

CITY OF MADISON, ALABAMA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
September 30, 2013**

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**Prepared by:
Finance Department**



**City of Madison, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2013**

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SECTION I – INTRODUCTORY





**FINANCE DEPARTMENT
CITY OF MADISON, ALABAMA**

March 7, 2014

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, 2013. Section 11-43-85, Code of Alabama, 1975, as amended, requires the Mayor to secure, at least once a year, an independent public accountant to conduct an audit in accordance with generally accepted auditing standards of all the City's books and accounts and make a full report thereof in writing. This report complies with State Law for the fiscal year ended September 30, 2013. The financial statements are presented in conformity with Generally Accepted Accounting Principles in the United States of America (GAAP) and audited in accordance with Governmental Auditing Standards generally accepted in the United States of America by a firm of licensed certified public accountants.

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

MDA Professional Group, P.C., a firm of licensed, certified public accountants audited the City's financial statements for the fiscal year ended September 30, 2013. 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, 2013, 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 unmodified ("clean") opinion on the City's financial statements for the fiscal year ended September 30, 2013. The independent auditor's report is located in the Financial Section of this report.

The Report

This report is presented in four sections: Introductory, Financial, Statistical and Compliance. The Introductory Section includes this letter of transmittal, a listing of City Officials and an organizational chart of the City. The Financial Section includes the independent auditor's report on the basic financial statements, Management's Discussion and Analysis (MD&A), basic financial statements, the notes to the basic financial statements, 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 data is generally presented on a multi-year basis. The Compliance Section includes the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards.

Profile of the City of Madison, Alabama

The City of Madison 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 30.24 square miles, and serves a population of approximately 47,000. 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 Council consisting of seven members govern the City. The Mayor serves on a full-time basis and members of the City Council serve on a part-time basis. Citizens of Madison elect the Mayor and City Council members to four-year terms. The citizens elect the Mayor at large and the seven Council members are elected from within their respective districts.

The City Council serves the citizens of Madison as the legislative branch of government, by adopting ordinances, resolutions, budgets, appointing committees and hiring the City Clerk-Treasurer, Police Chief, Fire Chief and City Attorney. The Mayor services the citizens of Madison as the head of the executive branch of government, by executing policies and ordinances, appointing heads of City departments, managing the affairs of the City, supervising a staff of 346 full-time equivalent employees, including 14 department heads. An organizational chart of the City is included in this Introductory Section.

The City provides a full range of services to its citizens including police and fire protection, municipal court services, land use planning services, building permits and inspection services, construction and maintenance of streets, sidewalks and other public facilities.

The City also provides public library services, trash collection and disposal services, cemetery services, senior citizens' programs, parks and recreational programs, and facilities and general administrative services. The above listed services are provided to the citizens by the following City departments:

General Administration	Finance
Police	Human Resources
Public Works	Mayor's Office
City Clerk	Revenue
Recreation	Engineering
Fire	Senior Center
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 which are reported separately within the financial statements of the City. Additional information on these component units can be found in the notes to the financial statements (See Note 1).

Factors Affecting Financial Condition

Local Economy

The City of Madison is located in Madison 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 565 linking an easy access to Interstate 65. The economic health of Madison is tied to its location.

The City's Economic Development Team collaborates with the City of Madison Chamber of Commerce to promote recruitment of retail development. In 2013, this partnership fostered the recruitment of several retail developments along one of the main corridors within the City of Madison and helped foster growth in the industrial base of the City.

The unemployment rate for the City of Madison was 4.2% (*US Bureau of Labor*) as of September 2013, as compared to 4.7% (*US Bureau of Labor*) in 2012. The new businesses and growth in the industrial and retail sites in 2013 were contributors in decreasing the unemployment rate in the metropolitan area.

Financial Management Policies

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

Long-term Financing Planning

The unassigned fund balance in the General Fund (23.36% of total revenue in the General Fund) exceeds the policy guidelines of the fiscal policy adopted by the City Council for budgetary and planning purposes (fiscal policy guideline is 15% of total general fund revenues). Each year the City has exceeded the requirements of this policy.

During 2013, the City issued approximately \$20 million (new bond proceeds) of general obligation bonds, which are held in reserve for capital improvement projects. The City classifies its capital improvement projects into three (3) categories, which include:

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

This current funded capital improvement plan has a price tag of just over \$20 million. The plan is funded with the 2013 bond proceeds, Municipal Government Capital Improvement revenue, state and federal revenue and a portion the general-purpose ½-Cent Sales Tax revenue.

The fiscal policy requires the ½-Cent General Sales Tax revenue and 5½-Mill Property Tax revenue provide, first and foremost, 100% of debt service requirements on the general obligation debt.

In 2013, the City completed many of its sidewalks, street and intersection projects on a pay-as-you-go basis utilizing the revenues from gasoline taxes and general fund revenues, which allowed the City to avoid the issuance of additional debt.

ATRIP Meeting – Governor Bentley



With the issuance of a new general obligation bond issue, the City has the capability to capitalize on funds being supplied by the Alabama Department of Transportation (ALDOT). With ALDOT's Alabama Transportation Rehabilitation and Improvement Program (ATRIP), the City is poised to fund major road construction and rehabilitation projects at 20 cents on the dollar. The ATRIP program is mainly an 80/20 match, with ALDOT supplying 80 percent of the funds and the City supplying the matching 20 percent. Majority of the City projects, which are approved for ATRIP funding, are roads

and streets in retail areas. These projects will improve citizens' access to retail businesses, restaurants and entertainment areas.

A secondary part of the general obligation bond issuance is the revitalization of Madison's historic downtown area. This revitalization of the downtown area is approximately 50 percent complete and already bringing a new resurgence in retail sales and restaurants. New life is being breathed into the historic area.



Main Street – Downtown District

The City recognizes that many of the capital projects, after completion, will have an impact on future operating budgets in maintaining the improvements. The City also expects to reap benefits from the capital projects in the form of increased retail sales tax revenue.

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

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

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

Investment Policy and Cash Management

The investment policy of the City applies to cash management and investment activities of the City of Madison. The City's investments are in securities or other obligations, authorized for municipal investment by the Alabama Code 11-81-19 through 21, as amended. The policy provides for retaining sufficient cash on hand to meet the daily cash flow demands. The main objective of the City investment activities is to preserve capital and liquidity, maximize investment income and comply with all state and local statutes governing the investment of public funds. The City investment policy is very conservative and details specific collateral and safekeeping requirements. Interest income for the year of all governmental funds was \$210,469.

Risk Management

The City has included risk management in the Human Resources and the City Clerk departments. These departments administer all insurance programs of the City. The City is a member of Alabama Municipal Insurance Corporation (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 while performing their duties for the City. The City pays premiums based on the City's past claims history.

Although the City uses insurance for risk financing, the City retains some loss exposure and pays for the loss out of the General Fund operating budget.

Budget

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

State law requires that the City Council appropriate the sums necessary for the operations of City departments and for the interest on the City's bonded and other indebtedness, not exceeding in the aggregate within 15 percent of the City's estimated revenues.

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

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

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

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

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

This report provides budget-to-actual comparisons for each individual governmental fund, for which the City Council adopted an appropriated annual budget. For the major funds (general, general obligation bond collection fund, and school bonds fund), the comparisons are presented on pages 41 through 42 and page 96 as part of the basic financial statements for governmental funds. For governmental funds other than the major funds with appropriated annual budgets, the comparisons are presented in the governmental fund subsection of this report. Refer to Note 3 of the basic financial statements for further discussion of the City's budgetary information.

General Reserves

The City's fiscal policy requires that each year the fund balance of the General Fund must be equal to, or greater than, fifteen percent (15%) of revenues. The City's FY 2013 fund balance falls in line with the City's fiscal policy. The fund balance of the General Fund met and exceeded the minimal requirement of 15%.

Major Initiatives

During 2013, the City demonstrated strong management and financial stability in meeting the goals and objectives that were established in the 2013 annual operating budget. These goals and objectives helped make Madison one of the top cities in which to live and rear a family.

One of the factors making Madison one of the top cities in which to live is the Madison Hospital. Madison is now home to a fully-functional 60-bed hospital, with room to grow. Many of the top surgeons and physicians in the metro-area have opened offices in Madison to better serve the residence.



Madison Hospital

The Madison Economic Development Team has been working together to secure new retail and office complex space for Madison. Their efforts have not gone unrewarded. A couple examples of the Team's efforts are the new Logan's Restaurant located on Madison Blvd. and the Intergraph Office complex which will open in the near future.



Intergraph Complex



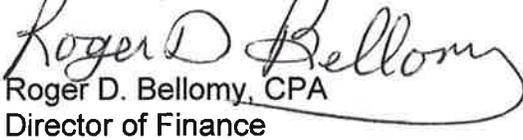
With efforts by the Mayor, City Council, Madison Economic Development Team and City employees, the City has been named as "one of the top ten places to grow up." Factors such as the Madison Hospital, outstanding school system and a growing retail and industrial base give Madison a bright future.

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.

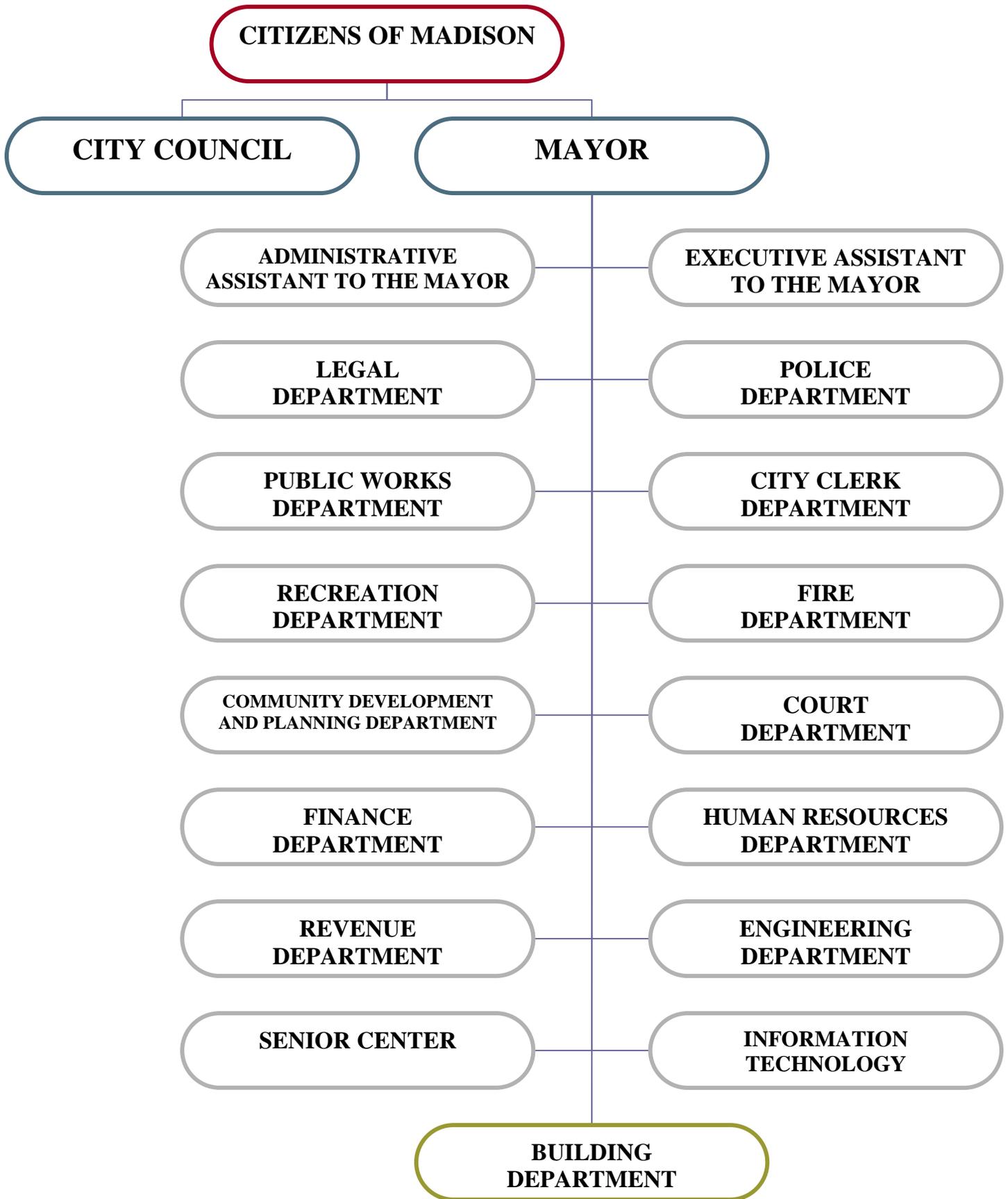
I would like to thank the Mayor and City Council for their support in planning and conducting the financial operations of the City in a responsible, professional and progressive manner.

