-million dollars in neighborhood street and road repairs is budgeted for, along with the purchase of a new fire-truck and approximately a half-million dollars in other various pieces of equipment.

The City, with the FY 2015 budget, is capable of maintaining the same level of services to its citizens without an increase in personnel.

Expenditures in the FY 2015 budget were increased by \$98,448 or .33% over FY 2014. At the same time, revenues are expected to increase by \$323,054 or 1.23% over FY 2014.

The FY 2015 projected fund balance for the general fund is expected to increase by \$313,442 or approximately four and one-half percent (4.5%) over the audited FY 2014 fund balance. The FY 2015 projected fund balance is expected to be approximately twenty seven and one-half percent (27.5%) of budgeted revenues, which exceeds the fifteen percent (15%) requirement of the City's fiscal policy.

Request for Information

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



BASIC FINANCIAL STATEMENTS

CITY OF MADISON, ALABAMA
STATEMENT OF NET POSITION
September 30, 2014

	Primary Government	Component Units	
	Governmental Activities	The Water and Wastewater Board	Madison City Board of Education
ASSETS			
Cash and cash equivalents	\$ 25,857,863	\$ 6,855,091	\$ 23,909,804
Cash with fiscal agent	1,162,037	-	24,833,773
Investments	-	-	161,817
Receivables, net			
Tax and tax equivalents	11,022,632	-	-
Grants	459,782	-	-
Other	1,003,122	1,186,184	8,261,744
Inventory	-	336,028	149,516
Prepaid expenses	456,687	118,685	-
Total current assets	39,962,123	8,495,988	57,316,654
Noncurrent assets:			
Other assets	-	23,173,193	-
Bond issue costs, net	-	1,003,541	-
Capital assets not being depreciated	38,059,600	7,104,023	16,669,025
Capital assets net of accumulated depreciation	136,533,039	160,142,693	145,571,525
Total noncurrent assets	174,592,639	191,423,450	162,240,550
Total assets	214,554,762	199,919,438	219,557,204
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	1,914,204	424,794	237,384
Total deferred outflows of resources	1,914,204	424,794	237,384
LIABILITIES			
Accounts payable and other current liabilities	4,460,304	414,867	8,502,495
Interest payable	1,939,767	879,970	262,277
Due to component unit	482,140	-	-
Deposits	59,144	96,281	-
Unearned revenue	-	-	212,045
Noncurrent liabilities:			
Due within one year	4,292,700	2,645,000	1,288,337
Due in more than one year	160,024,694	80,388,207	54,898,587
Total liabilities	171,258,749	84,424,325	65,163,741
NET POSITION			
Net investment in capital assets	148,050,129	85,690,945	106,738,784
Restricted for:			
Debt service	1,162,037	5,322,667	10,530,210
Capital improvements	14,304,678	10,474,305	-
Other purposes	3,582,624	2,849,297	5,478,521
Unrestricted (Deficit)	(121,889,251)	11,582,693	31,883,332
Total net position	\$ 45,210,217	\$ 115,919,907	\$ 154,630,847

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, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	The Water and Wastewater Board	Madison City Board of Education
Functions/Programs							
Primary government:							
Governmental activities:							
General Administration	\$ 1,963,075	\$ 4,369,705	\$ 130,083	\$ 7,000	\$ 2,543,713	\$ -	\$ -
Police	6,707,560	1,515,043	110,112	63,842	(5,018,563)	-	-
Public Works	8,514,327	957,764	-	5,986,573	(1,569,990)	-	-
City Clerk	774,285	-	-	-	(774,285)	-	-
Recreation	2,746,201	229,744	22,897	-	(2,493,560)	-	-
Fire	5,252,932	-	50,278	233,817	(4,968,837)	-	-
Planning	408,623	54,350	35,713	-	(318,560)	-	-
Court	1,334,489	-	-	-	(1,334,489)	-	-
City Council	201,915	-	-	-	(201,915)	-	-
Finance	516,318	-	-	-	(516,318)	-	-
Human Resources	3,214,142	-	-	-	(3,214,142)	-	-
Mayor's Office	257,373	-	-	-	(257,373)	-	-
Revenue	288,614	-	-	-	(288,614)	-	-
Engineering	1,079,360	-	-	-	(1,079,360)	-	-
Senior Center	302,445	-	1,761	-	(300,684)	-	-
Information Technology	383,576	-	-	-	(383,576)	-	-
Legal	256,238	-	-	-	(256,238)	-	-
Building	747,933	-	-	-	(747,933)	-	-
Interest on long-term debt	7,337,392	-	-	-	(7,337,392)	-	-
Total governmental activities	<u>\$ 42,286,798</u>	<u>\$ 7,126,606</u>	<u>\$ 350,844</u>	<u>\$ 6,291,232</u>	(28,518,116)	-	-
Component units:							
The Water and Wastewater Board	\$ 12,511,616	\$ 14,308,588	\$ -	\$ 1,858,214	-	3,655,186	-
Madison City Board of Education	100,037,192	10,167,459	53,508,979	2,843,275	-	-	(33,517,479)
Total component units	<u>\$ 112,548,808</u>	<u>\$ 24,476,047</u>	<u>\$ 53,508,979</u>	<u>\$ 4,701,489</u>	-	3,655,186	(33,517,479)
General revenues:							
Property taxes and payments in lieu of taxes					14,236,579	-	17,533,124
Sales and use taxes					16,792,335	-	10,777,281
Franchise taxes					1,045,339	-	-
Motor fuel taxes					759,620	-	-
Alcoholic beverage taxes					886,338	-	-
Rental taxes					365,254	-	-
Lodging taxes					1,054,882	-	-
Other taxes					211,523	-	100,101
Grants and contributions not restricted to specific purposes					-	-	334,689
Unrestricted interest income					66,729	30,927	207,172
Other					990,769	-	4,878,502
Gain on sale of fixed assets					30,087	-	29,570
Total general revenues					<u>36,439,455</u>	<u>30,927</u>	<u>33,860,439</u>
Change in net position					7,921,339	3,686,113	342,960
Net position - beginning of year, before restatement					39,198,295	112,233,794	154,287,887
Cumulative effect of change in accounting principle					(1,909,417)	-	-
Net position - beginning of year, as restated					<u>37,288,878</u>	<u>112,233,794</u>	<u>154,287,887</u>
Net position - end of year					<u>\$ 45,210,217</u>	<u>\$ 115,919,907</u>	<u>\$ 154,630,847</u>

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

**CITY OF MADISON, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014**

	General	General Obligation Bond Collection Fund	School Bonds Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 7,305,980	\$ 1,853,296	\$ -	\$ 14,587,982	\$ 2,110,605	\$ 25,857,863
Cash with fiscal agent	-	-	8,316	-	1,153,721	1,162,037
Receivables						
Taxes	6,213,611	4,341,846	-	-	467,175	11,022,632
Grants	15,853	-	-	367,513	5,570	388,936
Accounts	482,857	-	-	25,000	170,265	678,122
Due from other funds	312,345	-	-	151	56,993	369,489
Prepaid items	456,687	-	-	-	-	456,687
Total Assets	\$ 14,787,333	\$ 6,195,142	\$ 8,316	\$ 14,980,646	\$ 3,964,329	\$ 39,935,766
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,154,960	\$ 1,956	\$ -	\$ 1,590,271	\$ 303,632	\$ 3,050,819
Retainage payable	-	-	-	31,404	-	31,404
Accrued liabilities	948,137	-	-	-	-	948,137
Due to other funds	57,144	-	-	-	312,345	369,489
Deposits	59,144	-	-	-	-	59,144
Due to component unit	482,140	-	-	-	-	482,140
Other liabilities	600,765	-	-	-	-	600,765
Total Liabilities	3,302,290	1,956	-	1,621,675	615,977	5,541,898
Deferred inflows of resources						
Unavailable revenue	4,495,000	3,531,786	-	-	321,072	8,347,858
Total deferred inflows of resources	4,495,000	3,531,786	-	-	321,072	8,347,858
Fund balances:						
Nonspendable:						
Prepaid items	456,687	-	-	-	-	456,687
Restricted:						
Debt service	-	-	8,316	-	1,153,721	1,162,037
Capital improvements	-	-	-	13,358,971	945,707	14,304,678
Other	-	2,661,400	-	-	921,224	3,582,624
Assigned	53,578	-	-	-	6,628	60,206
Unassigned	6,479,778	-	-	-	-	6,479,778
Total fund balances	6,990,043	2,661,400	8,316	13,358,971	3,027,280	26,046,010
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 14,787,333	\$ 6,195,142	\$ 8,316	\$ 14,980,646	\$ 3,964,329	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	174,592,639
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	8,743,704
Deferred charges on debt refunding are reported as deferred outflows of resources in the statement of net position and are not reported in the funds.	1,914,204
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(166,086,340)
Net position of governmental activities	<u>\$ 45,210,217</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, 2014

	General	General Obligation Bond Collection Fund	School Bonds Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property and payments in lieu of taxes	\$ 4,569,641	\$ 3,415,693	\$ 5,233,863	\$ -	\$ 692,379	\$ 13,911,576
Sales and use	10,182,999	5,226,730	-	-	1,382,606	16,792,335
Franchise	1,045,339	-	-	-	-	1,045,339
Alcoholic beverage	886,338	-	-	-	-	886,338
Rental	365,254	-	-	-	-	365,254
Lodging	1,054,882	-	-	-	-	1,054,882
Other	211,523	-	-	-	-	211,523
Licenses and permits	4,279,480	-	-	-	-	4,279,480
Intergovernmental	163,930	-	-	208,036	866,941	1,238,907
Charges for services	1,328,685	-	-	-	-	1,328,685
Fines	1,122,254	-	-	-	362,884	1,485,138
Interest income	47,580	1,979	93	14,602	2,475	66,729
Contributions and donations	77,832	-	-	7,000	1,761	86,593
Other revenues	950,570	-	-	-	646,180	1,596,750
Total revenues	26,286,307	8,644,402	5,233,956	229,638	3,955,226	44,349,529
EXPENDITURES						
Current:						
General Administration	950,051	5,588	-	-	639,969	1,595,608
Police	6,151,718	-	-	-	30,062	6,181,780
Public Works	3,341,482	-	-	-	1,388,961	4,730,443
City Clerk	771,843	-	-	-	-	771,843
Recreation	2,274,297	-	-	31,501	-	2,305,798
Fire	4,819,722	-	-	-	-	4,819,722
Planning	370,761	-	-	34,910	-	405,671
Court	1,335,136	-	-	-	-	1,335,136
City Council	201,915	-	-	-	-	201,915
Finance	488,629	-	-	-	-	488,629
Human Resources	3,210,997	-	-	-	-	3,210,997
Mayor's Office	257,388	-	-	-	-	257,388
Revenue	438,698	-	-	-	-	438,698
Engineering	731,580	-	-	209,977	112,199	1,053,756
Senior Center	233,302	-	-	-	23,608	256,910
Information Technology	347,161	-	-	-	-	347,161
Legal	256,593	-	-	-	-	256,593
Building	729,103	-	-	-	-	729,103
Debt service:						
Principal	410,922	-	1,270,000	-	1,680,000	3,360,922
Interest	27,557	-	3,963,863	-	3,295,246	7,286,666
Capital outlay	1,215,304	-	-	3,869,384	199,467	5,284,155
Total expenditures	28,564,159	5,588	5,233,863	4,145,772	7,369,512	45,318,894
Excess (deficiency) of revenues over (under) expenditures	(2,277,852)	8,638,814	93	(3,916,134)	(3,414,286)	(969,365)
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	3,176,343	300,000	-	-	6,665,091	10,141,434
Transfers to other funds	(550,400)	(7,548,409)	-	-	(2,042,625)	(10,141,434)
Sales of capital assets	96,213	-	-	-	-	96,213
Proceeds from capital lease	254,573	-	-	-	-	254,573
Total other financing sources (uses), net	2,976,729	(7,248,409)	-	-	4,622,466	350,786
Net change in fund balances	698,877	1,390,405	93	(3,916,134)	1,208,180	(618,579)
Fund balances - beginning of year	6,291,166	1,270,995	8,223	17,275,105	1,819,100	26,664,589
Fund balances - end of year	\$ 6,990,043	\$ 2,661,400	\$ 8,316	\$ 13,358,971	\$ 3,027,280	\$ 26,046,010

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, 2014

Amounts reported for governmental activities in the statement of activities (page 37) are different because:

Net change in fund balances - total governmental funds (page 39)	\$ (618,579)
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 depreciation exceeded capital outlay in the current period.	(184,288)
Donations of capital assets increase net position in the statement of activities, but but do not appear in the governmental funds because they are not financial resources.	
Donations from outside parties	5,717,543
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(66,126)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	101,025
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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position and statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,116,302
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>(144,538)</u>
Change in net position of governmental activities (page 37)	<u><u>\$ 7,921,339</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property and payments in lieu of taxes	\$ 4,542,273	\$ 4,564,673	\$ 4,569,641	\$ 4,968
Sales and use	10,480,000	10,265,000	10,182,999	(82,001)
Franchise	1,052,407	1,013,229	1,045,339	32,110
Alcoholic beverage	918,552	938,352	886,338	(52,014)
Rental	370,000	370,000	365,254	(4,746)
Lodging	1,075,000	970,000	1,054,882	84,882
Other	207,516	192,016	211,523	19,507
Licenses and permits	4,490,000	4,442,125	4,279,480	(162,645)
Intergovernmental	115,343	233,519	163,930	(69,589)
Charges for services	1,360,620	1,340,070	1,328,685	(11,385)
Fines	938,400	1,130,002	1,122,254	(7,748)
Interest income	47,220	50,220	47,580	(2,640)
Contributions and donations	59,950	112,420	77,832	(34,588)
Other revenues	869,272	872,272	950,570	78,298
Total revenues	26,526,553	26,493,898	26,286,307	(207,591)
EXPENDITURES				
Current:				
General Administration	1,268,400	966,942	950,051	16,891
Police	6,465,399	6,440,328	6,151,718	288,610
Public Works	3,357,662	3,291,980	3,341,482	(49,502)
City Clerk	824,141	824,141	771,843	52,298
Recreation	2,375,853	2,360,243	2,274,297	85,946
Fire	4,954,162	4,912,673	4,819,722	92,951
Planning	411,721	411,721	370,761	40,960
Court	1,168,725	1,360,327	1,335,136	25,191
City Council	238,766	226,146	201,915	24,231
Finance	600,702	600,702	488,629	112,073
Human Resources	3,941,462	3,963,872	3,210,997	752,875
Mayor's Office	367,764	297,796	257,388	40,408
Revenue	456,084	449,084	438,698	10,386
Engineering	526,025	726,289	731,580	(5,291)
Senior Center	277,781	277,781	233,302	44,479
Information Technology	402,334	402,334	347,161	55,173
Legal	253,545	253,545	256,593	(3,048)
Building	801,859	777,859	729,103	48,756
Debt service:				
Principal	353,480	422,302	410,922	11,380
Interest	24,748	27,302	27,557	(255)
Capital outlay	35,000	1,197,513	1,215,304	(17,791)
Total expenditures	29,105,613	30,190,880	28,564,159	1,626,721
Excess (deficiency) of revenues over (under) expenditures	(2,579,060)	(3,696,982)	(2,277,852)	1,419,130
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	2,468,502	2,552,362	3,176,343	623,981
Transfers to other funds	(300,400)	(550,400)	(550,400)	-
Sales of capital assets	188,300	188,300	96,213	(92,087)
Proceeds from capital lease	-	-	254,573	254,573
Total other financing sources (uses), net	2,356,402	2,190,262	2,976,729	786,467
Net change in fund balances	(222,658)	(1,506,720)	698,877	2,205,597
Fund balances - beginning of year	6,291,166	6,291,166	6,291,166	-
Fund balances - end of year	\$ 6,068,508	\$ 4,784,446	\$ 6,990,043	\$ 2,205,597

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

CITY OF MADISON, ALABAMA
GENERAL OBLIGATION BOND COLLECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property and payments in lieu of taxes	\$ 3,394,285	\$ 3,416,281	\$ 3,415,693	\$ (588)
Sales and use	3,731,650	3,677,900	5,226,730	1,548,830
Interest income	4,200	4,200	1,979	(2,221)
Total revenues	7,130,135	7,098,381	8,644,402	1,546,021
EXPENDITURES				
Current:				
General Administration	6,000	6,000	5,588	412
Total expenditures	6,000	6,000	5,588	412
Excess of revenues over expenditures	7,124,135	7,092,381	8,638,814	1,546,433
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	300,000	300,000	300,000	-
Transfers to other funds	(7,283,751)	(7,548,412)	(7,548,409)	3
Total other financing sources (uses), net	(6,983,751)	(7,248,412)	(7,248,409)	3
Net change in fund balances	140,384	(156,031)	1,390,405	1,546,436
Fund balances - beginning of year	1,270,995	1,270,995	1,270,995	-
Fund balances - end of year	\$ 1,411,379	\$ 1,114,964	\$ 2,661,400	\$ 1,546,436

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, 2014**

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**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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).

During the year ended September 30, 2013, the City adopted GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows and Resources, and Net Position*. GASB 63 establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of GASB 63 in the City's financial statements was the renaming of "Net Assets" to "Net Position".

During the year ended September 30, 2014, the City adopted GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Included as part of these reclassifications is the expensing of bond issue costs in the year the costs are incurred instead of amortizing these costs over the term of the related bonds prior to implementation of GASB 65.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

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. Blended Component units, although legally separate entities, are in substance, part of the government's operation. The City has one blended component unit.

DISCRETELY PRESENTED COMPONENT UNITS

Water and Wastewater Board of the City of Madison (Madison Utilities)

The Water and Wastewater Board of the City of Madison (Madison Utilities) is a public corporation organized under Alabama Code Sections 11-50-310 through 324. Madison Utilities provides water and wastewater services to the residents and businesses in the City. The board of Madison Utilities 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 Madison Utilities board. Members of the Madison Utilities 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 Madison Utilities used for water and wastewater purposes. The financial statements of Madison Utilities are reported in a separate column to emphasize that they are legally separate from the City. Madison Utilities is reported as a proprietary fund type.

Madison City Board of Education

Madison City Board of Education consists of five members appointed by the City Council. Madison City 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 and Madison City Board of Education, discretely presented component units, are available at the administrative office of the entity.

Madison Utilities
101 Ray Sanderson Drive
Madison, Alabama 35758

Madison City Board Education
211 Celtic Drive
Madison, Alabama 35758

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

A. FINANCIAL REPORTING ENTITY - Continued

BLENDED COMPONENT UNITS

Town Madison Cooperative District (the "District") was incorporated in 2014 as a capital improvement district under the provisions of Chapter 99B of Title 11 of the Code of Alabama 1975. The purpose of the District is to acquire, construct, and install capital improvements for public infrastructure within the jurisdiction of the District. The District is governed by a board of directors comprised of 3 persons, 2 of which are appointed by the City Council of the City of Madison. On August 15, 2014, the District issued the Series 2014-B Special Project Revenue Bond (Federally Taxable - Town Madison Project) in the amount of \$22,000,000 contingent on a funding agreement with the City of Madison dated July 1, 2014. Since the District is fiscally dependent on the City and the purpose of the District is to provide a benefit to the City, it is to be presented as a blended component unit in the City's financial statements. As of September 30, 2014, no construction work or draws on the bond had commenced. As such, there are no amounts blended in the City's statements related to the District as of September 30, 2014.

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The government-wide financial statements (the statement of net position 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 position 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, 2014**

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. Major individual governmental funds are reported as separate columns in the fund financial statements. 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 that are restricted, committed, or assigned for the payment of general obligation bond principal and interest from government resources.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

B. BASIS OF PRESENTATION - Continued

Major Funds:

The City reports the four (4) 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

General Obligation Bond Collection Fund

The general obligation bond collection 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.

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.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental funds are eliminated so that only the net amount is included in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

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. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources.

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 position and the statement of activities present increases and decreases to total net position, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liabilities are incurred, regardless of the timing of related cash flows.

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

The revenues susceptible to accrual are property taxes, sales and use taxes, alcoholic beverage taxes, franchise fees, licenses, interest income, and intergovernmental revenues associated with the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met.

Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to compensated absences, claims and judgments, and other long-term liabilities are recorded only when payments are due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

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 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.

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 uses 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 for utility services provided to them.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

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.

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 federal 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, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

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.

Land and construction in progress are not depreciated. The other 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

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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

Madison Utilities

Madison Utilities 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. Any leave that exceeds 30 days at the end of the year is transferred to the employee's sick leave balance. 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 does not pay an employee sick leave upon separation from the Board's services.

Madison City Board of Education

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, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

Madison City Board of Education - Continued

Twelve month 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 Board of Education are allowed 15 working days. Unused vacation leave can be carried over 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 City 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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.

Fund Balance Classifications

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). Fund balances are classified as follows on the governmental fund financial statements:

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

Fund Balance Classifications - Continued

- **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, 2014:

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
 - Restricted capital replacement fund for use of 25% of the ½ cent sales tax for the purchase and replacement of capital outlay items.
 - Restricted infrastructure repair fund for use of 25% of the ½ cent sales tax for the repairs and maintenance of neighborhood streets and roads.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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's highest level of decision-making authority). 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, 2014.

- **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. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The City recorded the following assignments at September 30, 2014:

- (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, 2014

- **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, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

Net Position

Net position represents the difference between assets and liabilities of the governmental funds. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on the use, through either the enabling legislation adopted by the city, creditors, grantors or law or regulations of other governments.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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 POSITION

The governmental fund balance sheet includes a reconciliation between *fund balances - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of the reconciliation explains that “capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.” The details of this \$174,592,639 are as follows:

Land	\$ 32,183,331
Construction in progress	5,876,269
Improvements to land	66,964
Less: Accumulated depreciation	(10,044)
Buildings	13,268,546
Less: Accumulated depreciation	(4,466,224)
Building improvements	4,427,375
Less: Accumulated depreciation	(1,208,116)
Improvements other than buildings	4,200,132
Less: Accumulated depreciation	(1,155,915)
Machinery and equipment	16,614,104
Less: Accumulated depreciation	(12,284,916)
Infrastructure	163,247,117
Less: Accumulated depreciation	(46,174,960)
Other capital assets	13,000
Less: Accumulated depreciation	<u>(4,024)</u>
Net adjustment to <i>fund balance total governmental funds</i> to arrive at <i>net position governmental activities</i>	<u>\$ 174,592,639</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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

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

Another element of that reconciliation explains that "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 (\$166,086,340) difference are as follows:

Bonds payable	\$ (161,560,000)
Add: Issuance premiums	(788,180)
Accrued interest payable	(1,939,767)
Notes payable	(99,887)
Capital lease payable	(682,564)
Compensated absences	(750,392)
Other postemployment benefits	<u>(265,550)</u>
Net adjustment to <i>fund balance</i> total <i>governmental funds</i> to arrive at <i>net position</i> <i>governmental activities</i>	<u>\$ (166,086,340)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *changes in net position 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 (\$184,288) difference are as follows:

Capital outlay	\$ 5,284,155
Depreciation expense	<u>(5,468,443)</u>
Net adjustment to <i>net change in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (184,288)</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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

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

Another element of that reconciliation states, "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of 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 \$3,116,302 difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (254,573)
Principal repayments:	
General obligation debt	2,950,000
Capital leases obligations	320,987
Note payable	<u>99,888</u>
Net adjustment to <i>net change in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 3,116,302</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this (\$144,538) difference are as follows:

Compensated absences	\$ (15,030)
Accrued interest	(50,726)
Amortization of bond premiums (net)	18,453
Amortization of deferred losses on debt refunding	(192,813)
Claims and judgments	150,205
Other postemployment benefits	<u>(54,627)</u>
Net adjustment to <i>net change in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ (144,538)</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 capital improvement fund. 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, 2014**

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued -

A. BUDGET INFORMATION - Continued

The City adopts a line item budget by fund, function, and department. 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:

Fund	Department	Amount
General	Public Works	\$ 49,502
	Engineering	\$ 5,291
	Legal	\$ 3,048

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, 2014.

NOTE 4. DETAILED NOTES ON ALL FUNDS -

A. DEPOSITS AND INVESTMENTS

Primary Government

At September 30, 2014, 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, 2014**

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, 2014, the City had investments in money market accounts with fair value of \$1,162,037 with weighted average maturity of 47 days rated AAAM by Standard and Poor's and Aaa-mf by Moody's. 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, 2014, the entire City's deposits and bank balances are insured by federal depository insurance or part of SAFE.

Discretely Presented Component Units

Madison Utilities

At September 30, 2014, 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.