Respectfully submitted,


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, 2013

Elected Officials

Mayor.....Troy Trulock

Council Member - District 1Tim Holcombe

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
President Pro Tem

Department Heads

Police Chief.....Larry Muncey

Public Works Director.....Steve Abbott

City Clerk-Treasurer.....Melanie Williard

Recreation Director.....Kory Alfred

Fire ChiefRalph Cobb

Community Development and Planning DirectorAmy Bell

Court Clerk.....Rick Honea

Finance Director.....Roger D. Bellomy

Human Resources Director.....Terri Towry

Engineering DirectorGary Chynoweth

Revenue Department DirectorCameron 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, 2013, 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, 2013, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and the General Obligation Bond Collection Fund and the School Bonds Funds for the year ended in accordance with accounting principles generally accepted in the United States of America.

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 on pages 23 through 33 and 93 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 7, 2014 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 7, 2014



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, 2013.

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 130 - 145 of this report.

Financial Highlights

- Assets of the City of Madison exceeded its liabilities at the close of fiscal year 2013 by \$39,198,295 (net position). Of this amount, the City has a deficit unrestricted net position of \$125,171,907 offset by \$20,344,975 in restricted net position and \$144,025,227 in net investment in capital assets.
- The City's total net position increased \$5,374,880 (16%) in fiscal year 2013. 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 \$26,664,589, an increase of \$17,239,859 compared to the prior year. The unassigned fund balance of the General Fund was \$6,051,647, which the City may use for any lawful purpose. The unassigned fund balance of the General fund represents 21 percent of the total general fund expenditures.
- The City's total capital asset (net of accumulated depreciation) increased \$5,347,959, which primarily consists of the acquisition of land, equipment, construction of infrastructure, facilities and construction in progress.
- The City's general obligation warrants increased \$17,115,000. This increase is due to the City issuance of general obligation warrants and the current refunding of general obligation warrants. 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.

Management's Discussion and Analysis - Continued

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.

Management's Discussion and Analysis - Continued

Because the focus of governmental funds is, narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City of Madison maintains eighteen (18) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, General Obligation Bond Collection Fund, School Bonds Fund and Capital Improvement Fund which are major funds. Data from the other fourteen (14) 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 98 - 121 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 96. 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 new 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 - 89 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 93 of this report.

Management's Discussion and Analysis - Continued

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, 2013, the City's net position was \$39,198,295 which increased by \$5,374,880 (16%) compared to prior fiscal year. This increase is a result of several factors: (1) one-time purchase of capital assets (land, heavy equipment and communications equipment), (2) the issuance of the 2013 bond issue and the partial refinancing of the 2006 bond issue and (3) the combination of increased tax revenues from the addition of the Shoppes of Madison (full year) and on 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

	Governmental Activities		
	September 30, 2013	September 30, 2012	Change
Current and other assets	\$ 42,040,725	\$ 22,222,098	\$ 19,818,627
Capital assets	<u>169,125,510</u>	<u>163,777,551</u>	<u>5,347,959</u>
Total assets	211,166,235	185,999,649	25,166,586
Long-term liabilities outstanding	165,231,228	147,363,904	17,867,324
Other liabilities	<u>6,736,712</u>	<u>4,812,330</u>	<u>1,924,382</u>
Total liabilities	171,967,940	152,176,234	19,791,706
Net position:			
Net investment in capital assets	144,025,227	153,848,083	(9,822,856)
Restricted for:			
Debt service	838,533	583,517	255,016
Capital Improvements	17,488,658	1,673,233	15,815,425
Other purposes	2,017,784	1,828,195	189,589
Unrestricted	<u>(125,171,907)</u>	<u>(124,109,613)</u>	<u>(1,062,294)</u>
Total net position	<u>\$ 39,198,295</u>	<u>\$ 33,823,415</u>	<u>\$ 5,374,880</u>

Management's Discussion and Analysis - Continued

Current and other assets increased \$19,818,627 and long-term liabilities increased \$17,867,324 due to cash received from the issuance of the 2013 bond issue and the partial refunding of the 2006 Bond. 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 2013 were \$144,025,227. The large negative unrestricted net position in fiscal year 2012 (\$124,109,613) and 2013 (\$125,171,907) 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 \$5,374,880. Key elements of the increase are as follows:

- Property taxes increased by \$1,461,725 (12%) during the year.
- Capital grants and contributions experienced an increase of \$603,151, 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.
- Charges for services increased \$533,362 (8%) during the year.

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

Management's Discussion and Analysis - Continued

CITY OF MADISON'S CHANGES IN NET POSITION

	Governmental Activities		
	September 30,	September 30,	Change
	2013	2012	
Revenues			
Program revenues:			
Charges for services	\$ 7,179,582	\$ 6,646,220	\$ 533,362
Operating grants and contributions	363,410	407,899	(44,489)
Capital grants and contributions	5,523,923	4,920,772	603,151
General revenues			
Property taxes and payment in lieu of taxes	13,554,137	12,092,412	1,461,725
Other taxes	17,963,191	18,177,396	(214,205)
Other revenue	1,762,178	1,567,416	194,762
Total revenues	46,346,421	43,812,115	2,534,306
Expenses			
General administration	2,045,260	2,127,620	(82,360)
Police	6,391,926	6,791,779	(399,853)
Public works	7,705,609	7,384,526	321,083
City clerk	723,096	770,931	(47,835)
Recreation	2,474,776	2,581,025	(106,249)
Fire	4,974,746	5,393,049	(418,303)
Planning	311,790	332,599	(20,809)
Court	1,320,690	1,157,938	162,752
City council	136,979	140,604	(3,625)
Finance	533,923	657,614	(123,691)
Human resources	3,670,791	3,656,061	14,730
Mayor's office	296,785	333,115	(36,330)
Revenue	270,793	270,021	772
Engineering	1,392,612	722,696	669,916
Senior Center	304,294	332,911	(28,617)
Information technology	398,886	425,901	(27,015)
Legal	245,279	247,580	(2,301)
Building	756,481	874,239	(117,758)
Interest on long-term debt	7,016,825	7,004,850	11,975
Total expenses	40,971,541	41,205,059	(233,518)
Increase in net position	5,374,880	2,607,056	2,767,824
Net position - 10/1/2012	33,823,415	31,216,359	2,607,056
Net position - 9/30/2013	\$ 39,198,295	\$ 33,823,415	\$ 5,374,880

Management's Discussion and Analysis - Continued

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

FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS

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

Governmental Funds

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

At the end of the current fiscal year, the City of Madison's governmental funds reported combined ending fund balances of \$26,664,589, an increase of \$17,239,859 in comparison to the prior year. The amount of \$6,051,647 or 23% 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, \$211,195 are non-spendable for prepaid items, \$838,533 are restricted for debt service, \$17,488,658 are restricted for capital improvements, \$2,017,784 is other restricted, and \$56,772 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 2013, unassigned fund balance of the general fund was \$6,051,647, while the total fund balance was \$6,291,166. Unassigned general fund balance and total general fund balance represent 21 percent of the total general fund expenditures.

The General Fund's fund balance increased \$974,928 during the current fiscal year. Key factors in this increase are as follows:

- Property tax revenue increased \$1,077,582 or 9% compared to prior fiscal year.
- Other sources increased \$20,518,535 compared to prior fiscal year.
- Expenditures increased \$3,415,927 or 8% compared to prior fiscal year.

Management's Discussion and Analysis - Continued

At September 30, 2013, the general obligation bond collection fund had a fund balance of \$1,270,995, which represents a decrease of \$102,934 or 7.5%. This decrease is directly related to two (2) items: (1) increase in total revenues (property taxes and sales taxes) in the amount of \$453,090 and (2) increase in transfers out to debt service fund (payments on the City's bond obligations) in the amount of \$1,102,338. During FY 2013, the first principal payment was made on the 2011 "Shoppes of Madison" taxable bond and the first payment on the new 2013 general obligation bond was made. 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, 2013, the school bonds fund had a fund balance of \$8,223. This fund balance represents an increase of \$80, 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, 2013, the capital improvement fund had a fund balance of \$17,275,105, which represents an increase of \$16,011,154. This increase directly is related to the excess of the funds transferred to this fund on the issuance of the 2013 general obligation warrant over 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 \$1,894,807. Following are the main components to the increase:

- The final amended budget increase consists of the follow one-time appropriations by City Council: (1) \$500,000 supplemental appropriation for land purchase (property adjacent to City Hall for future expansion), (2) \$650,000 supplemental appropriation for purchase of mandated digital communications equipment, and (3) over \$700,000 supplemental appropriation for purchase of heavy equipment, vehicles and general equipment.

The City Council approved the one-time supplemental appropriations based on the increase for revenues generated from intergovernmental, franchise fees and contribution and donations, which showed a steady increase in 2013 and the capital items would not be reoccurring expenditures in the next fiscal year. At the end of the fiscal year, expenditures were under budget by \$654,871 or 2%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Madison's investment in capital assets for its governmental activities as of September 30, 2013, amounts to \$169,125,510 (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 \$5,347,959 or 3% for 2013.

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

- Land purchase (174 Hughes Road – property adjacent to city hall for future expansion)
- Mandated digital communications equipment for public safety departments of the City
- 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
	2013	2012	
Land	\$ 30,895,071	\$ 28,946,397	\$ 1,948,674
Improvements to land	60,268	63,616	(3,348)
Buildings	9,123,711	9,435,605	(311,894)
Building improvements	3,157,786	3,368,016	(210,230)
Improvements other than buildings	2,011,797	2,077,287	(65,490)
Machinery and equipment	4,176,020	3,895,327	280,693
Infrastructure	113,411,745	110,258,010	3,153,735
Other	15,833	18,548	(2,715)
Construction in progress	6,273,279	5,714,745	558,534
	<u>\$ 169,125,510</u>	<u>\$ 163,777,551</u>	<u>\$ 5,347,959</u>

Additional information on the City's capital assets can be found in Note 4 on pages 67 - 70 of this report.

Management's Discussion and Analysis - Continued

Long-Term Debt

At the end of the current fiscal year, the City of Madison had total outstanding debt of \$165,231,228. Of this amount, \$163,209,616 was comprised of the general obligation warrants backed by the full faith and credit of the City, \$748,978 was comprised of capital lease obligations collateralized by certain vehicles and equipment, \$199,775 was comprised of a note payable agreement on property purchased in current year, \$861,936 was comprised of employees' compensated absences balance, and \$210,923 was comprised of the liability for other postemployment benefits.

Changes in debt outstanding are as follows:

<u>Governmental Activities</u>	Balance September 30, 2013	Balance October 1, 2012	Change
Compensated absences	\$ 861,936	\$ 949,179	\$ (87,243)
Other post-employment benefits	210,923	178,385	32,538
Notes payable	199,775	-	199,775
Capital lease obligations	748,978	1,022,614	(273,636)
General obligation warrants	164,510,000	147,395,000	17,115,000
Less deferred amounts for:			
Issuance discounts	806,633	(1,044,435)	1,851,068
Deferred losses on refunding	<u>(2,107,017)</u>	<u>(1,136,839)</u>	<u>(970,178)</u>
	<u>\$ 165,231,228</u>	<u>\$ 147,363,904</u>	<u>\$ 17,867,324</u>

The City of Madison's total debt increased \$17,867,324 or 12% during fiscal year 2013.

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 \$165,231,228 outstanding, the amount of \$86,690,000 is outstanding general obligation school warrants, which is not chargeable against the allowable debt limit. As of September 30, 2013, the City's allowable debt limit was \$110,162,092. The City's debt applicable to the limit was \$73,388,724 at September 30, 2013.

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

Additional information on the City's long-term debt is in Note 4 on pages 73 - 76 of this report.

ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES

The unemployment rate for the City of Madison was 4.7% in September 2012, and decreased to 4.2% in September 2013. The unemployment rate for the State of Alabama was 6.4% at September 30, 2013. *(data from U.S. Bureau of Labor Statistics)*

During FY 2013, Council elected to raise the City's sales tax by ½ percent (.5%). These funds are to be used for capital replacement, infrastructure repair and replacement and to set aside a reserve for the City. The ½ percent sales tax became effective October 1, 2013. These funds were taken into consideration in preparing the FY 2014 budget. Requested capital (by department) is funded from the additional ½ cent sales, as will the road repairs and maintenance slated to be performed in FY 2014.

Expenditures in the FY 2014 budget were increased by \$985,061 or three percent (3%) over the FY 2013 final amended budget. At the same time, revenues are expected to increase by \$2,657,000 or approximately ten percent (10%), due to the ½ cent sales tax increase.