Madison City Board of Education

At September 30, 2014, 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, 2014**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

B. RECEIVABLES

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

	General Fund	General Obligation Bond Collection Fund	Capital Improvement Fund	Non-Major Governmental Funds	Total Governmental Funds
Receivables:					
Taxes	\$ 6,213,611	\$ 4,341,846	\$ -	\$ 467,175	\$ 11,022,632
Grants	15,853	-	367,513	5,570	388,936
Accounts	<u>482,857</u>	<u>-</u>	<u>25,000</u>	<u>170,265</u>	<u>678,122</u>
	<u>\$ 6,712,321</u>	<u>\$ 4,341,846</u>	<u>\$ 392,513</u>	<u>\$ 643,010</u>	<u>\$ 12,089,690</u>

C. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. It is the deferred charge on refunding as of September 30, 2014 in the amount of \$1,914,204 reported in the government-wide statement of net position. A deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

C. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - Continued

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available:

General Fund	G.O. Bond Collection Fund	Nonmajor Governmental Funds	Total
<u>\$ 4,495,000</u>	<u>\$ 3,531,786</u>	<u>\$ 321,072</u>	<u>\$ 8,347,858</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

D. CAPITAL ASSETS

The Capital asset activity of the Primary Government for the year ended September 30, 2014, is as follows:

<u>Governmental Activities</u>	<u>Balance October 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfers</u>	<u>Balance September 30, 2014</u>
Capital assets, not being depreciated					
Land	\$ 30,895,071	\$ 1,288,260	\$ -	\$ -	\$ 32,183,331
Construction in progress	<u>6,273,279</u>	<u>2,914,419</u>	<u>-</u>	<u>(3,311,429)</u>	<u>5,876,269</u>
Total capital assets not being depreciated	37,168,350	4,202,679	-	(3,311,429)	38,059,600
Capital assets, being depreciated					
Improvements to land	66,964	-	-	-	66,964
Buildings	13,268,546	-	-	-	13,268,546
Building improvements	4,152,360	275,015	-	-	4,427,375
Improvements other than buildings	2,845,862	22,175	-	1,332,095	4,200,132
Machinery and equipment	15,682,047	1,330,202	(398,145)	-	16,614,104
Infrastructure	156,096,156	5,171,627	-	1,979,334	163,247,117
Other	<u>19,000</u>	<u>-</u>	<u>(6,000)</u>	<u>-</u>	<u>13,000</u>
Total capital assets being depreciated	192,130,935	6,799,019	(404,145)	3,311,429	201,837,238
Less accumulated depreciation for:					
Improvements to land	(6,696)	(3,348)	-	-	(10,044)
Buildings	(4,144,835)	(321,389)	-	-	(4,466,224)
Building improvements	(994,574)	(213,542)	-	-	(1,208,116)
Improvements other than buildings	(834,065)	(321,850)	-	-	(1,155,915)
Machinery and equipment	(11,506,027)	(1,115,408)	336,519	-	(12,284,916)
Infrastructure	(42,684,411)	(3,490,549)	-	-	(46,174,960)
Other	<u>(3,167)</u>	<u>(2,357)</u>	<u>1,500</u>	<u>-</u>	<u>(4,024)</u>
Total accumulated depreciation	<u>(60,173,775)</u>	<u>(5,468,443)</u>	<u>338,019</u>	<u>-</u>	<u>(65,304,199)</u>
Total capital assets being depreciated, net	<u>131,957,160</u>	<u>1,330,576</u>	<u>(66,126)</u>	<u>3,311,429</u>	<u>136,533,039</u>
Governmental activities, capital assets, net	<u>\$ 169,125,510</u>	<u>\$ 5,533,255</u>	<u>\$ (66,126)</u>	<u>\$ -</u>	<u>\$ 174,592,639</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

D. CAPITAL ASSETS - Continued

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

General Administration	\$ 138,480
Police	532,804
Public Works	3,785,486
City Clerk	1,293
Recreation	446,988
Fire	416,895
Planning	2,133
Court	3,038
Finance	24,989
Human Resources	746
Engineering	15,932
Senior Center	45,153
Information Technology	36,934
Legal	237
Building	<u>17,335</u>
Total depreciation expense - governmental activities	<u>\$ 5,468,443</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

D. CAPITAL ASSETS - Continued

Discretely presented components units

The following is a summary of changes in the **Madison Utilities**, a discretely presented component unit, capital assets during the fiscal year:

	<u>Balance October 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance September 30, 2014</u>
Water system	\$ 93,502,568	\$ 2,031,813	\$ 11,134	\$ 95,523,247
Wastewater system	107,684,643	1,762,309	-	109,446,952
General plant	5,099,842	743,726	-	5,843,568
Construction in progress	<u>3,355,747</u>	<u>5,061,767</u>	<u>4,537,847</u>	<u>3,879,667</u>
Total capital assets, being depreciated	209,642,800	9,599,615	4,548,981	214,693,434
Less accumulated depreciation for:				
Water system	17,444,865	2,123,554	11,134	19,557,285
Wastewater system	22,088,620	2,342,268	-	24,430,888
General plant	<u>3,165,481</u>	<u>293,064</u>	<u>-</u>	<u>3,458,545</u>
Total accumulated depreciation	<u>42,698,966</u>	<u>4,758,886</u>	<u>11,134</u>	<u>47,446,718</u>
Madison Water and Wastewater Board capital assets, net	<u>\$ 166,943,834</u>	<u>\$ 4,840,729</u>	<u>\$ 4,537,847</u>	<u>\$ 167,246,716</u>

Depreciation expense charged as follows:

Expense	\$ 4,666,707
Other	<u>92,179</u>
	<u>\$ 4,758,886</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

D. 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 October 1, 2013</u>	<u>Additions</u>	<u>Retirements and Reclassifications</u>	<u>Balance September 30, 2014</u>
Governmental activities:				
Land	\$ 7,410,334	\$ 1,292,194	\$ -	\$ 8,702,528
Land Improvements	8,630,743	416,067	-	9,046,810
Buildings	103,729,258	63,155,792	-	166,885,050
Equipment	4,590,167	294,930	23,961	4,861,136
Construction in progress	61,967,563	7,966,497	61,967,563	7,966,497
Vehicles	<u>5,677,142</u>	<u>1,076,024</u>	<u>287,425</u>	<u>6,465,741</u>
Total at historic cost	192,005,207	74,201,504	62,278,949	203,927,762
Less accumulated depreciation for:				
Land Improvements	4,762,981	348,173	-	5,111,154
Buildings	27,047,903	2,562,432	-	29,610,335
Equipment	2,934,780	425,704	23,961	3,336,523
Vehicles	<u>3,480,809</u>	<u>421,445</u>	<u>273,054</u>	<u>3,629,200</u>
Total accumulated depreciation	<u>38,226,473</u>	<u>3,757,754</u>	<u>297,015</u>	<u>41,687,212</u>
Governmental activities, capital assets, net	<u>\$ 153,778,734</u>	<u>\$ 70,443,750</u>	<u>\$ 61,981,934</u>	<u>\$ 162,240,550</u>

Depreciation expense charged to governmental functions is as follows:

Instructional services	\$ 2,254,653
Instructional support services	676,396
Operational and maintenance services	450,930
Student transportation services	150,310
Food services	<u>225,465</u>
Total governmental activities depreciation expense	<u>\$ 3,757,754</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

E. 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, 2014, is as follows:

Due to/from other funds (Primary Government):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-major governmental funds	\$ 312,345
Capital Improvement Fund	General Fund	151
Non-major governmental funds	General Fund	<u>56,993</u>
	Total	<u>\$ 369,489</u>

Interfund transfers:

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.

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Non-major governmental funds	\$ 550,400
G.O. Bond Collection Fund	General Fund	2,250,000
G.O. Bond Collection Fund	Non-major governmental funds	5,298,409
Non-major governmental funds	General Fund	926,343
Non-major governmental funds	G.O. Bond Collection Fund	300,000
Non-major governmental funds	Non-major governmental funds	<u>816,282</u>
	Total	<u>\$ 10,141,434</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

F. CAPITAL LEASES

Primary Government

The City has entered into lease agreements as lessee for financing the acquisition of an accounting system, a fire truck, and other public works equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, were recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 1,550,385
Less: Accumulated depreciation	556,748
Total	\$ 993,637

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014, are as follows:

Year Ending September 30	Governmental Activities
2015	\$ 241,837
2016	166,459
2017	166,459
2018	136,167
2019	18,410
Total minimum lease payments	729,332
Less: amount representing interest	(46,768)
Present value of minimum lease payments	\$ 682,564

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

G. 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, 2011 bond fund, and 2013-A bond fund). The repayment of the City's general obligation long-term debt, for school purposes, is provided by resources transferred from Madison City Board of Education (discretely presented component unit) and accounted for in the debt service fund (school bonds fund).

Outstanding Debt

General obligation warrants currently outstanding as of September 30, 2014, are as follows:

	<u>Original Issue Amount</u>	<u>Maturity Date</u>	<u>Range of Interest Rates</u>	<u>Balance at 9/30/2014</u>
<u>General Obligation Warrants</u>				
Series 2005	\$ 8,305,000	04/01/23	4.70% - 5.75%	\$ 7,310,000
Series 2006-A	35,855,000	12/01/36	3.50% - 4.54%	35,805,000
Series 2011 - Taxable	6,675,000	03/01/22	1.50% - 5.24%	6,040,000
Series 2013-A	26,985,000	04/01/37	3.125% - 5.00%	26,985,000
<u>General Obligation School Warrants</u>				
Series 2008-A	11,775,000	03/01/25	2.40% - 4.750%	11,675,000
Series 2009	50,710,000	02/01/39	1.25% - 5.250%	50,610,000
Series 2011-A	6,150,000	11/01/26	0.85% - 4.000%	5,790,000
Series 2011-B	18,055,000	02/01/32	2.00% - 4.200%	17,345,000
	<u>\$ 164,510,000</u>			<u>\$ 161,560,000</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

G. LONG-TERM DEBT - Continued

Primary Government - Continued

In 2014, Town Madison Cooperative District (a blended component unit of the City) issued \$22,000,000 in revenue bonds. The Bonds are special obligations of the District payable solely from revenues derived by the District from remittances from the City of certain sales and property taxes pursuant to the funding agreement between the City and the District dated July 1, 2014. The bond indenture states that the bondholder will make the proceeds of the bond available to the District in advances from time to time, in an aggregate amount not exceeding the \$22,000,000 principal amount of the bond, to finance the capital projects of the District under the funding agreement. The terms of the bond provides for the bondholder of the bonds to make an advance deposit to a trust account when necessary to pay for costs of the capital projects of the District. The funding agreement provides that the City will remit Net Project Tax Proceeds actually received by the City in each calendar quarter in a trust fund to be used by the District to service this debt. As of September 30, 2014, no advances have been made on the bond. Accordingly, there are no amounts related to the District, including any obligations under the bond, to be blended with the City's accounts as of September 30, 2014.

Legal Debt Margin

The government is subject to a debt limit that is 20 percent of the full valuation of taxable real property at September 30, 2014. At September 30, 2014, that amount was \$111,227,328. As of September 30, 2014, the total outstanding debt applicable to the limit was \$71,815,657 which is 64.57 percent of the total debt limit.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

G. LONG-TERM DEBT - Continued

Future Debt Service

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 3,289,887	\$ 7,235,341
2016	3,640,000	7,104,787
2017	3,295,000	6,957,109
2018	3,605,000	6,839,584
2019	3,815,000	6,703,770
2020 - 2024	26,180,000	30,566,979
2025 - 2029	36,790,000	23,369,981
2030 - 2034	40,865,000	14,963,000
2035 - 2039	40,180,000	4,589,215
Total governmental activities	\$ 161,659,887	\$ 108,329,766

Changes in long-term liabilities

During the year ended September 30, 2014, the following changes occurred in the City's long-term liabilities:

<u>Governmental Activities</u>	<u>Balance October 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2014</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 861,936	\$ 828,705	\$ 769,428	\$ 921,213	\$ 762,742
Other post-employment benefits	210,923	58,128	3,501	265,550	-
Capital lease obligations	748,978	254,573	320,987	682,564	221,618
Notes payable	199,775	-	99,888	99,887	99,887
General obligation warrants	164,510,000	-	2,950,000	161,560,000	3,190,000
Plus deferred amounts for:					
Issuance premium (discounts), net	806,633	-	18,453	788,180	18,453
	\$ 167,338,245	\$ 1,141,406	\$ 4,162,257	\$ 164,317,394	\$ 4,292,700

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

G. LONG-TERM DEBT - Continued

Discretely presented components unit

Revenue bonds

Madison Utilities, 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, 2014, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 2,645,000	\$ 2,915,737
2016	2,855,000	2,916,760
2017	2,950,000	2,856,969
2018	3,055,000	2,784,286
2019	3,055,000	2,706,453
2020 - 2024	17,010,000	12,194,589
2025 - 2029	20,815,000	8,617,746
2030 - 2034	25,695,000	3,660,782
2035	3,685,000	76,641
	<u>\$ 81,765,000</u>	<u>\$ 38,729,963</u>

Changes in long-term liabilities

During the year ended September 30, 2014, the following changes in the revenue bonds reported for Madison Utilities, a discretely presented component unit:

	<u>Balance October 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2014</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$ 70,990,000	\$ 12,955,000	\$ 2,180,000	\$ 81,765,000	\$ 2,645,000
Long-term liabilities	<u>\$ 70,990,000</u>	<u>\$ 12,955,000</u>	<u>\$ 2,180,000</u>	<u>\$ 81,765,000</u>	<u>\$ 2,645,000</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

H. RESTRICTED NET POSITION

The statement of net position shows certain amounts as restricted net position. 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 position include:

Activity	Restricted By	
Debt service	General obligation warrants	\$ 1,162,037
Capital improvements	Law	14,304,678
Non-major special revenue funds	Law	<u>3,582,624</u>
Total restricted net position		<u>\$ 19,049,339</u>

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.