The FY 2014 projected fund balance for the general fund is expected to increase by \$533,351 or approximately eight percent (8%) over the audited FY 2013 fund balance. The FY 2014 projected fund balance is expected to be approximately 24 percent (24%) of budgeted revenues, which exceeds the 15 percent (15%) requirement of the City's fiscal policy

Request for Information

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



BASIC FINANCIAL STATEMENTS

CITY OF MADISON, ALABAMA
STATEMENT OF NET POSITION
September 30, 2013

	Primary Government	Component Units	
	Governmental Activities	The Water and Wastewater Board	Madison City Board of Education
ASSETS			
Cash and cash equivalents	\$ 27,056,356	\$ 6,165,418	\$ 58,811,845
Cash with fiscal agent	838,533	-	-
Investments	-	-	161,531
Receivables, net			
Tax and tax equivalents	10,207,826	-	-
Grants	234,077	-	-
Other	1,044,352	994,573	2,509,914
Due from component unit	538,969	-	-
Inventory	-	251,319	127,268
Prepaid expenses	211,195	65,616	-
Other	-	-	121,029
Total current assets	<u>40,131,308</u>	<u>7,476,926</u>	<u>61,731,587</u>
Noncurrent assets:			
Other assets	-	10,228,384	-
Bond issue costs, net	1,909,417	1,604,011	-
Capital assets not being depreciated	37,168,350	6,579,816	69,377,897
Capital assets net of accumulated depreciation	<u>131,957,160</u>	<u>160,364,018</u>	<u>84,400,837</u>
Total noncurrent assets	<u>171,034,927</u>	<u>178,776,229</u>	<u>153,778,734</u>
Total assets	<u>211,166,235</u>	<u>186,253,155</u>	<u>215,510,321</u>
LIABILITIES			
Accounts payable and other			
current liabilities	4,358,634	887,495	5,342,599
Interest payable	1,889,041	795,424	-
Due to component unit	464,467	-	-
Deferred revenue	24,570	-	197,140
Noncurrent liabilities:			
Due within one year	3,929,026	2,180,000	1,089,508
Due in more than one year	<u>161,302,202</u>	<u>70,156,442</u>	<u>54,593,187</u>
Total liabilities	<u>171,967,940</u>	<u>74,019,361</u>	<u>61,222,434</u>
NET POSITION			
Net investment in capital assets	144,025,227	96,762,421	98,210,278
Restricted for:			
Debt service	838,533	4,972,007	3,780,662
Capital Improvements	17,488,658	436,447	32,515,128
Other purposes	2,017,784	1,177	-
Unrestricted (Deficit)	<u>(125,171,907)</u>	<u>10,061,742</u>	<u>19,781,819</u>
Total net position	<u>\$ 39,198,295</u>	<u>\$ 112,233,794</u>	<u>\$ 154,287,887</u>

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

**CITY OF MADISON, ALABAMA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013**

	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	\$ 2,045,260	\$ 4,574,283	\$ 81,132	\$ -	\$ 2,610,155	\$ -	\$ -
Police	6,391,926	1,371,189	131,803	66,142	(4,822,792)	-	-
Public Works	7,705,609	914,484	-	5,227,136	(1,563,989)	-	-
City Clerk	723,096	-	-	-	(723,096)	-	-
Recreation	2,474,776	262,987	9,424	205,633	(1,996,732)	-	-
Fire	4,974,746	-	131,401	25,012	(4,818,333)	-	-
Planning	311,790	56,639	4,768	-	(250,383)	-	-
Court	1,320,690	-	-	-	(1,320,690)	-	-
City Council	136,979	-	-	-	(136,979)	-	-
Finance	533,923	-	-	-	(533,923)	-	-
Human Resources	3,670,791	-	-	-	(3,670,791)	-	-
Mayor's Office	296,785	-	-	-	(296,785)	-	-
Revenue	270,793	-	-	-	(270,793)	-	-
Engineering	1,392,612	-	-	-	(1,392,612)	-	-
Senior Center	304,294	-	4,882	-	(299,412)	-	-
Information Technology	398,886	-	-	-	(398,886)	-	-
Legal	245,279	-	-	-	(245,279)	-	-
Building	756,481	-	-	-	(756,481)	-	-
Interest on long-term debt	7,016,825	-	-	-	(7,016,825)	-	-
Total governmental activities	<u>\$ 40,971,541</u>	<u>\$ 7,179,582</u>	<u>\$ 363,410</u>	<u>\$ 5,523,923</u>	(27,904,626)	-	-
Component units:							
The Water and Wastewater Board	\$ 12,427,778	\$ 13,571,014	\$ -	\$ 2,258,624	-	3,401,860	-
Madison City Board of Education	93,448,559	9,243,463	49,877,315	2,500,382	-	-	(31,827,399)
Total component units	<u>\$ 105,876,337</u>	<u>\$ 22,814,477</u>	<u>\$ 49,877,315</u>	<u>\$ 4,759,006</u>	-	3,401,860	(31,827,399)
General revenues:							
Property taxes and payments in lieu of taxes					13,554,137	-	16,838,589
Sales and use taxes					13,735,359	-	10,499,757
Franchise taxes					1,067,279	-	-
Motor fuel taxes					755,510	-	-
Alcoholic beverage taxes					879,765	-	-
Rental taxes					358,657	-	-
Lodging taxes					980,422	-	-
Other taxes					186,199	-	107,811
Unrestricted interest income					210,469	26,873	151,877
Other					1,551,709	-	4,815,421
Special item					-	-	14,419,615
Total general revenues					<u>33,279,506</u>	<u>26,873</u>	<u>46,833,070</u>
Change in net position					5,374,880	3,428,733	15,005,671
Net position - beginning of year					<u>33,823,415</u>	<u>108,805,061</u>	<u>139,282,216</u>
Net position - end of year					<u>\$ 39,198,295</u>	<u>\$ 112,233,794</u>	<u>\$ 154,287,887</u>

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

**CITY OF MADISON, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2013**

	General	General Obligation Bond Collection Fund	School Bonds Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 5,267,496	\$ 1,356,020	\$ -	\$ 19,214,268	\$ 1,218,572	\$ 27,056,356
Cash with fiscal agent	-	-	8,223	-	830,310	838,533
Receivables						
Taxes	5,817,376	4,050,527	-	-	339,923	10,207,826
Grants	1,101	-	-	159,478	2,652	163,231
Accounts	523,139	-	-	25,000	171,213	719,352
Due from component unit	78,561	-	-	-	236,430	314,991
Due from other funds	1,338,856	4,464	-	150	74,007	1,417,477
Prepaid items	211,195	-	-	-	-	211,195
Total Assets	\$ 13,237,724	\$ 5,411,011	\$ 8,223	\$ 19,398,896	\$ 2,873,107	\$ 40,928,961
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 714,802	\$ 1,707	\$ -	\$ 2,123,791	\$ 150,605	\$ 2,990,905
Accrued liabilities	836,098	-	-	-	-	836,098
Due to other funds	78,621	744,024	-	-	594,832	1,417,477
Deferred revenue	4,344,570	3,394,285	-	-	308,570	8,047,425
Due to component unit	464,467	-	-	-	-	464,467
Other liabilities	508,000	-	-	-	-	508,000
Total Liabilities	6,946,558	4,140,016	-	2,123,791	1,054,007	14,264,372
Fund balances:						
Nonspendable:						
Prepaid items	211,195	-	-	-	-	211,195
Restricted:						
Debt service	-	-	8,223	-	830,310	838,533
Capital improvements	-	-	-	17,275,105	213,553	17,488,658
Other	-	1,270,995	-	-	746,789	2,017,784
Assigned	28,324	-	-	-	28,448	56,772
Unassigned	6,051,647	-	-	-	-	6,051,647
Total fund balances	6,291,166	1,270,995	8,223	17,275,105	1,819,100	26,664,589
Total Liabilities and Fund Balances	\$ 13,237,724	\$ 5,411,011	\$ 8,223	\$ 19,398,896	\$ 2,873,107	

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.	169,125,510
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	8,642,679
Accrued expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds.	(150,205)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(165,084,278)</u>
Net position of governmental activities	<u>\$ 39,198,295</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, 2013

	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	\$ 4,330,105	\$ 3,241,763	\$ 4,886,194	\$ -	\$ 673,567	\$ 13,131,629
Sales and use	10,063,464	3,671,895	-	-	-	13,735,359
Franchise	1,067,279	-	-	-	-	1,067,279
Alcoholic beverage	879,765	-	-	-	-	879,765
Rental	358,657	-	-	-	-	358,657
Lodging	980,422	-	-	-	-	980,422
Other	186,199	-	-	-	-	186,199
Licenses and permits	4,520,995	-	-	-	-	4,520,995
Intergovernmental	212,246	-	-	240,636	865,691	1,318,573
Charges for services	1,303,553	-	-	-	-	1,303,553
Fines	1,004,374	-	-	-	339,950	1,344,324
Interest income	67,668	2,266	80	6,820	133,635	210,469
Contributions and donations	36,101	-	-	-	4,882	40,983
Other revenues	892,098	-	-	197,929	1,215,637	2,305,664
Total revenues	25,902,926	6,915,924	4,886,274	445,385	3,233,362	41,383,871
EXPENDITURES						
Current:						
General Administration	996,569	4,557	-	23	604,850	1,605,999
Police	5,940,514	-	-	-	29,532	5,970,046
Public Works	3,173,121	-	-	-	1,164,781	4,337,902
City Clerk	723,982	-	-	-	-	723,982
Recreation	2,171,741	-	-	34,400	-	2,206,141
Fire	4,593,608	-	-	-	-	4,593,608
Planning	312,920	-	-	-	-	312,920
Court	1,285,737	-	-	-	-	1,285,737
City Council	136,944	-	-	-	-	136,944
Finance	509,955	-	-	-	-	509,955
Human Resources	3,669,399	-	-	-	-	3,669,399
Mayor's Office	296,282	-	-	-	-	296,282
Revenue	363,233	-	-	-	-	363,233
Engineering	513,509	-	-	8,724	-	522,233
Senior Center	252,380	-	-	-	-	252,380
Information Technology	340,237	-	-	-	-	340,237
Legal	242,694	-	-	-	-	242,694
Building	746,886	-	-	-	-	746,886
Debt service:						
Principal	610,985	-	895,000	-	1,615,000	3,120,985
Interest	34,398	-	3,991,194	-	2,772,219	6,797,811
Bond issue costs	-	-	-	-	417,289	417,289
Capital outlay	2,410,402	-	-	4,418,934	15,762	6,845,098
Total expenditures	29,325,496	4,557	4,886,194	4,462,081	6,619,433	45,297,761
Excess (deficiency) of revenues over (under) expenditures	(3,422,570)	6,911,367	80	(4,016,696)	(3,386,071)	(3,913,890)
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	3,911,868	1,006	-	20,074,898	4,831,402	28,819,174
Transfers to other funds	(270,053)	(7,015,307)	-	(47,048)	(21,486,766)	(28,819,174)
Sales of capital assets	218,559	-	-	-	-	218,559
Proceeds from capital lease	137,574	-	-	-	-	137,574
Proceeds from note payable	399,550	-	-	-	-	399,550
Bond issue premium	-	-	-	-	1,623,282	1,623,282
Issuance of refunding bonds	-	-	-	-	26,985,000	26,985,000
Payment to refunded bonds escrow agent	-	-	-	-	(8,210,216)	(8,210,216)
Total other financing sources (uses), net	4,397,498	(7,014,301)	-	20,027,850	3,742,702	21,153,749
Net change in fund balances	974,928	(102,934)	80	16,011,154	356,631	17,239,859
Fund balances - beginning of year	5,316,238	1,373,929	8,143	1,263,951	1,462,469	9,424,730
Fund balances - end of year	\$ 6,291,166	\$ 1,270,995	\$ 8,223	\$ 17,275,105	\$ 1,819,100	\$ 26,664,589

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, 2013

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)	\$ 17,239,859
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	2,045,943
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	4,401,633
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(1,099,617)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	560,917
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 issuance costs, 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.	(17,396,916)
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>(376,939)</u>
Change in net position of governmental activities (page 37)	<u><u>\$ 5,374,880</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, 2013

	<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	\$ 4,323,192	\$ 4,418,002	\$ 4,330,105	\$ (87,897)
Sales and use	10,500,400	10,265,000	10,063,464	(201,536)
Franchise	1,032,902	1,048,407	1,067,279	18,872
Alcoholic beverage	918,781	917,822	879,765	(38,057)
Rental	404,000	395,000	358,657	(36,343)
Lodging	1,066,237	1,070,000	980,422	(89,578)
Other	204,528	205,528	186,199	(19,329)
Licenses and permits	4,257,650	4,472,100	4,520,995	48,895
Intergovernmental	203,793	247,793	212,246	(35,547)
Charges for services	1,181,565	1,432,052	1,303,553	(128,499)
Fines	928,674	931,974	1,004,374	72,400
Interest income	53,500	74,216	67,668	(6,548)
Contributions and donations	4,200	40,241	36,101	(4,140)
Other revenues	825,015	878,427	892,098	13,671
Total revenues	25,904,437	26,396,562	25,902,926	(493,636)
EXPENDITURES				
Current:				
General Administration	1,250,920	1,065,120	996,569	68,551
Police	6,307,028	6,369,777	5,940,514	429,263
Public Works	3,160,774	3,193,577	3,173,121	20,456
City Clerk	741,129	741,129	723,982	17,147
Recreation	2,240,286	2,377,472	2,171,741	205,731
Fire	4,719,307	4,818,293	4,593,608	224,685
Planning	325,740	325,740	312,920	12,820
Court	1,130,077	1,213,077	1,285,737	(72,660)
City Council	149,630	219,630	136,944	82,686
Finance	592,443	604,438	509,955	94,483
Human Resources	3,632,168	3,655,924	3,669,399	(13,475)
Mayor's Office	531,031	416,031	296,282	119,749
Revenue	305,018	364,056	363,233	823
Engineering	549,107	549,107	513,509	35,598
Senior Center	266,811	273,826	252,380	21,446
Information Technology	387,422	387,422	340,237	47,185
Legal	250,446	250,446	242,694	7,752
Building	846,234	803,234	746,886	56,348
Debt service:				
Principal	399,349	433,231	610,985	(177,754)
Interest	33,007	36,058	34,398	1,660
Capital outlay	267,633	1,882,779	2,410,402	(527,623)
Total expenditures	28,085,560	29,980,367	29,325,496	654,871
Excess (deficiency) of revenues over (under) expenditures	(2,181,123)	(3,583,805)	(3,422,570)	161,235
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	2,764,805	3,946,258	3,911,868	(34,390)
Transfers to other funds	(294,547)	(312,847)	(270,053)	42,794
Sales of capital assets	2,000	85,983	218,559	132,576
Proceeds from capital lease	-	219,784	137,574	(82,210)
Proceeds from note payable	-	-	399,550	399,550
Total other financing sources, net	2,472,258	3,939,178	4,397,498	458,320
Net change in fund balances	291,135	355,373	974,928	619,555
Fund balances - beginning of year	5,316,238	5,316,238	5,316,238	-
Fund balances - end of year	\$ 5,607,373	\$ 5,671,611	\$ 6,291,166	\$ 619,555

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, 2013

	<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	\$ 3,200,000	\$ 3,200,000	\$ 3,241,763	\$ 41,763
Sales and use	3,700,347	3,700,347	3,671,895	(28,452)
Interest income	6,000	6,000	2,266	(3,734)
Total revenues	6,906,347	6,906,347	6,915,924	9,577
EXPENDITURES				
Current:				
General Administration	6,000	6,000	4,557	1,443
Total expenditures	6,000	6,000	4,557	1,443
Excess of revenues over expenditures	6,900,347	6,900,347	6,911,367	11,020
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	1,006	1,006
Transfers to other funds	(6,860,051)	(6,860,051)	(7,015,307)	(155,256)
Total other financing sources (uses), net	(6,860,051)	(6,860,051)	(7,014,301)	(154,250)
Net change in fund balances	40,296	40,296	(102,934)	(143,230)
Fund balances - beginning of year	1,373,929	1,373,929	1,373,929	-
Fund balances - end of year	\$ 1,414,225	\$ 1,414,225	\$ 1,270,995	\$ (143,230)

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, 2013**

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CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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".

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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

A. FINANCIAL REPORTING ENTITY - Continued

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, 2013

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.

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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

B. BASIS OF PRESENTATION - Continued

Governmental Funds - Continued

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.

Capital Projects Funds

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

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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

B. BASIS OF PRESENTATION - Continued

Governmental Funds - Continued

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.

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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

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

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

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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

Receivables and Payables

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

Receivables and Payables - Continued

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

Madison Utilities 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.

Inventories

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

Prepaid Items

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

Interfund Receivables, Payables and Transfers

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

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

Capital Assets

Capital assets of the City include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), reported in the governmental activities column in the government-wide financial statements. The City defines capital assets as assets having estimated useful lives in excess of one year and exceeding the following threshold amounts: land and land improvements with cost of \$1 or more, buildings and building improvements with cost of \$5,000 or more, infrastructure assets with cost of \$50,000 or more, and all other assets with cost of \$1,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed, or if inadequate records were available to determine the actual cost. The City records donated capital assets at estimated fair market value at the date of donation.

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

The City capitalizes major outlays for capital assets and improvements as projects are constructed. The City does not capitalize interest incurred during the construction phase of capital assets.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

Capital Assets - Continued

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 and proprietary fund 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.

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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

Annual Leave, Sick Leave and Compensated Absences - Continued

Discretely Presently Component Units

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. The employee forfeits any leave that exceeds 30 days of unused leave year. Employees may elect, in writing to donate annual leave to another employee due to serious illness or disability. There is no liability for unpaid accumulated sick leave. Madison Utilities 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.

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. An employee can carry over unused vacation leave to succeeding years to a maximum of 20 days for less than 10 years of service and 30 days for greater than 10 years of service.

Professional and support employees earn non-vesting sick leave at the rate of one day per month worked. Employees may accumulate unlimited days of sick leave. Employees may use their accrued sick leave as membership service in determining the total year of creditable service in the Teachers' Retirement System, with no additional cost to Madison 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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as noncurrent assets and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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:

- **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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

Fund Balance Classifications - Continued

The City has recorded the following restrictions at September 30, 2013:

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

• **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, 2013.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued -

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

Fund Balance Classifications - Continued

• **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, 2013:

- (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, 2013

• **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.

Net Position

Net position represents the difference between assets and liabilities of the governmental and proprietary 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, 2013

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 \$169,125,510 are as follows:

Land	\$	30,895,071
Construction in progress		6,273,279
Improvements to land		66,964
Less: Accumulated depreciation		(6,696)
Buildings		13,268,546
Less: Accumulated depreciation		(4,144,835)
Building improvements		4,152,360
Less: Accumulated depreciation		(994,574)
Improvements other than buildings		2,845,862
Less: Accumulated depreciation		(834,065)
Machinery and equipment		15,682,047
Less: Accumulated depreciation		(11,506,027)
Infrastructure		156,096,156
Less: Accumulated depreciation		(42,684,411)
Other capital assets		19,000
Less: Accumulated depreciation		<u>(3,167)</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>\$ 169,125,510</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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 (\$165,084,278) difference are as follows:

Bonds payable	\$ (164,510,000)
Less: Deferred charge for issuance costs to be amortized over life of debt	1,909,417
Deferred losses on refunding	2,107,017
Add: Issuance premiums	(806,633)
Accrued interest payable	(1,889,041)
Notes payable	(199,775)
Capital lease payable	(748,978)
Compensated absences	(735,362)
Other postemployment benefits	<u>(210,923)</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>\$ (165,084,278)</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 \$2,045,943 difference are as follows:

Capital outlay	\$ 6,845,098
Depreciation expense	<u>(4,799,155)</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>\$ 2,045,943</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

**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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

The details of this (\$17,396,916) difference are as follows:

Debt issued or incurred:	
General obligation school debt	\$ (26,985,000)
Plus premium	(1,623,282)
Bond issuance expense	417,289
Note payable	(399,550)
Capital lease financing	(137,574)
Principal repayments:	
General obligation debt	2,510,000
Payments on capital leases	411,210
Note payable	199,775
Payment to escrow agent for refunding	<u>8,210,216</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>\$ (17,396,916)</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013**

**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 (\$376,939) difference are as follows:

Compensated absences	\$ 47,851
Accrued interest	(219,014)
Amortization of issuance costs	(106,037)
Amortization of bond discounts	(32,490)
Amortization of deferred losses on debt refunding	(128,711)
Claims and judgments	94,000
Other postemployment benefits	<u>(32,538)</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>\$ (376,939)</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, the forward purchase bond fund, and the 2001 capital improvement fund of the capital projects funds, and the 2013-A bond fund of the debt service funds. All annual appropriations lapse at fiscal year-end.

The budget preparation is coordinated through the mayor's office and the finance department. Each head of the city departments is responsible for preparing and submitting their appropriation requests according to the budget schedule. The mayor submits the proposed budget to the city council finance committee. The city council finance committee holds meetings to review and make recommended changes to the proposed budget. After the city council finance committee completes a final review of the proposed budget, the proposed budget document is submitted to the city council for discussion and review at public work sessions. After the city council holds all scheduled work sessions, the proposed budget is presented to the city council at a regular scheduled council meeting for a public hearing and consideration for adoption before October 1.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013**

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	Court	\$ 72,660
	Human Resources	\$ 13,475

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, 2013.

NOTE 4. DETAILED NOTES ON ALL FUNDS -

A. DEPOSITS AND INVESTMENTS

Primary Government

At September 30, 2013, 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, 2013

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, 2013, the City had investments in money market accounts with fair value of \$478,072 with weighted average maturity of 52 days rated AAAM by Standard and Poor's and Aaa-mf by Moody's. The City also had investments in U.S. Treasury obligations held by banks trust departments with fair value of \$360,461 with weighted average maturity of 56 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, 2013, 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, 2013, 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, 2013, 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, 2013

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

B. DEFERRED REVENUES AND RECEIVABLES

Deferred Revenue

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

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (general fund)	\$ 4,320,000	\$ -
Property taxes receivable (library fund)	308,570	-
Property taxes receivable (general obligation bond collection fund)	3,394,285	-
Sidewalk revenue (general fund)	-	24,570
	<u>\$ 8,022,855</u>	<u>\$ 24,570</u>

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

	<u>General Fund</u>	<u>General Obligation Bond Collection Fund</u>	<u>Capital Improvement Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables:					
Taxes	\$ 5,817,376	\$ 4,050,527	\$ -	\$ 339,923	\$ 10,207,826
Grants	1,101	-	159,478	2,652	163,231
Accounts	523,139	-	25,000	171,213	719,352
	<u>\$ 6,341,616</u>	<u>\$ 4,050,527</u>	<u>\$ 184,478</u>	<u>\$ 513,788</u>	<u>\$ 11,090,409</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

C. CAPITAL ASSETS

The Capital asset activity of the Primary Government for the year ended September 30, 2013, is as follows:

<u>Governmental Activities</u>	Balance October 1, 2012	Increase	Decrease	Transfers	Balance September 30, 2013
Capital assets, not being depreciated					
Land	\$ 28,946,397	\$ 1,948,674	\$ -	\$ -	\$ 30,895,071
Construction in progress	<u>5,714,745</u>	<u>4,096,958</u>	<u>(856,838)</u>	<u>(2,681,586)</u>	<u>6,273,279</u>
Total capital assets not being depreciated	34,661,142	6,045,632	(856,838)	(2,681,586)	37,168,350
Capital assets, being depreciated					
Improvements to land	66,964	-	-	-	66,964
Buildings	13,261,383	13,347	(6,184)	-	13,268,546
Building improvements	4,169,883	45,301	(57,204)	(5,620)	4,152,360
Improvements other than buildings	2,784,425	77,757	(12,622)	(3,698)	2,845,862
Machinery and equipment	15,555,479	1,496,229	(1,378,979)	9,318	15,682,047
Infrastructure	149,846,105	3,568,465	-	2,681,586	156,096,156
Other	<u>19,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,000</u>
Total capital assets being depreciated	185,703,239	5,201,099	(1,454,989)	2,681,586	192,130,935
Less accumulated depreciation for:					
Improvements to land	(3,348)	(3,348)	-	-	(6,696)
Buildings	(3,825,778)	(320,938)	1,880	1	(4,144,835)
Building improvements	(801,867)	(205,815)	12,246	862	(994,574)
Improvements other than buildings	(707,138)	(133,629)	5,269	1,433	(834,065)
Machinery and equipment	(11,660,152)	(1,036,396)	1,192,815	(2,294)	(11,506,027)
Infrastructure	(39,588,095)	(3,096,315)	-	(1)	(42,684,411)
Other	<u>(452)</u>	<u>(2,714)</u>	<u>-</u>	<u>(1)</u>	<u>(3,167)</u>
Total accumulated depreciation	<u>(56,586,830)</u>	<u>(4,799,155)</u>	<u>1,212,210</u>	<u>-</u>	<u>(60,173,775)</u>
Total capital assets being depreciated, net	<u>129,116,409</u>	<u>401,944</u>	<u>(242,779)</u>	<u>2,681,586</u>	<u>131,957,160</u>
Governmental activities, capital assets, net	<u>\$ 163,777,551</u>	<u>\$ 6,447,576</u>	<u>\$ (1,099,617)</u>	<u>\$ -</u>	<u>\$ 169,125,510</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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	\$ 137,745
Police	433,111
Public Works	3,389,750
City Clerk	3,464
Recreation	262,078
Fire	393,832
Planning	883
Court	1,921
City Council	35
Finance	26,589
Human Resources	1,460
Mayor's Office	1,826
Revenue	1,305
Engineering	16,562
Senior Center	54,561
Information Technology	59,891
Legal	247
Building	<u>13,895</u>
Total depreciation expense - governmental activities	<u>\$ 4,799,155</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