Discretely presented components unit

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, 2014**

NOTE 5. OTHER INFORMATION - Continued -

A. RISK MANAGEMENT - Continued

Discretely presented components unit - 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. Madison City Board of Education 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. Madison City Board of Education 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 Madison Utilities, 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. Madison Utilities 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 \$329,683 from Madison Utilities for the year ended September 30, 2014 for these related franchise fees. The franchise agreement also calls for Madison Utilities 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 \$223,978 from Madison Utilities during the year ended September 30, 2014 for these funds related to Madison Utilities' fiscal year ended September 30, 2013.

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, 2014, the City received \$406,409 from the North Alabama Gas District.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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

In October 2014, the City entered into a contract in the amount of \$630,406 for construction, engineering, and inspection services for a project to add lanes to County Line Road.

In October 2014, the City entered into a contract in the amount of \$476,000 for preliminary engineering services for a project to add lanes to U.S. Highway 72.

In January 2015, the City entered into a contract in an amount not to exceed \$670,000 for construction of the Madison Recreation Facility and Natatorium.

In January 2015, the City entered into an agreement with North Alabama Gas District in the amount of \$273,243 for relocation of utilities as part of an ATRIP project.

The City evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. The City evaluated subsequent events through March 20, 2015, which is the date the financial statements were available for issuance.

E. COMMITMENTS AND CONTINGENCIES

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

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

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5. OTHER INFORMATION - Continued -

F. DEFINED BENEFITS PENSION PLAN

Primary Government

Plan Description

The City contributes to the Employees' Retirement System of Alabama (the System), an agent multiple-employer public employee retirement system, which acts as a common investment and administrative agent for the various state agencies, departments and on an elective basis to all cities, counties, towns and quasi-public organizations.

All regular full-time and part-time employees are eligible to participate in the System. Membership is mandatory for covered or eligible employees of the City. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. The System defined benefit pension plan provides service retirement benefits, disability benefits to members, and survivor benefits to qualified beneficiaries.

The System defined benefit pension plan provides the employee with a specific benefit at retirement by calculating the retirement benefit based on a formula. The System issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. Readers may obtain the report by writing to The Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150.

Funding Policy

The System members are required to contribute five percent (5%) of their annual covered salary if they are Tier 1 employees (members hired before January 1, 2013) and six percent (6%) of their annual covered salary if they are Tier 2 employees (members hired on or after January 1, 2013). 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, 2014, was 8.68% of covered payroll.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5. OTHER INFORMATION - Continued -

F. DEFINED BENEFITS PENSION PLAN - Continued

Primary Government - Continued

Annual Pension Cost

For fiscal year September 30, 2014, the City's annual pension cost of \$1,233,048 was equal to the City's required and actual annual contributions. The required contribution was determined as part of the September 30, 2013 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, 2013 was 22 years.

Trend information for the most current valuation year is as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/11	\$1,495,915	100.0%	\$0
09/30/12	\$1,295,815	100.0%	\$0
09/30/13	\$1,233,048	100.0%	\$0

Funding Status

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Percentage of Covered Payroll ((b-a)/c)</u>
09/30/13	\$33,473,410	\$43,818,173	\$10,344,763	76.4%	\$14,423,229	71.7%

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

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5. OTHER INFORMATION - Continued -

F. DEFINED BENEFITS PENSION PLAN - Continued

Discretely Presented Component Units

Madison Utilities

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. Membership is mandatory for covered or eligible employees of the Board. The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

Current employees of the Board hired prior to January 1, 2013, and those hired on or after January 1, 2013 who have previous creditable retirement service are required to contribute 7.25 percent of their salary to the System. 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 retiree 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. Disability retirement benefits are calculated in the same manner. Per-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members. During the 2012 Alabama legislative session, Act 2012-377 was enacted which created a new defined benefit pension plan tier for employees with no previous creditable retirement service hired on or after January 1, 2013. These Tier 2 employees are required to contribute 6 to 7 percent of their salary to the System. Benefits continue to vest after 10 years of creditable service. Vested Tier 2 employees may retire with full benefits at age 62. Tier 2 employees' retirement benefit is based on their average final salary also, but it will be based on the best five years of the last ten years. This average salary will be multiplied by 1.65% for each year of service.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5. OTHER INFORMATION - Continued -

F. DEFINED BENEFITS PENSION PLAN - Continued

Discretely Presented Component Units - Continued

Required Employer Contribution Rates for Fiscal Years Beginning:

	October 1, 2014	October 1, 2015
TIER ONE EMPLOYEES		
Normal Costs	0.72%	1.64%
Accrued liability	6.33%	6.92%
Pre-retirement death benefit	0.14%	0.02%
Administrative benefit	<u>0.21%</u>	<u>0.35%</u>
Total	<u>7.40%</u>	<u>8.93%</u>
TIER TWO EMPLOYEES		
Total	<u>7.26%</u>	<u>7.60%</u>

Schedule of Funding Progress for Madison Utilites:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age - (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
09/30/09	\$4,856,432	\$6,513,169	\$1,656,737	74.6%	\$2,474,933	66.9%
09/30/10	\$4,891,169	\$7,090,629	\$2,199,460	69.0%	\$2,349,145	93.6%
09/30/11	\$4,853,172	\$7,100,776	\$2,247,604	68.3%	\$2,443,587	92.0%
09/30/12	\$4,993,942	\$7,046,459	\$2,052,517	70.9%	\$2,062,676	99.5%
09/30/13	\$5,498,445	\$7,867,509	\$2,369,064	69.9%	\$2,080,784	113.9%

Valuation date	9/30/2013
Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	5-yr smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	3.75-7.25%
Includes inflation at	3.00%
Cost-of-living-adjustments	None

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5. OTHER INFORMATION - Continued -

F. DEFINED BENEFITS PENSION PLAN - Continued

Discretely Presented Component Units - Continued

Based on an actuarial valuation completed as of September 30, 2013, the most recent year for which information is available, the Annual Pension Cost is as follows:

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/06	\$134,827	100.0%	\$0
09/30/07	\$143,073	100.0%	\$0
09/30/08	\$156,390	100.0%	\$0
09/30/09	\$177,895	100.0%	\$0
09/30/10	\$175,677	100.0%	\$0
09/30/11	\$184,964	100.0%	\$0
09/30/12	\$122,306	100.0%	\$0
09/30/13	\$125,860	100.0%	\$0

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. For Tier 1 employees, 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. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of annual salary for the fiscal year preceding death are provided to plan members.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5. OTHER INFORMATION - Continued -

F. DEFINED BENEFITS PENSION PLAN - Continued

Discretely Presented Component Unit - Continued

During the 2012 Alabama legislative session, Act 2012-377 was enacted which created a new defined benefit plan tier for employees with no previous creditable retirement service hired on or after January 1, 2013. These Tier 2 employees will be required to contribute 6 percent of their salaries. Benefits continue to vest after 10 year of creditable service. Vested Tier 2 employees may retire with full benefits at age 62. Tier 2 employees' retirement benefit is based on their average final salary also, but it will be based on the best five years of the last ten year. This average salary will be multiplied by 1.65% for each year of service.

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. That report may be obtained by writing the Teachers' Retirement System of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150, or on the RSA website at www.rsa.state.al.us under the publications tab.

Funding Policy

Tier 1 employees of the Madison City Board of Education are required to contribute 7.5 percent of their salary to the Teachers' Retirement System; Tier 2 employees are required to contribute 6 percent. Madison City Board of Education is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Alabama Legislature the contribution rate for the following fiscal year, with the legislature setting this rate in the annual appropriation bill.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5. OTHER INFORMATION - Continued -

F. DEFINED BENEFITS PENSION PLAN - Continued

Discretely Presented Component Unit - Continued

Madison City Board of Education - continued

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

Fiscal Year Ended September 30	2014 <u>Tier 1/Tier 2</u>	2013 <u>Tier 1/Tier 2</u>	2012 <u></u>
<u>Contributions:</u>			
Percentage covered by the Board	11.71%/11.08%	10.08%/9.4%	10.00%
Percentage contributed by employees	7.50%/6.00%	7.25%/6.00%	7.25%
Amount contributed by the Board - Tier 1	\$ 5,122,496	\$ 4,443,029	\$ 4,189,682
Amount contributed by the Board - Tier 2	\$ 263,528	\$ 79,959	\$ -
Amount contributed by employees - Tier 1	\$ 3,280,847	\$ 3,305,825	\$ 3,037,497
Amount contributed by employees - Tier 2	<u>\$ 142,704</u>	<u>\$ 23,037</u>	<u>\$ -</u>
	<u>\$ 8,809,575</u>	<u>\$ 7,851,850</u>	<u>\$ 7,227,179</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, 2014**

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 detail 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, 2014**

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>2014</u>	<u>2013</u>	<u>2012</u>
Annual required contribution (ARC)	\$ 41,898	\$ 41,898	\$ 41,750
Interest on net OPEB obligation	8,437	7,135	5,827
Adjustments to annual required contribution	<u>7,793</u>	<u>(10,316)</u>	<u>(9,115)</u>
Annual OPEB cost	58,128	38,717	38,462
Actual annual employer contribution - in net position of governmental activities	<u>(3,501)</u>	<u>(6,179)</u>	<u>(5,767)</u>
Change in net OPEB obligation	54,627	32,538	32,695
Beginning net OPEB obligation	<u>210,923</u>	<u>178,385</u>	<u>145,690</u>
Ending net OPEB obligation	<u>\$ 265,550</u>	<u>\$ 210,923</u>	<u>\$ 178,385</u>

Funding Status and Funding Progress

The funded status of the City's plan as of September 30, 2012 (the latest actuarial valuation date), is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
09/30/11	\$0	\$489,174	\$489,174	0.00%	\$15,305,233	3.20%
09/30/12	\$0	\$512,337	\$512,337	0.00%	\$14,478,183	3.54%
09/30/13	\$0	\$512,337	\$512,337	0.00%	\$14,478,183	3.54%

** Includes the updated actuarial assumptions based on the most recent experience analysis.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5. OTHER INFORMATION - Continued -

G. OTHER POSTEMPLOYMENT BENEFITS - Continued

Primary Government - Continued

As of September 30, 2012, 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. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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, 2012, 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 3.25%, (2) 8.50% - 5.00% medical cost trend over 6 years, (3) 75% participation by retirees at age 60 with 25 years of local service and 20% participation by all other 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.

H. ACCOUNTING CHANGES AND RECLASSIFICATION

As a result of implementing GASB Statement No. 65 (See Note A), the City has restated the beginning net position, effectively decreasing net position as of October 1, 2013 by \$1,909,417. The decrease results from no longer deferring and amortizing bond issuance costs.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5. OTHER INFORMATION - Continued -

I. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* was issued in June 2012. This Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans administered through trusts. It establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses. It also identifies methods and assumptions used to project benefit payments, their net present value, and to attribute it to periods of employee service. Additionally, it addresses disclosure requirements regarding pensions. This Statement is effective for periods beginning after June 15, 2014. Earlier application is encouraged. The City is currently evaluating the financial statement impact of this Statement, but expects it will record a material liability and a material reduction of its unrestricted net position upon adoption.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF MADISON, ALABAMA

**SCHEDULE OF FUNDING PROGRESS - EMPLOYEES' RETIREMENT
SYSTEM OF ALABAMA**

September 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) (b) ¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
09/30/08	\$24,205,496	\$33,258,128	\$9,052,632	72.8%	\$14,636,269	61.9%
09/30/09	\$26,167,045	\$37,862,188	\$11,695,143	69.1%	\$15,174,051	77.1%
9/30/2010 ²	\$27,567,350	\$40,920,926	\$13,353,576	67.4%	\$15,215,226	87.8%
9/30/2011 ³	\$28,887,900	\$42,081,122	\$13,193,222	68.6%	\$15,860,901	83.2%
9/30/2012 ⁴	\$30,535,220	\$41,140,229	\$10,605,009	74.2%	\$14,474,629	73.3%
9/30/2013 ⁵	\$33,473,410	\$43,818,173	\$10,344,763	76.4%	\$14,423,229	71.7%

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

² Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

³ Reflects changes in actuarial assumptions.

⁴ Reflects changes to interest smoothing methodology.

⁵ Reflects implementation of Board Funding Policy

* The actuarial value of assets was set equal to the market value of assets as of September 30, 2012.