C. CAPITAL ASSETS - Continued

Discretely presented components units

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

	<u>Balance October 1, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance September 30, 2013</u>
Water system	\$ 92,059,769	\$ 1,563,547	\$ 120,748	\$ 93,502,568
Wastewater system	106,080,156	1,604,485	-	107,684,641
General plant	4,858,924	365,947	125,027	5,099,844
Construction in progress	<u>1,292,303</u>	<u>5,597,423</u>	<u>3,533,979</u>	<u>3,355,747</u>
Total capital assets, being depreciated	204,291,152	9,131,402	3,779,754	209,642,800
Less accumulated depreciation for:				
	15,461,231	2,030,726	47,092	17,444,865
Wastewater system	19,770,622	2,317,999	1	22,088,620
General plant	<u>3,019,319</u>	<u>271,198</u>	<u>125,036</u>	<u>3,165,481</u>
Total accumulated depreciation	<u>38,251,172</u>	<u>4,619,923</u>	<u>172,129</u>	<u>42,698,966</u>
Madison Water and Wastewater Board capital assets, net	<u>\$ 166,039,980</u>	<u>\$ 4,511,479</u>	<u>\$ 3,607,625</u>	<u>\$ 166,943,834</u>

Depreciation expense charged as follows:

Expense	\$ 4,549,854
Other	<u>70,069</u>
	<u>\$ 4,619,923</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

C. CAPITAL ASSETS - Continued

Discretely presented components units - Continued

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

<u>Governmental Activities</u>	<u>Balance October 1, 2012</u>	<u>Additions</u>	<u>Retirements and Reclassifications</u>	<u>Balance September 30, 2013</u>
Governmental activities:				
Land	\$ 7,410,334	\$ -	\$ -	\$ 7,410,334
Land Improvements	8,587,093	43,650	-	8,630,743
Buildings	103,736,741	15,627	23,110	103,729,258
Equipment	4,167,383	422,784	-	4,590,167
Construction in progress	58,159,401	3,808,162	-	61,967,563
Vehicles	<u>5,383,204</u>	<u>303,938</u>	<u>10,000</u>	<u>5,677,142</u>
Total at historic cost	187,444,156	4,594,161	33,110	192,005,207
Less accumulated depreciation for:				
Land Improvements	4,423,326	339,655	-	4,762,981
Buildings	25,073,294	1,993,744	19,135	27,047,903
Equipment	2,511,572	423,208	-	2,934,780
	<u>3,103,630</u>	<u>386,679</u>	<u>9,500</u>	<u>3,480,809</u>
Total accumulated depreciation	<u>35,111,822</u>	<u>3,143,286</u>	<u>28,635</u>	<u>38,226,473</u>
Governmental activities, capital assets, net	<u>\$ 152,332,334</u>	<u>\$ 1,450,875</u>	<u>\$ 4,475</u>	<u>\$ 153,778,734</u>

Depreciation expense charged to governmental functions is as follows:

Instructional services	\$ 2,074,569
Instructional support services	345,762
Operational and maintenance services	62,866
Student transportation services	377,194
Food services	<u>282,895</u>
Total governmental activities depreciation expense	<u>\$ 3,143,286</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded and payments are made. The composition of interfund balances as of September 30, 2013, is as follows:

Due to/from other funds (Primary Government):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	G.O. Bond Collection Fund	\$ 744,024
General Fund	Non-major governmental funds	594,832
G.O. Bond Collection Fund	General Fund	4,464
Capital Improvement Fund	General Fund	150
Non-major governmental funds	General Fund	<u>74,007</u>
	Total	<u>\$ 1,417,477</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. During the year ended September 30, 2013, the City made a one-time transfer of \$20,033,000 from the 2013-A bond fund, a non-major debt service fund, to the capital improvement fund for the purpose of funding construction on various capital improvement projects in the City.

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Non-major governmental funds	\$ 269,047
General Fund	G.O. Bond Collection Fund	1,006
G.O. Bond Collection Fund	General Fund	2,500,000
G.O. Bond Collection Fund	Non-major governmental funds	4,515,307
Non-major governmental funds	Capital Improvement Fund	20,074,898
Non-major governmental funds	General Fund	1,411,868
Capital Improvement Fund	Non-major governmental funds	<u>47,048</u>
	Total	<u>\$ 28,819,174</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

E. CAPITAL LEASES

Primary Government

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 1,587,253
Less: Accumulated depreciation	670,984
Total	\$ 916,269

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2013, are as follows:

Year Ending September 30	Governmental Activities
2014	\$ 272,867
2015	224,102
2016	111,230
2017	111,230
2018	80,939
Total minimum lease payments	800,368
Less: amount representing interest	(51,390)
Present value of minimum lease payments	\$ 748,978

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

F. LONG-TERM DEBT

Primary Government

General Obligation Warrants

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

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

Source of Repayment of Long-Term Debt

The repayment of the City's general obligation long-term debt is provided by resources in the special revenue funds and accounted for in the debt service funds (2005 bond fund, 2006 bond fund, 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, 2013, are as follows:

	<u>Original Issue Amount</u>	<u>Maturity Date</u>	<u>Range of Interest Rates</u>	<u>Balance at 9/30/2013</u>
<u>General Obligation Warrants</u>				
Series 2005	\$ 18,775,000	4/1/2023	4.70% - 5.75%	\$ 8,305,000
Series 2006-A	37,980,000	12/1/2036	3.50% - 4.54%	35,855,000
Series 2011 - Taxable	7,300,000	3/1/2022	1.50% - 5.24%	6,675,000
Series 2013-A	26,985,000	4/1/2037	3.125% - 5.00%	26,985,000
<u>General Obligation School Warrants</u>				
Series 2008-A	12,235,000	3/1/2025	2.40% - 4.750%	11,775,000
Series 2009	51,110,000	2/1/2039	1.25% - 5.250%	50,710,000
Series 2011-A	6,525,000	11/1/2026	0.85% - 4.000%	6,150,000
Series 2011-B	18,460,000	2/1/2032	2.00% - 4.200%	18,055,000
	<u>\$ 179,370,000</u>			<u>\$ 164,510,000</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

F. LONG-TERM DEBT - Continued

Primary Government - Continued

Advance Refunding

In May 2013, the City issued \$26,985,000 General Obligation School Warrants with interest rates ranging from 3.125% to 5.000% for an advance partial refunding of the 2005 General Obligation Warrant, which had interest rates ranging from 4.70% to 5.75%, and to provide funding for capital projects in the amount of \$20,033,000. \$8,210,216 of the net proceeds (including a \$1,623,282 premium and after payment of \$365,066 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for future debt service payments on the refunded bonds. As a result, the refunded portion of the 2005 General Obligation Warrant is considered defeased and the liability for the refunded portion of those bonds has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,098,889. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The City refunded the 2005 General Obligation Warrants to reduce total future debt service payments. The transaction reduced debt service payments by \$302,481 and resulted in an economic gain of \$459,363.

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, 2013. At September 30, 2013, that amount was \$110,162,092. As of September 30, 2013, the total outstanding debt applicable to the limit was \$73,388,724 which is 66.62 percent of the total debt limit.

Issuance of Note Payable

In November 2012, the City entered into a payment agreement with the seller of certain real property which called for payments due extending beyond one year. The total amount agreed on for the City to pay was \$399,550 with payments due in four (4) equal installments of \$99,987.50 on execution of the deed to the City and then January 15 of each successive year with maturity on January 15, 2015. This note is included with the City's general obligation warrants in long-term debt future debt service below.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

F. LONG-TERM DEBT - Continued

Primary Government - Continued

Future Debt Service

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

Year Ending <u>September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 3,049,888	\$ 7,259,111
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 - 2023	23,575,000	31,638,446
2024 - 2028	36,060,000	24,984,313
2029 - 2033	39,100,000	16,745,366
2034 - 2038	43,550,000	6,682,036
2039	5,545,000	142,784
Total governmental activities	<u>\$ 164,709,775</u>	<u>\$ 115,588,877</u>

Changes in long-term liabilities

During the year ended September 30, 2013, the following changes occurred in the City's long-term liabilities:

<u>Governmental Activities</u>	Balance October 1,	Additions	Reductions	Balance	Amounts Due
	2012			2013	Within One Year
Compensated absences	\$ 949,179	\$ 715,672	\$ 802,915	\$ 861,936	\$ 802,915
Other post-employment benefits	178,385	38,717	6,179	210,923	-
Capital lease obligations	1,022,614	137,574	411,210	748,978	250,583
Notes payable	-	399,550	199,775	199,775	99,888
General obligation warrants	147,395,000	26,985,000	9,870,000	164,510,000	2,950,000
Less deferred amounts for:					
Issuance premium (discounts)	(1,044,435)	1,623,282	(227,786)	806,633	18,453
Deferred losses on refunding	(1,136,839)	(1,098,889)	(128,711)	(2,107,017)	(192,813)
	<u>\$ 147,363,904</u>	<u>\$ 28,800,906</u>	<u>\$ 10,933,582</u>	<u>\$ 165,231,228</u>	<u>\$ 3,929,026</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

F. 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, 2013, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 2,180,000	\$ 2,771,191
2015	2,265,000	2,702,505
2016	2,350,000	2,635,941
2017	2,435,000	2,564,837
2018	2,530,000	2,490,799
2019 - 2023	13,530,000	11,248,482
2024 - 2028	16,695,000	8,244,524
2029 - 2033	20,765,000	4,163,484
2034 - 2035	8,240,000	323,850
	<u>\$ 70,990,000</u>	<u>\$ 37,145,613</u>

Changes in long-term liabilities

During the year ended September 30, 2013, the following changes in the liabilities reported for Madison Utilities, a discretely presented component unit:

	<u>Balance October 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2013</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$ 73,095,000	\$ -	\$ 2,105,000	\$ 70,990,000	\$ 2,180,000
Long-term liabilities	\$ 73,095,000	\$ -	\$ 2,105,000	\$ 70,990,000	\$ 2,180,000

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued -

G. 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	\$ 838,533
Capital improvements	Law	17,488,658
Non-major special revenue funds	Law	<u>2,017,784</u>
Total restricted net position		<u><u>\$ 20,344,975</u></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, 2013

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 \$360,929 from Madison Utilities for the year ended September 30, 2013 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 \$236,430 from Madison Utilities during the year ended September 30, 2013 for these funds related to Madison Utilities' fiscal year ended September 30, 2012. The City has accrued an additional \$223,978 in the statement of net position for funds due to the City from Madison Utilities based on Madison Utilities' reported revenue for the 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, 2013, the City received \$386,061 from the North Alabama Gas District.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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 November 2013, the City entered into a lease agreement with a local heavy equipment supplier to provide the use of a piece of heavy equipment in the City. The present value of the minimum lease payments due is \$254,573. The lease calls for monthly payments of approximately \$4,600 with a term of 60 months.

In February 2014, the City entered into a contract for the construction of the Downtown Phase II project in the amount of \$1,145,678.

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 7, 2014, which is the date the financial statements were available for issuance.

E. COMMITMENTS AND CONTINGENCIES

The City is a defendant in several lawsuits. The City has entered into a settlement agreement on one lawsuit. The City's liability for this settlement is \$150,205 at September 30, 2013. The full \$150,205 liability has been accrued as of September 30, 2013. The outcome of the other lawsuits is not presently determinable. In management's opinion the resolution of these matters will not have a material adverse effect on the financial condition of the City.

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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, 2013, was 8.68% of covered payroll.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 5. OTHER INFORMATION - Continued -

F. DEFINED BENEFITS PENSION PLAN - Continued

Primary Government - Continued

Annual Pension Cost

For fiscal year September 30, 2013, the City's annual pension cost of \$1,230,048 was equal to the City's required and actual annual contributions. The required contribution was determined as part of the September 30, 2012 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, 2012 was 22 years.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, the pension liability of \$-0- calculated at the transition date. Trend information for the most current valuation year is as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2010	\$1,384,917	100.0%	\$0
9/30/2011	\$1,495,915	100.0%	\$0
9/30/2012	\$1,295,815	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>
9/30/2012	\$30,535,220	\$41,140,229	\$10,605,009	74.2%	\$14,474,629	73.3%

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, 2013

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. The employee retirement system established as of October 1, 1945, was placed under the management of the board of control (currently 10 members) by Act 515, Acts of Alabama 1945. Membership is mandatory for covered or eligible employees. Primary authority to amend the Plan is retained by the Legislature of the State of Alabama. However, the Legislature granted authority to RSA and then to each agency to accept or reject cost-of-living adjustments (COLA) available to retirees. RSA issues a publicly available financial report that includes financial statements and required supplementary information. Readers may obtain the report by writing to the Retirement Systems of Alabama, P.O. Box 302150, Montgomery, AL 36130-2150.

Funding Policy

The Pension Plan provides pension benefits, deferred allowances, death and disability benefits and surviving spouse benefits. A member may retire after reaching the age of 60 or accumulating 25 years of eligible service. Benefits vest after 10 years of service. Employees of Madison Utilities Board are required to pay 7.25% of their gross earnings to the pension plan. Madison Utilities Board is required to contribute the remaining amounts necessary to fund the plan, using the actuarial method, "entry age normal".