Market Value of Assets as of September 30, 2013: \$35,063,588

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFIT PLAN

September 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
09/30/11	\$0	\$489,174	\$489,174	0.00%	\$15,305,233	3.20%
09/30/12	\$0	\$512,337	\$512,337	0.00%	\$14,478,183	3.54%
09/30/13	\$0	\$512,337	\$512,337	0.00%	\$14,478,183	3.54%

** Includes the updated actuarial assumptions based on the most recent experience analysis.



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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property and payments in lieu of taxes	\$ 5,233,866	\$ 5,233,866	\$ 5,233,863	\$ (3)
Interest income	-	-	93	93
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	5,233,866	5,233,866	5,233,956	90
EXPENDITURES				
Debt service:				
Principal	1,270,000	1,270,000	1,270,000	-
Interest	3,963,866	3,963,866	3,963,863	3
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	5,233,866	5,233,866	5,233,863	3
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	-	93	93
Fund balances - beginning of year	8,223	8,223	8,223	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - end of year	<u>\$ 8,223</u>	<u>\$ 8,223</u>	<u>\$ 8,316</u>	<u>\$ 93</u>

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

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

**CITY OF MADISON, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2014**

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,110,605	\$ -	\$ 2,110,605
Cash with fiscal agent	-	1,153,721	1,153,721
Receivables			
Taxes	467,175	-	467,175
Grants	5,570	-	5,570
Accounts	170,265	-	170,265
Due from other funds	56,993	-	56,993
Total assets	\$ 2,810,608	\$ 1,153,721	\$ 3,964,329
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 303,632	\$ -	\$ 303,632
Due to other funds	312,345	-	312,345
Total liabilities	615,977	-	615,977
Deferred inflows of resources			
Unavailable revenue	321,072	-	321,072
Total deferred inflows of resources	321,072	-	321,072
FUND BALANCES			
Restricted			
Debt service	-	1,153,721	1,153,721
Capital improvements	945,707	-	945,707
Other	921,224	-	921,224
Assigned	6,628	-	6,628
Total fund balances	1,873,559	1,153,721	3,027,280
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,810,608	\$ 1,153,721	\$ 3,964,329

CITY OF MADISON, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes			
Property and payments in lieu of taxes	\$ 692,379	\$ -	\$ 692,379
Sales and use	1,382,606	-	1,382,606
Intergovernmental	866,941	-	866,941
Fines	362,884	-	362,884
Contributions and donations	1,761	-	1,761
Interest income	2,229	246	2,475
Other	646,180	-	646,180
	<u>3,954,980</u>	<u>246</u>	<u>3,955,226</u>
EXPENDITURES			
General Administration	639,969	-	639,969
Police	30,062	-	30,062
Public Works	1,388,961	-	1,388,961
Engineering	112,199	-	112,199
Senior Center	23,608	-	23,608
Debt service:			
Principal	-	1,680,000	1,680,000
Interest	-	3,295,246	3,295,246
Capital outlay	199,467	-	199,467
	<u>2,394,266</u>	<u>4,975,246</u>	<u>7,369,512</u>
Excess (deficiency) of revenues over (under) expenditures	1,560,714	(4,975,000)	(3,414,286)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	550,400	6,114,691	6,665,091
Transfers to other funds	(1,226,345)	(816,280)	(2,042,625)
	<u>(675,945)</u>	<u>5,298,411</u>	<u>4,622,466</u>
Net change in fund balances	884,769	323,411	1,208,180
Fund balances - beginning of year	988,790	830,310	1,819,100
Fund balances - end of year	<u>\$ 1,873,559</u>	<u>\$ 1,153,721</u>	<u>\$ 3,027,280</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 inspection 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.

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.

Capital Replacement Fund - This fund is used to account for revenues from 25% of the ½ cent sales tax used for the purchase and replacement of capital outlay items.

Infrastructure Repair Fund - This fund is used to account for revenues from 25% of the ½ cent sales tax used for the repairs and maintenance of neighborhood streets and roads.

CITY OF MADISON, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	Gasoline Taxes and Inspection Fees Fund	TVA Tax Distribution Fund	Senior Center Donation Fund	Library Fund	Correctional Fund	Municipal Government Capital Improvement Fund	Federal Forfeiture Fund	Domestic Violence Fund	Street Repair and Maintenance Fund	Capital Replacement Fund	Infrastructure Repair Fund	Total Nonmajor Governmental Funds
ASSETS												
Cash and cash equivalents	\$ 576,134	\$ 80,034	\$ 12,088	\$ 46,436	\$ 266,385	\$ 279,890	\$ 17,018	\$ -	\$ 169,267	\$ 329,168	\$ 334,185	\$ 2,110,605
Receivables:												
Taxes	-	-	-	352,512	-	-	-	-	-	57,332	57,331	467,175
Grants	-	-	-	-	-	-	-	5,570	-	-	-	5,570
Accounts	156,081	14,184	-	-	-	-	-	-	-	-	-	170,265
Due from other funds	9,406	-	-	16,962	30,219	-	-	-	-	406	-	56,993
Total assets	\$ 741,621	\$ 94,218	\$ 12,088	\$ 415,910	\$ 296,604	\$ 279,890	\$ 17,018	\$ 5,570	\$ 169,267	\$ 386,906	\$ 391,516	\$ 2,810,608
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES												
LIABILITIES												
Accounts payable	\$ 129,396	\$ 49,182	\$ 5,460	\$ 5,108	\$ -	\$ -	\$ -	\$ -	\$ 1,881	\$ 406	\$ 112,199	\$ 303,632
Due to other funds	258,355	27,288	-	21,132	-	-	-	5,570	-	-	-	312,345
Total liabilities	387,751	76,470	5,460	26,240	-	-	-	5,570	1,881	406	112,199	615,977
Deferred inflows of resources												
Unavailable revenue	-	-	-	321,072	-	-	-	-	-	-	-	321,072
Total deferred inflows of resources	-	-	-	321,072	-	-	-	-	-	-	-	321,072
FUND BALANCES												
Restricted:												
Capital improvements	-	-	-	-	-	279,890	-	-	-	386,500	279,317	945,707
Other	353,870	17,748	-	68,598	296,604	-	17,018	-	167,386	-	-	921,224
Assigned	-	-	6,628	-	-	-	-	-	-	-	-	6,628
Total fund balances	353,870	17,748	6,628	68,598	296,604	279,890	17,018	-	167,386	386,500	279,317	1,873,559
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 741,621	\$ 94,218	\$ 12,088	\$ 415,910	\$ 296,604	\$ 279,890	\$ 17,018	\$ 5,570	\$ 169,267	\$ 386,906	\$ 391,516	\$ 2,810,608

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, 2014

	Gasoline Taxes and Inspection Fees Fund	TVA Tax Distribution Fund	Senior Center Donation Fund	Library Fund	Correctional Fund	Municipal Government Capital Improvement Fund	Federal Forfeiture Fund	Domestic Violence Fund	Street Repairs and Maintenance Fund	Capital Replacement Fund	Infrastructure Repair Fund	Total Nonmajor Governmental Funds
REVENUES												
Taxes												
Property and payments in lieu of taxes	\$ 381,858	\$ -	\$ -	\$ 310,521	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 692,379
Sales and use	-	-	-	-	-	-	-	-	-	691,330	691,276	1,382,606
Intergovernmental	759,620	77,259	-	-	-	-	-	30,062	-	-	-	866,941
Fines	-	-	-	-	362,884	-	-	-	-	-	-	362,884
Contributions and donations	-	-	1,761	-	-	-	-	-	-	-	-	1,761
Other	38,774	-	-	2,271	-	366,092	15,065	-	223,978	-	-	646,180
Interest income	759	55	27	262	185	245	15	-	297	144	240	2,229
Total revenues	1,181,011	77,314	1,788	313,054	363,069	366,337	15,080	30,062	224,275	691,474	691,516	3,954,980
EXPENDITURES												
Current:												
General Administration	-	50,218	-	589,751	-	-	-	-	-	-	-	639,969
Police	-	-	-	-	-	-	-	30,062	-	-	-	30,062
Public Works	1,228,086	-	-	-	-	-	-	-	160,875	-	-	1,388,961
Engineering	-	-	-	-	-	-	-	-	-	-	112,199	112,199
Senior Center	-	-	23,608	-	-	-	-	-	-	-	-	23,608
Capital outlay	41,723	-	-	-	-	-	-	-	157,744	-	-	199,467
Total expenditures	1,269,809	50,218	23,608	589,751	-	-	-	30,062	318,619	-	112,199	2,394,266
Excess (deficiency) of revenues over (under) expenditures	(88,798)	27,096	(21,820)	(276,697)	363,069	366,337	15,080	-	(94,344)	691,474	579,317	1,560,714
OTHER FINANCING SOURCES (USES)												
Transfers from other funds	250,000	-	-	300,400	-	-	-	-	-	-	-	550,400
Transfers to other funds	-	(45,562)	-	-	(275,809)	(300,000)	-	-	-	(304,974)	(300,000)	(1,226,345)
Total other financing sources (uses), net	250,000	(45,562)	-	300,400	(275,809)	(300,000)	-	-	-	(304,974)	(300,000)	(675,945)
Net change in fund balances	161,202	(18,466)	(21,820)	23,703	87,260	66,337	15,080	-	(94,344)	386,500	279,317	884,769
Fund balances - beginning of year	192,668	36,214	28,448	44,895	209,344	213,553	1,938	-	261,730	-	-	988,790
Fund balances - end of year	\$ 353,870	\$ 17,748	\$ 6,628	\$ 68,598	\$ 296,604	\$ 279,890	\$ 17,018	\$ -	\$ 167,386	\$ 386,500	\$ 279,317	\$ 1,873,559

**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, 2014**

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes	\$ 375,000	\$ 381,858	\$ 6,858
Intergovernmental	767,000	759,620	(7,380)
Interest income	950	759	(191)
Other	-	38,774	38,774
Total revenues	1,142,950	1,181,011	38,061
EXPENDITURES			
Current:			
Public Works	1,094,000	1,228,086	(134,086)
Capital Outlay	-	41,723	(41,723)
Total expenditures	1,094,000	1,269,809	(175,809)
Excess (deficiency) of revenues over (under) expenditures	48,950	(88,798)	(137,748)
OTHER FINANCING SOURCES			
Transfers from other funds	250,000	250,000	-
Total other financing sources	250,000	250,000	-
Net change in fund balances	298,950	161,202	(137,748)
Fund balances - beginning of year	192,668	192,668	-
Fund balances - end of year	\$ 491,618	\$ 353,870	\$ (137,748)

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, 2014

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Intergovernmental	\$ 76,102	\$ 77,259	\$ 1,157
Interest income	48	55	7
	<u> </u>	<u> </u>	<u> </u>
Total revenues	76,150	77,314	1,164
EXPENDITURES			
Current:			
General Administration	49,498	50,218	(720)
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	49,498	50,218	(720)
Excess of revenues over expenditures	26,652	27,096	444
OTHER FINANCING (USES)			
Transfers to other funds	(26,652)	(45,562)	(18,910)
	<u> </u>	<u> </u>	<u> </u>
Total other financing (uses)	(26,652)	(45,562)	(18,910)
Net change in fund balances	-	(18,466)	(18,466)
Fund balances - beginning of year	<u>36,214</u>	<u>36,214</u>	<u>-</u>
Fund balances - end of year	<u><u>\$ 36,214</u></u>	<u><u>\$ 17,748</u></u>	<u><u>\$ (18,466)</u></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, 2014

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Contributions and donations	\$ 1,700	\$ 1,761	\$ 61
Interest income	25	27	2
Total revenues	1,725	1,788	63
 EXPENDITURES			
Current:			
Senior Center	24,000	23,608	392
Total Expenditures	24,000	23,608	392
Net change in fund balances	(22,275)	(21,820)	455
Fund balances - beginning of year	28,448	28,448	-
Fund balances - end of year	\$ 6,173	\$ 6,628	\$ 455

CITY OF MADISON, ALABAMA
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes	\$ 310,571	\$ 310,521	\$ (50)
Interest income	100	262	162
Other	-	2,271	2,271
	Total revenues	313,054	2,383
EXPENDITURES			
Current:			
General Administration	597,232	589,751	7,481
	Total expenditures	589,751	7,481
Deficiency of revenues under expenditures	(286,561)	(276,697)	9,864
OTHER FINANCING SOURCES			
Transfers from other funds	300,400	300,400	-
	Total other financing sources	300,400	-
Net change in fund balances	13,839	23,703	9,864
Fund balances - beginning of year	44,895	44,895	-
Fund balances - end of year	\$ 58,734	\$ 68,598	\$ 9,864

CITY OF MADISON, ALABAMA
CORRECTIONAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Fines	\$ 312,500	\$ 362,884	\$ 50,384
Interest income	200	185	(15)
	Total revenues	363,069	50,369
 OTHER FINANCING (USES)			
Transfers to other funds	(275,710)	(275,809)	(99)
	Total other financing (uses)	(275,809)	(99)
Net change in fund balances	36,990	87,260	50,270
Fund balances - beginning of year	209,344	209,344	-
Fund balances - end of year	\$ 246,334	\$ 296,604	\$ 50,270