Annual Pension Cost

Beginning October 1, 2014, Madison Utilities will be required to contribute the following percentage of gross payroll to the plan:

Normal cost	0.72%
Accrued liability	6.33%
Pre-retirement death benefit	0.14%
Administrative expense	<u>0.21%</u>
Total	<u>7.40%</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013**

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, 2012, the most recent year for which information is available, the Annual Pension Cost is as follows:

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2010	\$175,677	100.0%	\$0
9/30/2011	\$184,964	100.0%	\$0
9/30/2012	\$122,306	100.0%	\$0

Schedule of Funding Progress for the System

Madison Utilities Board Funding Progress in the schedule below is equal to the Utilities' required and actual contributions. The required contribution was determined as part of the September 30, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included in (a) an 8% investment rate of return (net of administrative expenses), (b) projected salary increases of between 3.75% and 7.25% a year, (c) 0% per year cost of living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of Madison Utilities assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year smoothed market period.

Madison Utilities' unfunded actuarial liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2012 was 30 years.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013**

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, 2012, the most recent year for which information is available, the schedule of funding progress for Madison Utilities is as follows:

Actuarial Valuation Date	Actuarial Value of Assets*	Actuarial Accrued Liability (AAL) ¹	Funding Under/(Over) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL Percentage of Payroll
9/30/2010 ²	\$4,891,169	\$7,114,669	\$2,223,500	68.7%	\$2,349,145	94.7%
9/30/2011 ²	\$4,853,172	\$7,118,160	\$2,264,988	68.2%	\$2,443,587	92.7%
9/30/2012 ³	\$4,993,942	\$7,046,459	\$2,052,517	70.9%	\$2,062,676	99.5%

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

² Reflects impact of Act 2011-27 and Act 2011-676 that increases member contributions by 2.25% in 2011 and .25% in 2012

³ Value of assets is reflected at market value

* Market Value of Assets as of September 30, 2012: \$4,993,942

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, 2013

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, 2013

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, 2013**

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>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution (ARC)	\$ 41,898	\$ 41,750	\$ 41,750
Interest on net OPEB obligation	7,135	5,827	4,283
Adjustments to annual required contribution	<u>(10,316)</u>	<u>(9,115)</u>	<u>(6,193)</u>
Annual OPEB cost	38,717	38,462	39,840
Actual annual employer contribution - in net position of governmental activities	<u>(6,179)</u>	<u>(5,767)</u>	<u>(1,236)</u>
Change in net OPEB obligation	32,538	32,695	38,604
Beginning net OPEB obligation	<u>178,385</u>	<u>145,690</u>	<u>107,086</u>
Ending net OPEB obligation	<u>\$ 210,923</u>	<u>\$ 178,385</u>	<u>\$ 145,690</u>

Funding Status and Funding Progress

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. As of September 30, 2012, the actuarial accrued liability was \$512,337.

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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 5. OTHER INFORMATION - Continued -

G. OTHER POSTEMPLOYMENT BENEFITS - Continued

Primary Government - Continued

Actuarial Methods and Assumptions - continued

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.



REQUIRED SUPPLEMENTARY INFORMATION



CITY OF MADISON, ALABAMA

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

September 30, 2013

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)
9/30/2007	\$21,965,631	\$29,197,548	\$7,231,917	75.2%	\$13,225,948	54.7%
9/30/2008	\$24,205,496	\$33,258,128	\$9,052,632	72.8%	\$14,636,269	61.9%
9/30/2009	\$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%

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

¹ Reflects the impact of Act 2011-27, which closes the DROP program to new applicants

³ Reflects changes in actuarial assumptions.

⁴ Reflects changes to interest smoothing methodology.

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

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFIT PLAN

September 30, 2013

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)
9/30/2010	\$0	\$489,174	\$489,174	0.00%	\$15,305,233	3.20%
9/30/2011	\$0	\$489,174	\$489,174	0.00%	\$15,305,233	3.20%
9/30/2012	\$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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
Property and payments in lieu of taxes	\$ 4,886,194	\$ 4,886,194	\$ 4,886,194	\$ -
Interest income	-	-	80	80
Total revenues	4,886,194	4,886,194	4,886,274	80
EXPENDITURES				
Debt service:				
Principal	895,000	895,000	895,000	-
Interest	3,991,194	3,991,194	3,991,194	-
Total expenditures	4,886,194	4,886,194	4,886,194	-
Net change in fund balances	-	-	80	80
Fund balances - beginning of year	8,143	8,143	8,143	-
Fund balances - end of year	<u>\$ 8,143</u>	<u>\$ 8,143</u>	<u>\$ 8,223</u>	<u>\$ 80</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, 2013**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,218,572	\$ -	\$ -	\$ 1,218,572
Cash with fiscal agent	-	830,310	-	830,310
Receivables				
Taxes	339,923	-	-	339,923
Grants	2,652	-	-	2,652
Accounts	171,213	-	-	171,213
Due from component unit	236,430	-	-	236,430
Due from other funds	74,007	-	-	74,007
Total assets	\$ 2,042,797	\$ 830,310	\$ -	\$ 2,873,107
LIABILITIES				
Accounts payable	\$ 150,605	\$ -	\$ -	\$ 150,605
Due to other funds	594,832	-	-	594,832
Deferred revenue	308,570	-	-	308,570
Total liabilities	1,054,007	-	-	1,054,007
FUND BALANCES				
Restricted				
Debt service	-	830,310	-	830,310
Capital improvements	213,553	-	-	213,553
Other	746,789	-	-	746,789
Assigned	28,448	-	-	28,448
Total fund balances	988,790	830,310	-	1,819,100
Total liabilities and fund balances	\$ 2,042,797	\$ 830,310	\$ -	\$ 2,873,107

CITY OF MADISON, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Taxes	\$ 673,567	\$ -	\$ -	\$ 673,567
Intergovernmental	865,691	-	-	865,691
Fines	339,950	-	-	339,950
Contributions and donations	4,882	-	-	4,882
Interest income	1,612	132,023	-	133,635
Other	1,215,637	-	-	1,215,637
	<u>3,101,339</u>	<u>132,023</u>	<u>-</u>	<u>3,233,362</u>
EXPENDITURES				
General Administration	604,850	-	-	604,850
Police	29,532	-	-	29,532
Public Works	1,164,781	-	-	1,164,781
Debt service:				
Principal	-	1,615,000	-	1,615,000
Interest	-	2,772,219	-	2,772,219
Bond issue costs	-	417,289	-	417,289
Capital outlay	15,762	-	-	15,762
	<u>1,814,925</u>	<u>4,804,508</u>	<u>-</u>	<u>6,619,433</u>
Excess (deficiency) of revenues over (under) expenditures	1,286,414	(4,672,485)	-	(3,386,071)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	269,047	4,562,355	-	4,831,402
Transfers to other funds	(1,411,868)	(20,033,000)	(41,898)	(21,486,766)
Bond issue premium	-	1,623,282	-	1,623,282
Issuance of refunding bonds	-	26,985,000	-	26,985,000
Payment to refunded bonds escrow agent	-	(8,210,216)	-	(8,210,216)
	<u>(1,142,821)</u>	<u>4,927,421</u>	<u>(41,898)</u>	<u>3,742,702</u>
Net change in fund balances	143,593	254,936	(41,898)	356,631
Fund balances - beginning of year	845,197	575,374	41,898	1,462,469
Fund balances - end of year	<u>\$ 988,790</u>	<u>\$ 830,310</u>	<u>\$ -</u>	<u>\$ 1,819,100</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.

**CITY OF MADISON, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	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	Total Nonmajor Governmental Funds
ASSETS										
Cash and cash equivalents	\$ 666,127	\$ 80,785	\$ 28,448	\$ 21,087	\$ 179,185	\$ 213,553	\$ 438	\$ -	\$ 28,949	\$ 1,218,572
Receivables:										
Taxes	-	-	-	339,923	-	-	-	-	-	339,923
Grants	-	-	-	-	-	-	-	2,652	-	2,652
Accounts	156,322	14,891	-	-	-	-	-	-	-	171,213
Due from component unit	-	-	-	-	-	-	-	-	236,430	236,430
Due from other funds	25,269	-	-	16,962	30,276	-	1,500	-	-	74,007
Total assets	\$ 847,718	\$ 95,676	\$ 28,448	\$ 377,972	\$ 209,461	\$ 213,553	\$ 1,938	\$ 2,652	\$ 265,379	\$ 2,042,797
LIABILITIES										
Accounts payable	\$ 90,845	\$ 52,736	\$ -	\$ 3,375	\$ -	\$ -	\$ -	\$ -	\$ 3,649	\$ 150,605
Due to other funds	564,205	6,726	-	21,132	117	-	-	2,652	-	594,832
Deferred revenue	-	-	-	308,570	-	-	-	-	-	308,570
Total liabilities	655,050	59,462	-	333,077	117	-	-	2,652	3,649	1,054,007
FUND BALANCES										
Restricted:										
Capital improvements	-	-	-	-	-	213,553	-	-	-	213,553
Other	192,668	36,214	-	44,895	209,344	-	1,938	-	261,730	746,789
Assigned	-	-	28,448	-	-	-	-	-	-	28,448
Total fund balances	192,668	36,214	28,448	44,895	209,344	213,553	1,938	-	261,730	988,790
Total liabilities and fund balances	\$ 847,718	\$ 95,676	\$ 28,448	\$ 377,972	\$ 209,461	\$ 213,553	\$ 1,938	\$ 2,652	\$ 265,379	\$ 2,042,797

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, 2013

	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	Total Nonmajor Governmental Funds
REVENUES										
Taxes	\$ 378,873	\$ -	\$ -	\$ 294,694	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 673,567
Intergovernmental	755,510	81,132	-	-	-	-	-	29,049	-	865,691
Fines	-	-	-	-	339,950	-	-	-	-	339,950
Contributions and donations	-	-	4,882	-	-	-	-	-	-	4,882
Other	10,710	-	-	1,054	-	967,223	220	-	236,430	1,215,637
Interest income	674	61	24	139	68	598	1	-	47	1,612
Total revenues	1,145,767	81,193	4,906	295,887	340,018	967,821	221	29,049	236,477	3,101,339
EXPENDITURES										
Current:										
General Administration	143	52,748	5	551,954	-	-	-	-	-	604,850
Police	-	-	-	-	-	-	483	29,049	-	29,532
Public Works	1,137,705	-	-	-	-	-	-	-	27,076	1,164,781
Capital outlay	15,762	-	-	-	-	-	-	-	-	15,762
Total expenditures	1,153,610	52,748	5	551,954	-	-	483	29,049	27,076	1,814,925
Excess (deficiency) of revenues over (under) expenditures	(7,843)	28,445	4,901	(256,067)	340,018	967,821	(262)	-	209,401	1,286,414
OTHER FINANCING SOURCES (USES)										
Transfers from other funds	-	-	-	269,047	-	-	-	-	-	269,047
Transfers to other funds	-	-	-	-	(287,831)	(1,121,652)	-	(2,385)	-	(1,411,868)
Total other financing sources (uses), net	-	-	-	269,047	(287,831)	(1,121,652)	-	(2,385)	-	(1,142,821)
Net change in fund balances	(7,843)	28,445	4,901	12,980	52,187	(153,831)	(262)	(2,385)	209,401	143,593
Fund balances - beginning of year	200,511	7,769	23,547	31,915	157,157	367,384	2,200	2,385	52,329	845,197
Fund balances - end of year	\$ 192,668	\$ 36,214	\$ 28,448	\$ 44,895	\$ 209,344	\$ 213,553	\$ 1,938	\$ -	\$ 261,730	\$ 988,790

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, 2013

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes	\$ 385,000	\$ 378,873	\$ (6,127)
Intergovernmental	822,000	755,510	(66,490)
Interest income	1,200	674	(526)
Other	<u>5,000</u>	<u>10,710</u>	<u>5,710</u>
Total revenues	1,213,200	1,145,767	(67,433)
EXPENDITURES			
Current:			
General Administration	-	143	(143)
Public Works	1,087,960	1,137,705	(49,745)
Capital Outlay	<u>-</u>	<u>15,762</u>	<u>(15,762)</u>
Total expenditures	<u>1,087,960</u>	<u>1,153,610</u>	<u>(65,650)</u>
Net change in fund balances	125,240	(7,843)	(133,083)
Fund balances - beginning of year	<u>200,511</u>	<u>200,511</u>	<u>-</u>
Fund balances - end of year	<u><u>\$ 325,751</u></u>	<u><u>\$ 192,668</u></u>	<u><u>\$ (133,083)</u></u>

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, 2013

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Intergovernmental	\$ 78,055	\$ 81,132	\$ 3,077
Interest income	100	61	(39)
	<u>78,155</u>	<u>81,193</u>	<u>3,038</u>
Total revenues			
EXPENDITURES			
Current:			
General Administration	<u>50,736</u>	<u>52,748</u>	<u>(2,012)</u>
	<u>50,736</u>	<u>52,748</u>	<u>(2,012)</u>
Total expenditures			
Excess of revenues over expenditures	27,419	28,445	1,026
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	<u>(34,974)</u>	<u>-</u>	<u>34,974</u>
Total other financing sources (uses)	<u>(34,974)</u>	<u>-</u>	<u>34,974</u>
Net change in fund balances	(7,555)	28,445	36,000
Fund balances - beginning of year	<u>7,769</u>	<u>7,769</u>	<u>-</u>
Fund balances - end of year	<u><u>\$ 214</u></u>	<u><u>\$ 36,214</u></u>	<u><u>\$ 36,000</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, 2013**