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, 2014

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Other	\$ 350,000	\$ 366,092	\$ 16,092
Interest income	500	245	(255)
	<hr/>	<hr/>	<hr/>
Total revenues	350,500	366,337	15,837
OTHER FINANCING (USES)			
Transfers to other funds	(300,000)	(300,000)	-
	<hr/>	<hr/>	<hr/>
Total other financing (uses)	(300,000)	(300,000)	-
Net change in fund balances	50,500	66,337	15,837
Fund balances - beginning of year	<hr/> 213,553	<hr/> 213,553	<hr/> -
Fund balances - end of year	<hr/> <hr/> \$ 264,053	<hr/> <hr/> \$ 279,890	<hr/> <hr/> \$ 15,837

CITY OF MADISON, ALABAMA
 FEDERAL FORFEITURE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Other	\$ 14,000	\$ 15,065	\$ 1,065
Interest income	-	15	15
	<hr/>	<hr/>	<hr/>
Total revenues	14,000	15,080	1,080
EXPENDITURES			
Current:			
Police	14,000	-	14,000
	<hr/>	<hr/>	<hr/>
Total expenditures	14,000	-	14,000
	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	15,080	15,080
Fund balances - beginning of year	1,938	1,938	-
	<hr/>	<hr/>	<hr/>
Fund balances - end of year	<u>\$ 1,938</u>	<u>\$ 17,018</u>	<u>\$ 15,080</u>

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, 2014

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Intergovernmental	\$ 29,812	\$ 30,062	\$ 250
Total revenues	29,812	30,062	250
EXPENDITURES			
Current:			
Police	29,812	30,062	(250)
Total expenditures	29,812	30,062	(250)
Net change in fund balances	-	-	-
Fund balances - beginning of year	-	-	-
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MADISON, ALABAMA
STREET REPAIRS AND MAINTENANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Interest Income	\$ 15	\$ 297	\$ 282
Other	460,408	223,978	(236,430)
	Total revenues	460,423	224,275
			(236,148)
EXPENDITURES			
Current:			
Public Works	460,423	160,875	299,548
Capital Outlay	-	157,744	(157,744)
	Total expenditures	460,423	318,619
			141,804
Net change in fund balances	-	(94,344)	(94,344)
Fund balances - beginning of year	261,730	261,730	-
Fund balances - end of year	\$ 261,730	\$ 167,386	\$ (94,344)

CITY OF MADISON, ALABAMA
 CAPITAL REPLACEMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes	\$ 660,000	\$ 691,330	\$ 31,330
Interest income	-	144	144
	<hr/>	<hr/>	<hr/>
Total revenues	660,000	691,474	31,474
OTHER FINANCING (USES)			
Transfers to other funds	-	(304,974)	(304,974)
	<hr/>	<hr/>	<hr/>
Total other financing (uses)	-	(304,974)	(304,974)
Net change in fund balances	660,000	386,500	(273,500)
Fund balances - beginning of year	<hr/> -	<hr/> -	<hr/> -
Fund balances - end of year	<hr/> <u>\$ 660,000</u>	<hr/> <u>\$ 386,500</u>	<hr/> <u>\$ (273,500)</u>

CITY OF MADISON, ALABAMA
 INFRASTRUCTURE REPAIR FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes	\$ 660,000	\$ 691,276	\$ 31,276
Interest income	-	240	240
Total revenues	660,000	691,516	31,516
EXPENDITURES			
Current:			
Engineering	-	112,199	(112,199)
Total expenditures	-	112,199	(112,199)
Excess of revenues over expenditures	660,000	579,317	(80,683)
OTHER FINANCING USES			
Transfers to other funds	-	(300,000)	(300,000)
Total other financing uses	-	(300,000)	(300,000)
Net change in fund balances	660,000	279,317	(380,683)
Fund balances - beginning of year	-	-	-
Fund balances - end of year	\$ 660,000	\$ 279,317	\$ (380,683)

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.

2013-A Bond Fund - This fund is used to account for the accumulation of resources for payment of the general obligation taxable warrants dated May 1, 2013. The ½-cent sales tax and the 5½-mill property tax will provide 100% of the debt service requirements for the outstanding general obligation warrants.

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

SEPTEMBER 30, 2014

	2005 Bond Fund	2006 Bond Fund	2011 Bond Fund	2013-A Bond Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash with fiscal agent	<u>\$ 186,688</u>	<u>\$ 215</u>	<u>\$ 401,638</u>	<u>\$ 565,180</u>	<u>\$ 1,153,721</u>
Total assets	<u><u>\$ 186,688</u></u>	<u><u>\$ 215</u></u>	<u><u>\$ 401,638</u></u>	<u><u>\$ 565,180</u></u>	<u><u>\$ 1,153,721</u></u>
FUND BALANCES					
Restricted:					
Debt service	<u>\$ 186,688</u>	<u>\$ 215</u>	<u>\$ 401,638</u>	<u>\$ 565,180</u>	<u>\$ 1,153,721</u>
Total fund balances	<u><u>\$ 186,688</u></u>	<u><u>\$ 215</u></u>	<u><u>\$ 401,638</u></u>	<u><u>\$ 565,180</u></u>	<u><u>\$ 1,153,721</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, 2014**

	2005 Bond Fund	2006 Bond Fund	2011 Bond Fund	2013-A Bond Fund	Total Nonmajor Governmental Funds
REVENUES					
Interest income	\$ -	\$ -	\$ 246	\$ -	\$ 246
Total revenues	-	-	246	-	246
EXPENDITURES					
Debt service:					
Principal	995,000	50,000	635,000	-	1,680,000
Interest	430,588	1,633,491	272,981	958,186	3,295,246
Total expenditures	1,425,588	1,683,491	907,981	958,186	4,975,246
Deficiency of revenues under expenditures	(1,425,588)	(1,683,491)	(907,735)	(958,186)	(4,975,000)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	2,213,261	1,683,493	1,172,643	1,045,294	6,114,691
Transfers to other funds	(816,280)	-	-	-	(816,280)
Total other financing sources (uses), net	1,396,981	1,683,493	1,172,643	1,045,294	5,298,411
Net change in fund balances	(28,607)	2	264,908	87,108	323,411
Fund balances - beginning of year	215,295	213	136,730	478,072	830,310
Fund balances - end of year	<u>\$ 186,688</u>	<u>\$ 215</u>	<u>\$ 401,638</u>	<u>\$ 565,180</u>	<u>\$ 1,153,721</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, 2014

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Interest income	\$ -	\$ -	\$ -
Total revenues	-	-	-
EXPENDITURES			
Debt Service:			
Principal	995,000	995,000	-
Interest	430,588	430,588	-
Total expenditures	1,425,588	1,425,588	-
Deficiency of revenues under expenditures	(1,425,588)	(1,425,588)	-
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	1,396,982	2,213,261	816,279
Transfers to other funds	-	(816,280)	(816,280)
Total other financing sources	1,396,982	1,396,981	(1)
Net change in fund balances	(28,606)	(28,607)	(1)
Fund balances - beginning of year	215,295	215,295	-
Fund balances - end of year	<u>\$ 186,689</u>	<u>\$ 186,688</u>	<u>\$ (1)</u>

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, 2014

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Interest income	\$ -	\$ -	\$ -
Total revenues	-	-	-
EXPENDITURES			
Debt Service:			
Principal	50,000	50,000	-
Interest	1,633,494	1,633,491	3
Total expenditures	1,683,494	1,683,491	3
Deficiency of revenues under expenditures	(1,683,494)	(1,683,491)	3
OTHER FINANCING SOURCES			
Transfers from other funds	1,683,493	1,683,493	-
Total other financing sources	1,683,493	1,683,493	-
Net change in fund balances	(1)	2	3
Fund balances - beginning of year	213	213	-
Fund balances - end of year	\$ 212	\$ 215	\$ 3

CITY OF MADISON, ALABAMA
2011 BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Interest income	\$ -	\$ 246	\$ 246
Total revenues	-	246	246
EXPENDITURES			
Debt Service:			
Principal	635,000	635,000	-
Interest	272,981	272,981	-
Total expenditures	907,981	907,981	-
Deficiency of revenues under expenditures	(907,981)	(907,735)	246
OTHER FINANCING SOURCES			
Transfers from other funds	1,172,642	1,172,643	1
Total other financing sources	1,172,642	1,172,643	1
Net change in fund balances	264,661	264,908	247
Fund balances - beginning of year	136,730	136,730	-
Fund balances - end of year	<u>\$ 401,391</u>	<u>\$ 401,638</u>	<u>\$ 247</u>

CITY OF MADISON, ALABAMA
2013-A BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Interest income	\$ -	\$ -	\$ -
Total revenues	-	-	-
EXPENDITURES			
Debt Service:			
Principal	-	-	-
Interest	958,186	958,186	-
Total expenditures	958,186	958,186	-
Deficiency of revenues under expenditures	(958,186)	(958,186)	-
OTHER FINANCING SOURCES			
Transfers from other funds	1,045,294	1,045,294	-
Total other financing sources	1,045,294	1,045,294	-
Net change in fund balances	87,108	87,108	-
Fund balances - beginning of year	478,072	478,072	-
Fund balances - end of year	<u>\$ 565,180</u>	<u>\$ 565,180</u>	<u>\$ -</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, 2014 AND 2013

	2014	2013
Governmental funds capital assets:		
Land	\$ 32,183,331	\$ 30,895,071
Improvements to land	66,964	66,964
Buildings	13,268,546	13,268,546
Improvements to buildings	4,427,375	4,152,360
Improvements other than buildings	4,200,132	2,845,862
Machinery and equipment	16,614,104	15,682,047
Infrastructure	163,247,117	156,096,156
Other	13,000	19,000
Construction in progress	5,876,269	6,273,279
Total governmental funds capital assets	\$ 239,896,838	\$ 229,299,285
 Investments in governmental funds capital assets by source:		
Current revenues	\$ 74,789,794	\$ 70,104,544
Federal and state grants	4,357,596	4,149,560
Donations	160,749,448	155,045,181
Total investments in governmental funds capital assets	\$ 239,896,838	\$ 229,299,285

CITY OF MADISON, ALABAMA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 September 30, 2014

Function and Activity	Land	Improvements to Land	Buildings	Improvements to Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Other	Construction in Progress	Total
General Government:										
General Administration	\$ 2,555,644	-	\$ 3,275,438	\$ 1,399,651	\$ 60,171	\$ 515,033	\$ 3,694	\$ -	\$ -	\$ 7,809,631
City Clerk	-	-	-	-	-	49,635	-	-	-	49,635
Court	-	-	-	15,072	-	12,601	-	-	-	27,673
City Council	-	-	-	-	-	32,280	-	-	-	32,280
Finance	-	-	-	-	482,392	9,759	-	-	-	492,151
Human Resources	-	-	-	6,781	-	16,725	-	-	-	23,506
Mayor's Office	-	-	-	-	-	22,667	-	-	-	22,667
Revenue	-	-	-	-	-	19,803	-	-	-	19,803
Information Technology	-	-	-	-	22,707	376,903	-	-	-	399,610
Legal	-	-	-	-	-	5,580	-	-	-	5,580
Total General Government	<u>2,555,644</u>	<u>-</u>	<u>3,275,438</u>	<u>1,421,504</u>	<u>565,270</u>	<u>1,060,986</u>	<u>3,694</u>	<u>-</u>	<u>-</u>	<u>8,882,536</u>
Public Safety:										
Police	-	-	6,139	1,498,257	22,723	4,899,013	-	13,000	-	6,439,132
Fire	264,712	-	4,352,975	342,913	153,501	5,066,398	-	-	-	10,180,499
Planning	-	-	-	-	-	19,531	22,538	-	-	42,069
Building	-	-	-	199,910	-	204,432	-	-	-	404,342
Total Public Safety	<u>264,712</u>	<u>-</u>	<u>4,359,114</u>	<u>2,041,080</u>	<u>176,224</u>	<u>10,189,374</u>	<u>22,538</u>	<u>13,000</u>	<u>-</u>	<u>17,066,042</u>
Highways and Streets:										
Public Works	27,649,966	-	284,376	137,240	210,560	3,741,078	162,942,500	-	2,914,419	197,880,139
Engineering	-	-	-	-	-	129,137	275,385	-	2,961,850	3,366,372
Total Highways and Streets	<u>27,649,966</u>	<u>-</u>	<u>284,376</u>	<u>137,240</u>	<u>210,560</u>	<u>3,870,215</u>	<u>163,217,885</u>	<u>-</u>	<u>5,876,269</u>	<u>201,246,511</u>
Culture and Recreation:										
Recreation	1,713,009	66,964	4,630,901	426,050	3,245,433	1,348,789	3,000	-	-	11,434,146
Senior Center	-	-	718,717	401,501	2,645	144,740	-	-	-	1,267,603
Total Culture and Recreation	<u>1,713,009</u>	<u>66,964</u>	<u>5,349,618</u>	<u>827,551</u>	<u>3,248,078</u>	<u>1,493,529</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>12,701,749</u>
Total Governmental Funds										
Capital Assets	<u>\$ 32,183,331</u>	<u>\$ 66,964</u>	<u>\$ 13,268,546</u>	<u>\$ 4,427,375</u>	<u>\$ 4,200,132</u>	<u>\$ 16,614,104</u>	<u>\$ 163,247,117</u>	<u>\$ 13,000</u>	<u>\$ 5,876,269</u>	<u>\$ 239,896,838</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, 2014

Function and Activity	Governmental Funds Capital Assets Oct. 1, 2013	Additions	Transfers In (Out)	Deductions	Governmental Funds Capital Assets Sept. 30, 2014
General Government:					
General Administration	\$ 7,809,434	\$ -	\$ 197	\$ -	\$ 7,809,631
City Clerk	49,332	-	1,789	(1,486)	49,635
Court	32,027	-	(4,354)	-	27,673
City Council	88,490	-	(51,557)	(4,653)	32,280
Finance	498,167	869	(5,811)	(1,074)	492,151
Human Resources	21,023	-	2,483	-	23,506
Mayor's Office	77,762	-	(55,095)	-	22,667
Revenue	19,803	-	-	-	19,803
Information Technology	375,241	4,174	23,644	(3,449)	399,610
Legal	2,963	1,066	1,551	-	5,580
Total General Government	8,974,242	6,109	(87,153)	(10,662)	8,882,536
Public Safety:					
Police	6,193,229	328,985	(22,576)	(60,506)	6,439,132
Fire	9,901,565	315,628	(33,154)	(3,540)	10,180,499
Planning	90,452	123,000	(170,245)	(1,138)	42,069
Building	232,626	-	172,842	(1,126)	404,342
Total Public Safety	16,417,872	767,613	(53,133)	(66,310)	17,066,042
Highways and Streets:					
Public Works	188,018,397	10,064,468	113,041	(315,767)	197,880,139
Engineering	3,383,618	-	(15,476)	(1,770)	3,366,372
Total Highways and Streets	191,402,015	10,064,468	97,565	(317,537)	201,246,511
Culture and Recreation:					
Recreation	11,259,808	163,508	19,166	(8,336)	11,434,146
Senior Center	1,245,348	-	23,555	(1,300)	1,267,603
Total Culture and Recreation	12,505,156	163,508	42,721	(9,636)	12,701,749
Total Governmental Funds Capital Assets	\$ 229,299,285	\$ 11,001,698	\$ -	\$ (404,145)	\$ 239,896,838

SECTION III - STATISTICAL



STATISTICAL SECTION

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

Contents	Page
Financial Trends The financial trend schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time	132
Revenue Capacity The revenue capacity schedules contain information to help the reader assess the City’s most significant local revenue sources	138
Debt Capacity The debt capacity schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future	141
Demographic and Economic Information The demographic and economic schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities occur	144
Operating Information The operating information schedules contain service infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs	146

Schedule 1
CITY OF MADISON, ALABAMA
Net Position by Component
Last Ten Fiscal Years

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Primary government										
Net investment in capital assets	\$ 29,629,406	\$ 39,911,335	\$ 127,888,947	\$ 135,040,184	\$ 139,555,695	\$ 145,827,919	\$ 150,200,353	\$ 153,848,083	\$ 144,025,227	\$ 148,050,129
Restricted	8,734,990	9,054,091	15,559,292	15,011,198	12,321,754	7,587,146	4,773,132	4,084,945	20,344,975	19,049,339
Unrestricted	<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>	<u>(127,081,324)</u>	<u>(121,889,251)</u>
Total primary government net position	<u>\$ (49,595,704)</u>	<u>\$ (33,650,840)</u>	<u>\$ 55,329,081</u>	<u>\$ 51,753,318</u>	<u>\$ 33,860,985</u>	<u>\$ 36,385,795</u>	<u>\$ 31,216,359</u>	<u>\$ 33,823,415</u>	<u>\$ 37,288,878</u>	<u>\$ 45,210,217</u>

Source: Comprehensive annual financial reports beginning with fiscal year 2005.

Note: The City implemented GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* in fiscal year 2014. Net position for FY 2013 has been restated to reflect the implementation of the standard. Net position for fiscal years prior to 2013 have not been restated as it was not practicable.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Primary government:										
Governmental activities:										
General Administration	\$ 1,843,331	\$ 1,637,763	\$ 2,243,804	\$ 13,864,248	\$ 24,400,173	\$ 1,909,670	\$ 8,932,566	\$ 2,127,620	\$ 1,939,223	\$ 1,963,075
Police	4,224,855	4,492,227	5,076,097	5,777,771	6,288,131	6,354,077	6,885,036	6,791,779	6,391,926	6,707,560
Public Works	3,519,441	3,683,936	6,512,629	7,542,282	7,288,697	7,073,640	7,626,295	7,384,526	7,705,609	8,514,327
City Clerk	514,980	593,326	600,855	716,232	701,582	723,726	713,036	770,931	723,096	774,285
Recreation	1,735,813	1,807,848	2,139,803	2,428,165	2,517,331	2,495,120	2,456,341	2,581,025	2,474,776	2,746,201
Fire	3,415,526	3,794,817	4,346,954	4,827,449	5,040,372	5,030,280	5,063,759	5,393,049	4,974,746	5,252,932
Planning	1,113,999	1,108,540	950,345	1,044,590	1,033,775	297,284	415,706	332,599	311,790	408,623
Court	728,975	820,348	977,773	1,141,156	1,009,392	947,423	959,052	1,157,938	1,320,690	1,334,489
City Council	166,347	166,233	164,042	136,565	139,128	132,518	136,649	140,604	136,979	201,915
Finance	412,043	676,174	933,230	975,935	783,590	641,623	668,777	657,614	533,923	516,318
Human Resources	2,334,041	2,607,912	2,943,704	3,197,955	3,513,666	3,731,814	3,814,565	3,656,061	3,670,791	3,214,142
Mayor's Office	205,702	222,821	294,973	240,042	534,363	362,853	313,643	333,115	296,785	257,373
Revenue	177,909	193,477	271,231	267,950	267,595	290,319	282,792	270,021	270,793	288,614
Engineering	-	-	370,309	475,749	522,673	607,580	540,623	722,696	1,392,612	1,079,360
Senior Center	221,414	240,054	247,233	264,757	291,083	330,938	329,658	332,911	304,294	302,445
Information Technology	195,542	-	-	-	-	322,760	426,419	425,901	398,886	383,576
Legal	238,394	270,325	342,431	353,696	358,047	323,660	245,139	247,580	245,279	256,238
Building	-	-	-	-	-	816,850	844,817	874,239	756,481	747,933
Interest on long-term debt	5,187,096	5,052,733	5,325,401	5,561,260	6,210,471	6,953,502	7,102,163	7,004,850	7,016,825	7,337,392
Total primary government expenses	26,235,408	27,368,534	33,740,814	48,815,802	60,900,069	39,345,637	47,757,036	41,205,059	40,865,504	42,286,798
Program Revenues										
Governmental activities:										
Charges for services:										
General Administration	3,291,409	3,883,220	4,309,020	4,386,155	4,667,747	2,753,816	4,668,479	4,234,009	4,574,283	4,369,705
Police	726,247	929,819	1,301,002	1,431,594	1,096,954	912,124	949,583	1,185,727	1,371,189	1,515,043
Public Works	557,889	701,200	885,562	959,913	990,721	975,398	938,761	907,638	914,484	957,764
Recreation	212,315	199,431	196,753	211,911	211,029	208,430	222,547	253,618	262,987	229,744
Fire	876	1,820	1,750	195,696	8,560	-	-	-	-	-
Planning	68,826	116,540	63,093	46,985	39,985	21,887	23,860	36,213	56,639	54,350
Building	-	-	-	-	-	1,598,029	-	29,015	-	-
Operating grants and contributions	571,702	719,661	798,730	538,991	552,339	549,698	1,040,601	407,899	363,410	350,844
Capital grants and contributions	5,818,671	10,809,511	6,007,246	11,684,556	4,823,739	5,109,221	4,655,268	4,920,772	5,523,923	6,291,232
Total primary government program revenues	11,247,935	17,361,202	13,563,156	19,455,801	12,391,074	12,128,603	12,499,099	11,974,891	13,066,915	13,768,682
Total primary government net (expense)/revenue	(14,987,473)	(10,007,332)	(20,177,658)	(29,360,001)	(48,508,995)	(27,217,034)	(35,257,937)	(29,230,168)	(27,798,589)	(28,518,116)

-continued-

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and other Changes in Net Position										
Governmental activities:										
Property taxes and payments in lieu of taxes	4,977,999	5,840,049	6,365,870	7,841,325	7,411,800	12,696,539	13,300,494	12,092,412	13,554,137	14,236,579
Sales and use taxes	10,262,568	11,415,565	12,243,150	12,505,291	12,330,960	12,343,163	12,232,843	13,835,825	13,735,359	16,792,335
Franchise taxes	254,292	264,641	272,468	221,258	327,829	347,142	395,607	1,023,386	1,067,279	1,045,339
Motor fuel taxes	901,617	901,443	953,992	934,719	960,310	1,005,444	608,793	761,049	755,510	759,620
Alcoholic beverage taxes	714,943	769,249	828,045	839,850	855,690	826,942	867,085	911,979	879,765	886,338
Rental taxes	323,682	355,019	408,314	452,728	424,872	405,911	426,918	396,700	358,657	365,254
Lodging taxes	766,627	872,677	909,090	968,545	939,661	969,411	1,115,104	1,030,577	980,422	1,054,882
Other taxes	377,061	483,421	218,401	264,834	288,481	216,899	190,933	217,880	186,199	211,523
Unrestricted interest income	241,056	447,027	1,168,713	724,089	371,540	117,585	106,993	174,777	210,469	66,729
Other	5,614,248	4,761,282	18,314,482	5,355,535	6,726,170	831,401	843,731	1,392,639	1,551,709	990,769
Gain (Loss) on sale of fixed assets	(158,980)	(158,177)	(99,468)	15,581	(20,651)	(18,593)	-	-	-	30,087
Total primary government	<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>	<u>33,279,506</u>	<u>36,439,455</u>
Changes in Net Position										
Governmental activities	9,287,640	15,944,864	21,405,399	763,754	(17,892,333)	2,524,810	(5,169,436)	2,607,056	5,480,917	7,921,339
Total primary government	<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>	<u>\$ 5,480,917</u>	<u>\$ 7,921,339</u>

Source: Comprehensive annual financial reports beginning with fiscal year 2005.

Note: The City implemented GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* in fiscal year 2014. Net position for FY 2013 has been restated to reflect the implementation of the standard. Net position for fiscal years prior to 2013 have not been restated as it was not practicable.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 409,615	\$ 404,100	\$ 211,195	\$ 456,687
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	160,196	202,611	28,324	53,578
Unassigned	-	-	-	-	-	-	4,380,087	4,709,527	6,051,647	6,479,778
Reserved	821,403	1,271,389	1,307,743	1,251,195	831,902	2,080,342	-	-	-	-
Unreserved	<u>2,190,712</u>	<u>3,855,965</u>	<u>5,667,055</u>	<u>5,858,033</u>	<u>6,211,608</u>	<u>4,450,460</u>	-	-	-	-
Total general fund	<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>	<u>\$ 6,291,166</u>	<u>\$ 6,990,043</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	4,483,028	4,084,945	20,344,975	19,049,339
Assigned	-	-	-	-	-	-	129,908	23,547	28,448	6,628
Unassigned	-	-	-	-	-	-	7,590	-	-	-
Reserved	5,614,365	6,082,274	15,870,504	14,517,312	12,063,577	7,290,334	-	-	-	-
Unreserved, reported in										
Special revenue funds	<u>200,855</u>	<u>491,002</u>	<u>10,400</u>	<u>13,294</u>	<u>13,672</u>	<u>14,032</u>	-	-	-	-
Total all other governmental funds	<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>	<u>\$ 20,373,423</u>	<u>\$ 19,055,967</u>
Total governmental funds	<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>	<u>\$ 26,664,589</u>	<u>\$ 26,046,010</u>

Source: Comprehensive annual financial reports beginning with fiscal year 2005.