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Contributions and donations	\$ 700	\$ 4,882	\$ 4,182
Interest income	20	24	4
	<u> </u>	<u> </u>	<u> </u>
Total revenues	720	4,906	4,186
 EXPENDITURES			
Current:			
General Administration	-	5	(5)
Senior Center	7,520	-	7,520
Capital Outlay	3,000	-	3,000
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	10,520	5	10,515
 Net change in fund balances			
	(9,800)	4,901	14,701
 Fund balances - beginning of year			
	23,547	23,547	-
	<u> </u>	<u> </u>	<u> </u>
 Fund balances - end of year			
	\$ 13,747	\$ 28,448	\$ 14,701
	<u> </u>	<u> </u>	<u> </u>

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

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes	\$ 295,000	\$ 294,694	\$ (306)
Interest income	150	139	(11)
Other	5,000	1,054	(3,946)
	Total revenues	300,150	295,887
			(4,263)
EXPENDITURES			
Current:			
General Administration	553,996	551,954	2,042
	Total expenditures	553,996	551,954
			2,042
Deficiency of revenues under expenditures	(253,846)	(256,067)	(2,221)
OTHER FINANCING SOURCES			
Transfers from other funds	269,047	269,047	-
	Total other financing sources	269,047	-
			-
Net change in fund balances	15,201	12,980	(2,221)
Fund balances - beginning of year	31,915	31,915	-
Fund balances - end of year	\$ 47,116	\$ 44,895	\$ (2,221)

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

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Fines	\$ 235,900	\$ 339,950	\$ 104,050
Interest income	-	68	68
	<u> </u>	<u> </u>	<u> </u>
Total revenues	235,900	340,018	104,118
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(287,831)	(287,831)	-
	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	(287,831)	(287,831)	-
Net change in fund balances	(51,931)	52,187	104,118
Fund balances - beginning of year	<u>157,157</u>	<u>157,157</u>	<u>-</u>
Fund balances - end of year	<u>\$ 105,226</u>	<u>\$ 209,344</u>	<u>\$ 104,118</u>

CITY OF MADISON, ALABAMA
MUNICIPAL GOVERNMENT CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Other	\$ 967,220	\$ 967,223	\$ 3
Interest income	645	598	(47)
	<hr/>	<hr/>	<hr/>
Total revenues	967,865	967,821	(44)
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(1,123,453)	(1,121,652)	1,801
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(1,123,453)	(1,121,652)	1,801
Net change in fund balances	(155,588)	(153,831)	1,757
Fund balances - beginning of year	<hr/>	<hr/>	<hr/>
	367,384	367,384	-
Fund balances - end of year	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 211,796	\$ 213,553	\$ 1,757

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, 2013

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Other	\$ -	\$ 220	\$ 220
Interest income	1	1	-
	<hr/>	<hr/>	<hr/>
Total revenues	1	221	220
EXPENDITURES			
Current:			
Police	1,500	483	1,017
	<hr/>	<hr/>	<hr/>
Total expenditures	1,500	483	1,017
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(1,499)	(262)	1,237
Fund balances - beginning of year	2,200	2,200	-
	<hr/>	<hr/>	<hr/>
Fund balances - end of year	<u>\$ 701</u>	<u>\$ 1,938</u>	<u>\$ 1,237</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, 2013

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Intergovernmental	\$ 31,325	\$ 29,049	\$ (2,276)
Total revenues	31,325	29,049	(2,276)
EXPENDITURES			
Current:			
Police	31,325	29,049	2,276
Total expenditures	31,325	29,049	2,276
Excess of revenues over expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	-	(2,385)	(2,385)
Total other financing sources (uses)	-	(2,385)	(2,385)
Net change in fund balances	-	(2,385)	(2,385)
Fund balances - beginning of year	2,385	2,385	-
Fund balances - end of year	\$ 2,385	\$ -	\$ (2,385)

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, 2013

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Interest Income	\$ 27	\$ 47	\$ 20
Other	-	236,430	236,430
Total revenues	27	236,477	236,450
EXPENDITURES			
Current:			
Public Works	52,302	27,076	25,226
Total expenditures	52,302	27,076	25,226
Net change in fund balances	(52,275)	209,401	261,676
Fund balances - beginning of year	52,329	52,329	-
Fund balances - end of year	\$ 54	\$ 261,730	\$ 261,676

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. There is no approved budget for this fund.

**CITY OF MADISON, ALABAMA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	<u>2005 Bond Fund</u>	<u>2006 Bond Fund</u>	<u>2011 Bond Fund</u>	<u>2013-A Bond Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Cash with fiscal agent	<u>\$ 215,295</u>	<u>\$ 213</u>	<u>\$ 136,730</u>	<u>\$ 478,072</u>	<u>\$ 830,310</u>
Total assets	<u><u>\$ 215,295</u></u>	<u><u>\$ 213</u></u>	<u><u>\$ 136,730</u></u>	<u><u>\$ 478,072</u></u>	<u><u>\$ 830,310</u></u>
 FUND BALANCES					
Restricted:					
Debt service	<u>\$ 215,295</u>	<u>\$ 213</u>	<u>\$ 136,730</u>	<u>\$ 478,072</u>	<u>\$ 830,310</u>
Total fund balances	<u><u>\$ 215,295</u></u>	<u><u>\$ 213</u></u>	<u><u>\$ 136,730</u></u>	<u><u>\$ 478,072</u></u>	<u><u>\$ 830,310</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, 2013**

	2005 Bond Fund	2006 Bond Fund	2011 Bond Fund	2013-A Bond Fund	Total Nonmajor Governmental Funds
REVENUES					
Interest income	\$ -	\$ -	\$ 111	\$ 131,912	\$ 132,023
Total revenues	-	-	111	131,912	132,023
EXPENDITURES					
Debt service:					
Principal	945,000	45,000	625,000	-	1,615,000
Interest	852,925	1,635,275	284,019	-	2,772,219
Bond issue costs	-	-	-	417,289	417,289
Total expenditures	<u>1,797,925</u>	<u>1,680,275</u>	<u>909,019</u>	<u>417,289</u>	<u>4,804,508</u>
Deficiency of revenues under expenditures	(1,797,925)	(1,680,275)	(908,908)	(285,377)	(4,672,485)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	1,586,756	1,680,275	896,941	398,383	4,562,355
Transfers to other funds	-	-	-	(20,033,000)	(20,033,000)
Bond issue premium	-	-	-	1,623,282	1,623,282
Issuance of refunding bonds	-	-	-	26,985,000	26,985,000
Payment to refunded bonds escrow agent	-	-	-	(8,210,216)	(8,210,216)
Total other financing sources (uses), net	<u>1,586,756</u>	<u>1,680,275</u>	<u>896,941</u>	<u>763,449</u>	<u>4,927,421</u>
Net change in fund balances	(211,169)	-	(11,967)	478,072	254,936
Fund balances - beginning of year	<u>426,464</u>	<u>213</u>	<u>148,697</u>	<u>-</u>	<u>575,374</u>
Fund balances - end of year	<u>\$ 215,295</u>	<u>\$ 213</u>	<u>\$ 136,730</u>	<u>\$ 478,072</u>	<u>\$ 830,310</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, 2013

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Interest income	\$ -	\$ -	\$ -
Total revenues	-	-	-
EXPENDITURES			
Debt Service:			
Principal	945,000	945,000	-
Interest	852,925	852,925	-
Total expenditures	1,797,925	1,797,925	-
Deficiency of revenues under expenditures	(1,797,925)	(1,797,925)	-
OTHER FINANCING SOURCES			
Transfers from other funds	1,770,756	1,586,756	(184,000)
Total other financing sources	1,770,756	1,586,756	(184,000)
Net change in fund balances	(27,169)	(211,169)	(184,000)
Fund balances - beginning of year	426,464	426,464	-
Fund balances - end of year	<u>\$ 399,295</u>	<u>\$ 215,295</u>	<u>\$ (184,000)</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, 2013

	<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	45,000	45,000	-
Interest	1,635,275	1,635,275	-
Total expenditures	1,680,275	1,680,275	-
Deficiency of revenues under expenditures	(1,680,275)	(1,680,275)	-
OTHER FINANCING SOURCES			
Transfers from other funds	1,680,275	1,680,275	-
Total other financing sources	1,680,275	1,680,275	-
Net change in fund balances	-	-	-
Fund balances - beginning of year	213	213	-
Fund balances - end of year	<u>\$ 213</u>	<u>\$ 213</u>	<u>\$ -</u>

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, 2013

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Interest income	\$ -	\$ 111	\$ 111
Total revenues	-	111	111
EXPENDITURES			
Debt Service:			
Principal	625,000	625,000	-
Interest	284,019	284,019	-
Total expenditures	909,019	909,019	-
Deficiency of revenues under expenditures	(909,019)	(908,908)	111
OTHER FINANCING SOURCES			
Transfers from other funds	909,019	896,941	(12,078)
Total other financing sources	909,019	896,941	(12,078)
Net change in fund balances	-	(11,967)	(11,967)
Fund balances - beginning of year	148,697	148,697	-
Fund balances - end of year	<u>\$ 148,697</u>	<u>\$ 136,730</u>	<u>\$ (11,967)</u>

DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS

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

Forward Purchase Bond Account - The City uses this fund to account for the Forward Purchase contract fees for the series 1995 General Obligation Warrants. There is no approved budget for this fund.

2001 Capital Improvement Fund - The City uses this fund to account for a variety of public works projects and various capital improvements in the City consisting of public safety, recreation and other improvements. Financing was provided by the sale of general obligation warrants dated June 1, 2001, \$10,890,000 (advance refunding of the general obligation warrants dated August 1, 1997). There is no approved budget for this fund.

**CITY OF MADISON, ALABAMA
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	Forward Purchase Bond Fund	2001 Capital Improvement Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Grants receivable	-	-	-
Due from other funds	-	-	-
	-	-	-
Total assets	\$ -	\$ -	\$ -
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
	-	-	-
Total Liabilities	-	-	-
 FUND BALANCES			
Restricted:			
Capital projects	-	-	-
	-	-	-
Total fund balances	-	-	-
 Total liabilities and fund balances	\$ -	\$ -	\$ -

CITY OF MADISON, ALABAMA
 CAPITAL PROJECTS FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Forward Purchase Bond Account	2001 Capital Improvement Fund	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Interest income	-	-	-
Contribution and donations	-	-	-
Other	-	-	-
Total revenues	-	-	-
EXPENDITURES			
Current:			
General Administration	-	-	-
Engineering	-	-	-
Capital outlay	-	-	-
Total expenditures	-	-	-
Excess of revenues over expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(35,289)	(6,609)	(41,898)
Total other financing sources (uses)	(35,289)	(6,609)	(41,898)
Net change in fund balances	(35,289)	(6,609)	(41,898)
FUND BALANCES AT BEGINNING OF YEAR	35,289	6,609	41,898
FUND BALANCES AT END OF YEAR	\$ -	\$ -	\$ -



**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, 2013 AND 2012

	2013	2012
Governmental funds capital assets:		
Land	\$ 30,895,071	\$ 28,946,397
Improvements to land	66,964	66,964
Buildings	13,268,546	13,261,383
Improvements to buildings	4,152,360	4,169,883
Improvements other than buildings	2,845,862	2,784,425
Machinery and equipment	15,682,047	15,555,479
Infrastructure	156,096,156	149,846,105
Other	19,000	19,000
Construction in progress	6,273,279	5,714,745
 Total governmental funds capital assets	 \$ 229,299,285	 \$ 220,364,381
 Investments in governmental funds capital assets by source:		
Current revenues	\$ 70,104,544	\$ 65,893,373
Federal and state grants	4,149,560	3,827,459
Donations	155,045,181	150,643,549
 Total investments in governmental funds capital assets	 \$ 229,299,285	 \$ 220,364,381

CITY OF MADISON, ALABAMA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 September 30, 2013