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 16,324,294	\$ 19,085,131	\$ 20,733,461	\$ 22,371,904	\$ 22,697,157	\$ 27,960,779	\$ 28,286,262	\$ 29,470,394	\$ 30,339,310	\$ 34,267,247
Licenses and permits	2,950,878	3,752,459	4,157,453	4,386,155	4,667,747	4,351,845	4,668,479	4,179,684	4,520,995	4,279,480
Intergovernmental	2,289,579	1,906,605	1,947,433	1,886,180	1,423,801	1,185,509	1,968,885	2,952,934	1,318,573	1,238,907
Charges for services	918,152	1,083,486	1,312,147	1,429,827	1,266,720	1,229,854	1,228,235	1,278,808	1,303,553	1,328,685
Fines	708,177	913,974	1,287,580	1,416,272	1,080,529	887,985	906,518	1,157,863	1,344,324	1,485,138
Interest income	241,056	447,027	1,168,713	724,089	363,160	125,965	106,993	174,777	210,469	66,729
Contributions and donations	11,178	10,471	48,606	24,058	6,077	17,573	292,534	111,896	40,983	86,593
Other revenues	5,342,174	5,685,364	5,556,776	5,717,872	6,868,135	1,254,288	1,026,683	1,774,570	2,305,664	1,596,750
Total revenues	28,785,488	32,884,517	36,212,169	37,956,357	38,373,326	37,013,798	38,484,589	41,100,926	41,383,871	44,349,529
Expenditures										
General Administration	1,175,864	1,360,195	1,250,802	1,580,257	1,557,569	1,571,884	8,217,235	1,707,876	1,605,999	1,595,608
Police	4,048,121	4,337,096	4,888,887	5,477,041	5,896,845	6,004,942	6,433,987	6,332,144	5,970,046	6,181,780
Public Works	3,075,737	3,118,878	3,950,504	4,723,666	4,355,183	4,056,273	4,422,869	4,274,381	4,337,902	4,730,443
City Clerk	510,793	589,262	596,897	711,846	697,422	718,119	704,585	763,234	723,982	771,843
Recreation	1,513,105	1,599,819	1,928,529	2,177,594	2,267,307	2,246,690	2,204,272	2,300,011	2,206,141	2,305,798
Fire	3,201,289	3,579,012	4,127,248	4,460,077	4,647,639	4,649,855	4,667,173	4,761,015	4,593,608	4,819,722
Planning	1,096,434	1,088,186	935,285	1,015,373	1,008,823	293,654	405,786	329,111	312,920	405,671
Court	725,414	816,962	973,634	1,136,203	1,004,457	937,885	947,780	1,148,270	1,285,737	1,335,136
City Council	164,692	163,735	161,141	127,562	129,429	124,375	136,436	140,391	136,944	201,915
Finance	403,115	658,035	914,484	964,909	775,708	633,046	653,632	647,596	509,955	488,629
Human Resources	2,331,458	2,605,761	2,941,506	3,195,076	3,511,294	3,729,630	3,811,510	3,649,337	3,669,399	3,210,997
Mayor's Office	204,634	221,642	293,795	234,878	527,103	352,846	300,596	323,618	296,282	257,388
Revenue	174,212	191,697	269,254	265,641	266,791	288,707	280,049	315,197	363,233	438,698
Engineering	-	-	365,580	466,412	505,271	587,040	515,095	703,480	522,233	1,053,756
Senior Center	214,903	230,697	238,550	255,041	276,566	312,042	292,077	281,278	252,380	256,910
Information Technology	186,124	-	-	-	-	294,394	367,196	349,555	340,237	347,161
Legal	238,057	269,951	342,057	353,696	358,047	322,919	243,754	247,741	242,694	256,593
Building	-	-	-	-	-	797,627	824,896	850,979	746,886	729,103
Debt service										
Principal	2,767,134	2,923,409	3,074,792	2,939,880	3,212,316	2,250,202	2,337,835	1,485,081	3,120,985	3,360,922
Interest	5,241,344	5,080,475	4,923,795	5,545,422	6,073,235	6,965,125	7,044,036	6,584,710	6,797,811	7,286,666
Bond issuance costs	206,213	-	559,525	264,695	124,665	-	263,737	228,757	417,289	-
Capital outlay	8,117,969	11,964,904	5,099,131	4,935,808	4,086,587	5,943,051	5,020,897	4,458,072	6,845,098	5,284,155
Total expenditures	35,596,612	40,799,716	37,835,396	40,831,077	41,282,257	43,080,306	50,095,433	41,881,834	45,297,761	45,318,894
Excess (deficiency) of revenues over (under) expenditures	(6,811,124)	(7,915,199)	(1,623,227)	(2,874,720)	(2,908,931)	(6,066,508)	(11,610,844)	(780,908)	(3,913,890)	(969,365)

-continued-

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other Financing - Sources and (Uses)										
Transfers from other funds	5,076,988	5,085,410	17,698,428	5,618,438	6,168,902	6,674,742	7,657,339	6,818,330	28,819,174	10,141,434
Transfers to other funds	(5,076,988)	(5,085,410)	(17,698,428)	(5,618,438)	(6,168,902)	(6,674,742)	(7,657,339)	(6,818,330)	(28,819,174)	(10,141,434)
Donated assets	5,283,826	9,975,519	-	-	-	-	-	-	-	-
Sales of capital assets	13,270	36,014	35,059	23,809	7,153	33,323	2,012	390,819	218,559	96,213
Bond Proceeds	1,250,000	-	-	12,235,000	-	-	13,828,860	18,460,000	-	-
Issuance of refunding bonds	18,775,000	-	37,980,000	-	51,110,000	-	-	-	26,985,000	-
Payment to refund bond issue	(18,568,787)	-	(25,707,746)	-	(27,389,525)	-	(6,424,155)	(18,192,764)	(8,210,216)	-
Bond proceeds transferred to component unit	-	-	-	(12,002,089)	(22,488,567)	-	-	-	-	-
Bond issuance premium	-	-	285,481	31,784	-	-	-	-	1,623,282	-
Bond issuance discount	-	-	-	-	(849,205)	-	(60,617)	(22,841)	-	-
Proceeds from capital leases	-	776,961	185,305	1,370,348	-	747,594	-	-	137,574	254,573
Proceeds from note payable	-	-	-	-	-	-	-	-	399,550	-
Other	300	-	200	-	-	-	-	-	-	-
Total other financing sources (uses)	6,753,609	10,788,494	12,778,299	1,658,852	389,856	780,917	7,346,100	635,214	21,153,749	350,786
Net change in fund balances	\$ (57,515)	\$ 2,873,295	\$ 11,155,072	\$ (1,215,868)	\$ (2,519,075)	\$ (5,285,591)	\$ (4,264,744)	\$ (145,694)	\$ 17,239,859	\$ (618,579)
Debt service as a percentage of noncapital expenditures	29.89%	27.76%	26.14%	24.38%	25.30%	24.81%	21.40%	22.17%	26.88%	26.60%

Source: Comprehensive annual financial reports beginning with fiscal year 2005.

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

Fiscal Year	Property Tax	Sales and Use Tax	Franchise Tax	(1) Alcoholic Beverage Tax	Rental Tax	Lodging Tax	(2) Other Taxes	Total
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
2013	\$ 13,131,629	\$ 13,735,359	\$ 1,067,279	\$ 879,765	\$ 358,657	\$ 980,422	\$ 186,199	\$ 30,339,310
2014	\$ 13,911,576	\$ 16,792,335	\$ 1,045,339	\$ 886,338	\$ 365,254	\$ 1,054,882	\$ 211,523	\$ 34,267,247

Source: Comprehensive annual financial reports beginning with fiscal year 2005.

(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 Valuation Amount</u>
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
2013	\$ 550,810,460
2014	\$ 556,136,640

Source: License Commissioner and Tax Assessor of Madison County

Schedule 7
CITY OF MADISON, ALABAMA
Principal Property Taxpayers
2014

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
Intergraph Corporation	Computer sales	\$ 5,434,880	1	0.98%
Intergraph Unimproved Properties LLC	Computer sales	5,134,620	2	0.92%
Apartments Madison AL Assoc., LLC	Apartment rental	4,601,240	3	0.83%
Carrington Property LLC	Asset management	4,536,020	4	0.82%
CMF 7 Portfolio LLC	Apartment rental	4,322,840	5	0.78%
TIC Huntsville LLC	Apartment rental	3,109,260	6	0.56%
Grand Reserve at Madison LLC	Apartment rental	2,800,040	7	0.50%
Knology of Huntsville, Inc.	Communication company	2,750,780	8	0.49%
Jetplex Associates I LLC	Industrial rental	2,323,540	9	0.42%
Target Corporation	Department Store	<u>2,317,840</u>	10	<u>0.42%</u>
Top 10 Total		37,331,060		6.71%
Other taxpayers		<u>518,805,580</u>		<u>93.29%</u>
Totals		<u><u>\$ 556,136,640</u></u>		<u><u>100.00%</u></u>

Assessed Valuation of City at September 30, 2014
\$556,136,640

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

Fiscal Year	General Obligation Bonds	Capital Leases	Notes Payable	Total Primary Government	Percentage of Personal Income*	Per Capita*
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
2013	\$ 164,510,000	\$ 748,978	\$ 199,775	\$ 165,458,753	0.00%	3,677
2014	\$ 161,560,000	\$ 682,564	\$ 99,887	\$ 162,342,451	0.00%	3,247

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
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Total	Percentage of Actual Taxable Value of Property*	Per Capita**
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
2013	\$ 164,510,000	\$ 164,510,000	29.87%	3,656
2014	\$ 161,560,000	\$ 161,560,000	29.05%	3,231

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 81,034,496	\$ 86,948,924	\$ 97,060,768	\$ 102,190,556	\$ 105,063,012	\$ 105,475,824	\$ 108,279,292	\$ 111,850,104	\$ 110,162,092	\$ 111,227,328
Total net debt applicable to limit	<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>	<u>73,388,724</u>	<u>71,815,657</u>
Legal debt margin	<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>	<u>\$ 36,773,368</u>	<u>\$ 39,411,671</u>
Total net debt applicable to the limit as a percentage of debt limit	<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>	<u>66.62%</u>	<u>64.57%</u>

Legal Debt Margin Calculation for Fiscal 2014:

Assessed Value	\$ 556,136,640
Debt limit (20% of total assessed value)	111,227,328
Debt Applicable to limit	
General obligation bonds	161,560,000
Less: Exempt Debt	
General obligations water and sewer warrants	3,162,306
General obligation school warrants	<u>85,420,000</u>
Total exempt debt	88,582,306
Total debt applicable to limit	72,977,694
Less assets available for debt service	<u>1,162,037</u>
Total net debt applicable to limit	<u>71,815,657</u>
Legal debt margin	<u>\$ 39,411,671</u>

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

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

<u>Year</u>	<u>Population</u>	<u>Personal Income*</u>	<u>Per Capita Personal Income*</u>	<u>Unemployment Rate**</u>
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	44,972	-	-	4.70%
2013 (approximate)	45,000	-	-	4.40%
2014 (approximate)	50,000	-	-	3.90%

* 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

Employer	Product	Employees	Rank	Percentage of Total City Employment
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Information on principal employers for the current year 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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government:										
City Clerk	5	5	5	5	5	5	5	5	5	5
Court Clerk	6	6	6	6	6	6	6	7	7	7
City Council	4	4	3	4	4	4	4	4	4	4
Finance	7	8	13	13	12	8	8	8	8	6
Human Resources	4	7	4	4	5	5	5	5	5	4
Mayor's Office	3	3	3	3	4	4	3	3	3	2
Revenue	3	3	4	4	4	4	3	1	1	4
Information Technology	0	0	0	1	1	1	1	3	3	3
Legal	2	2	2	2	2	2	2	2	2	4
Total	34	38	40	42	43	39	37	38	38	39
Public Safety:										
Police	92	98	106	107	107	114	109	108	108	124
Fire	52	58	70	70	70	70	70	70	70	69
Building	0	0	0	0	0	17	17	15	15	12
Planning	24	21	19	19	18	4	5	5	5	5
Total	168	177	195	196	195	205	201	198	198	210
Streets and Highways										
Public Works	51	51	58	58	58	55	55	59	59	44
Engineering	0	0	7	5	7	7	8	7	7	7
Total	51	51	65	63	65	62	63	66	66	51
Parks and Recreation										
Recreation	32	32	33	33	33	33	32	37	37	37
Senior Center	6	6	6	7	7	7	7	7	7	6
Total	38	38	39	40	40	40	39	44	44	43
Total - all departments	291	304	339	341	343	346	340	346	346	343

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										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
Public Safety											
Police											
Stations	1	1	1	1	1	1	1	1	1	1	
Sub-Station	0	0	0	0	0	0	0	0	0	0	
Fire Stations	3	3	3	3	3	3	3	3	3	3	
Parks and Recreation											
Recreation											
Swimming pools	3	3	3	3	2	2	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

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

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

Honorable Mayor and City Council
City of Madison
Madison, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the City of Madison, Alabama's basic financial statements and have issued our report thereon dated March 20, 2015. Our report includes a reference to other auditors who audited the financial statements of the Water and Wastewater Board of the City of Madison and the Madison Board of Education, as described in our report on the City of Madison's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Madison, Alabama's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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. Accordingly, we do not express an opinion on the effectiveness of the City of Madison, Alabama's internal control.

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

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

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MDA Professional Group, P.C.

Huntsville, Alabama
March 20, 2015