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	\$ 514,836	\$ 3,694	\$ -	\$ -	\$ 7,809,434
City Clerk	-	-	-	-	-	49,332	-	-	-	49,332
Court	-	-	-	15,072	-	16,955	-	-	-	32,027
City Council	-	-	-	-	45,743	42,747	-	-	-	88,490
Finance	-	-	-	-	482,392	15,775	-	-	-	498,167
Human Resources	-	-	-	6,781	-	14,242	-	-	-	21,023
Mayor's Office	-	-	-	-	34,808	42,954	-	-	-	77,762
Revenue	-	-	-	-	-	19,803	-	-	-	19,803
Information Technology	-	-	-	-	22,707	352,534	-	-	-	375,241
Legal	-	-	-	-	-	2,963	-	-	-	2,963
Total General Government	2,555,644	-	3,275,438	1,421,504	645,821	1,072,141	3,694	-	-	8,974,242
Public Safety:										
Police	-	-	6,139	1,498,257	22,723	4,647,110	-	19,000	-	6,193,229
Fire	264,712	-	4,352,975	190,898	153,501	4,939,479	-	-	-	9,901,565
Planning	-	-	-	-	-	67,914	-	-	22,538	90,452
Building	-	-	-	68,743	-	163,883	-	-	-	232,626
Total Public Safety	264,712	-	4,359,114	1,757,898	176,224	9,818,386	-	19,000	22,538	16,417,872
Highways and Streets:										
Public Works	26,361,706	-	284,376	137,240	130,009	3,342,903	156,080,752	-	1,681,411	188,018,397
Engineering	-	-	-	8,167	-	129,506	8,710	-	3,237,235	3,383,618
Total Highways and Streets	26,361,706	-	284,376	145,407	130,009	3,472,409	156,089,462	-	4,918,646	191,402,015
Culture and Recreation:										
Recreation	1,713,009	66,964	4,630,901	426,050	1,891,163	1,196,626	3,000	-	1,332,095	11,259,808
Senior Center	-	-	718,717	401,501	2,645	122,485	-	-	-	1,245,348
Total Culture and Recreation	1,713,009	66,964	5,349,618	827,551	1,893,808	1,319,111	3,000	-	1,332,095	12,505,156
Total Governmental Funds										
Capital Assets	\$ 30,895,071	\$ 66,964	\$ 13,268,546	\$ 4,152,360	\$ 2,845,862	\$ 15,682,047	\$ 156,096,156	\$ 19,000	\$ 6,273,279	\$ 229,299,285

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, 2013

Function and Activity	Governmental Funds Capital Assets Oct. 1, 2012	Additions	Transfers In (Out)	Deductions	Governmental Funds Capital Assets Sept. 30, 2013
General Government:					
General Administration	\$ 6,904,817	\$ 914,374	\$ -	\$ (9,757)	\$ 7,809,434
City Clerk	65,754	1,102	-	(17,524)	49,332
Court	110,493	4,024	-	(82,490)	32,027
City Council	43,191	50,005	-	(4,706)	88,490
Finance	614,712	-	-	(116,545)	498,167
Human Resources	44,957	-	-	(23,934)	21,023
Mayor's Office	89,421	-	-	(11,659)	77,762
Revenue	22,429	-	-	(2,626)	19,803
Information Technology	361,440	43,444	-	(29,643)	375,241
Legal	4,343	-	-	(1,380)	2,963
Total General Government	8,261,557	1,012,949	-	(300,264)	8,974,242
Public Safety:					
Police	5,824,564	646,947	-	(278,282)	6,193,229
Fire	9,593,576	436,469	-	(128,480)	9,901,565
Planning	99,774	25,556	-	(34,878)	90,452
Building	226,403	11,981	-	(5,758)	232,626
Total Public Safety	15,744,317	1,120,953	-	(447,398)	16,417,872
Highways and Streets:					
Public Works	180,403,278	5,485,454	2,678,186	(548,521)	188,018,397
Engineering	3,704,012	3,236,532	(2,678,186)	(878,740)	3,383,618
Total Highways and Streets	184,107,290	8,721,986	-	(1,427,261)	191,402,015
Culture and Recreation:					
Recreation	10,981,267	390,843	-	(112,302)	11,259,808
Senior Center	1,269,950	-	-	(24,602)	1,245,348
Total Culture and Recreation	12,251,217	390,843	-	(136,904)	12,505,156
Total Governmental Funds Capital Assets	\$ 220,364,381	\$ 11,246,731	\$ -	\$ (2,311,827)	\$ 229,299,285

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	130
Revenue Capacity The revenue capacity schedules contain information to help the reader assess the City’s most significant local revenue sources	136
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	139
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	142
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	144

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Primary government										
Net investment in capital assets	\$ 22,619,851	\$ 29,629,406	\$ 39,911,335	\$ 127,888,947	\$ 135,040,184	\$ 139,555,695	\$ 145,827,919	\$ 150,200,353	\$ 153,848,083	\$ 144,025,227
Restricted	8,912,225	8,734,990	9,054,091	15,559,292	15,011,198	12,321,754	7,587,146	4,773,132	4,084,945	20,344,975
Unrestricted	<u>(90,415,420)</u>	<u>(87,960,100)</u>	<u>(82,616,266)</u>	<u>(88,119,158)</u>	<u>(98,298,064)</u>	<u>(118,016,464)</u>	<u>(117,029,270)</u>	<u>(123,757,126)</u>	<u>(124,109,613)</u>	<u>(125,171,907)</u>
Total primary government net position	<u>\$ (58,883,344)</u>	<u>\$ (49,595,704)</u>	<u>\$ (33,650,840)</u>	<u>\$ 55,329,081</u>	<u>\$ 51,753,318</u>	<u>\$ 33,860,985</u>	<u>\$ 36,385,795</u>	<u>\$ 31,216,359</u>	<u>\$ 33,823,415</u>	<u>\$ 39,198,295</u>

Source: Comprehensive annual financial reports beginning with fiscal year 2004.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Primary government:										
Governmental activities:										
General Administration	\$ 1,498,013	\$ 1,843,331	\$ 1,637,763	\$ 2,243,804	\$ 13,864,248	\$ 24,400,173	\$ 1,909,670	\$ 8,932,566	\$ 2,127,620	\$ 2,045,260
Police	3,792,077	4,224,855	4,492,227	5,076,097	5,777,771	6,288,131	6,354,077	6,885,036	6,791,779	6,391,926
Public Works	3,195,581	3,519,441	3,683,936	6,512,629	7,542,282	7,288,697	7,073,640	7,626,295	7,384,526	7,705,609
City Clerk	497,313	514,980	593,326	600,855	716,232	701,582	723,726	713,036	770,931	723,096
Recreation	1,722,553	1,735,813	1,807,848	2,139,803	2,428,165	2,517,331	2,495,120	2,456,341	2,581,025	2,474,776
Fire	3,083,500	3,415,526	3,794,817	4,346,954	4,827,449	5,040,372	5,030,280	5,063,759	5,393,049	4,974,746
Planning	670,844	1,113,999	1,108,540	950,345	1,044,590	1,033,775	297,284	415,706	332,599	311,790
Court	782,283	728,975	820,348	977,773	1,141,156	1,009,392	947,423	959,052	1,157,938	1,320,690
City Council	148,081	166,347	166,233	164,042	136,565	139,128	132,518	136,649	140,604	136,979
Finance	325,728	412,043	676,174	933,230	975,935	783,590	641,623	668,777	657,614	533,923
Human Resources	2,001,359	2,334,041	2,607,912	2,943,704	3,197,955	3,513,666	3,731,814	3,814,565	3,656,061	3,670,791
Mayor's Office	221,062	205,702	222,821	294,973	240,042	534,363	362,853	313,643	333,115	296,785
Revenue	172,564	177,909	193,477	271,231	267,950	267,595	290,319	282,792	270,021	270,793
Engineering	508,776	-	-	370,309	475,749	522,673	607,580	540,623	722,696	1,392,612
Senior Center	205,440	221,414	240,054	247,233	264,757	291,083	330,938	329,658	332,911	304,294
Information Technology	264,432	195,542	-	-	-	-	322,760	426,419	425,901	398,886
Legal	331,916	238,394	270,325	342,431	353,696	358,047	323,660	245,139	247,580	245,279
Building	-	-	-	-	-	-	816,850	844,817	874,239	756,481
Interest on long-term debt	5,339,585	5,187,096	5,052,733	5,325,401	5,561,260	6,210,471	6,953,502	7,102,163	7,004,850	7,016,825
Total primary government expenses	<u>24,761,107</u>	<u>26,235,408</u>	<u>27,368,534</u>	<u>33,740,814</u>	<u>48,815,802</u>	<u>60,900,069</u>	<u>39,345,637</u>	<u>47,757,036</u>	<u>41,205,059</u>	<u>40,971,541</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General Administration	2,527,571	3,291,409	3,883,220	4,309,020	4,386,155	4,667,747	2,753,816	4,668,479	4,234,009	4,574,283
Police	775,629	726,247	929,819	1,301,002	1,431,594	1,096,954	912,124	949,583	1,185,727	1,371,189
Public Works	281,387	557,889	701,200	885,562	959,913	990,721	975,398	938,761	907,638	914,484
Recreation	213,074	212,315	199,431	196,753	211,911	211,029	208,430	222,547	253,618	262,987
Fire	-	876	1,820	1,750	195,696	8,560	-	-	-	-
Planning	70,134	68,826	116,540	63,093	46,985	39,985	21,887	23,860	36,213	56,639
Building	-	-	-	-	-	-	1,598,029	-	29,015	-
Operating grants and contributions	462,353	571,702	719,661	798,730	538,991	552,339	549,698	1,040,601	407,899	363,410
Capital grants and contributions	7,551,944	5,818,671	10,809,511	6,007,246	11,684,556	4,823,739	5,109,221	4,655,268	4,920,772	5,523,923
Total primary government program revenues	<u>11,882,092</u>	<u>11,247,935</u>	<u>17,361,202</u>	<u>13,563,156</u>	<u>19,455,801</u>	<u>12,391,074</u>	<u>12,128,603</u>	<u>12,499,099</u>	<u>11,974,891</u>	<u>13,066,915</u>
Total primary government net (expense)/revenue	(12,879,015)	(14,987,473)	(10,007,332)	(20,177,658)	(29,360,001)	(48,508,995)	(27,217,034)	(35,257,937)	(29,230,168)	(27,904,626)

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and other Changes in Net Position										
Governmental activities:										
Property taxes and payments in lieu of taxes	4,363,486	4,977,999	5,840,049	6,365,870	7,841,325	7,411,800	12,696,539	13,300,494	12,092,412	13,554,137
Sales and use taxes	9,594,767	10,262,568	11,415,565	12,243,150	12,505,291	12,330,960	12,343,163	12,232,843	13,835,825	13,735,359
Franchise taxes	221,689	254,292	264,641	272,468	221,258	327,829	347,142	395,607	1,023,386	1,067,279
Motor fuel taxes	855,290	901,617	901,443	953,992	934,719	960,310	1,005,444	608,793	761,049	755,510
Alcoholic beverage taxes	683,839	714,943	769,249	828,045	839,850	855,690	826,942	867,085	911,979	879,765
Rental taxes	339,205	323,682	355,019	408,314	452,728	424,872	405,911	426,918	396,700	358,657
Lodging taxes	669,228	766,627	872,677	909,090	968,545	939,661	969,411	1,115,104	1,030,577	980,422
Other taxes	318,803	377,061	483,421	218,401	264,834	288,481	216,899	190,933	217,880	186,199
Unrestricted interest income	130,950	241,056	447,027	1,168,713	724,089	371,540	117,585	106,993	174,777	210,469
Other	4,618,776	5,614,248	4,761,282	18,314,482	5,355,535	6,726,170	831,401	843,731	1,392,639	1,551,709
Gain (Loss) on sale of fixed assets	(96,392.00)	(158,980.00)	(158,177.00)	(99,468.00)	15,581.00	(20,651.00)	(18,593.00)	-	-	-
Total primary government	<u>21,699,641</u>	<u>24,275,113</u>	<u>25,952,196</u>	<u>41,583,057</u>	<u>30,123,755</u>	<u>30,616,662</u>	<u>29,741,844</u>	<u>30,088,501</u>	<u>31,837,224</u>	<u>33,279,506</u>
Changes in Net Position										
Governmental activities	8,820,626	9,287,640	15,944,864	21,405,399	763,754	(17,892,333)	2,524,810	(5,169,436)	2,607,056	5,374,880
Total primary government	<u>\$ 8,820,626</u>	<u>\$ 9,287,640</u>	<u>\$ 15,944,864</u>	<u>\$ 21,405,399</u>	<u>\$ 763,754</u>	<u>\$ (17,892,333)</u>	<u>\$ 2,524,810</u>	<u>\$ (5,169,436)</u>	<u>\$ 2,607,056</u>	<u>\$ 5,374,880</u>

Source: Comprehensive annual financial reports beginning with fiscal year 2004.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 409,615	\$ 404,100	\$ 211,195
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	160,196	202,611	28,324
Unassigned	-	-	-	-	-	-	-	4,380,087	4,709,527	6,051,647
Reserved	1,180,616	821,403	1,271,389	1,307,743	1,251,195	831,902	2,080,342	-	-	-
Unreserved	1,555,491	2,190,712	3,855,965	5,667,055	5,858,033	6,211,608	4,450,460	-	-	-
Total general fund	<u>\$ 2,736,107</u>	<u>\$ 3,012,115</u>	<u>\$ 5,127,354</u>	<u>\$ 6,974,798</u>	<u>\$ 7,109,228</u>	<u>\$ 7,043,510</u>	<u>\$ 6,530,802</u>	<u>\$ 4,949,898</u>	<u>\$ 5,316,238</u>	<u>\$ 6,291,166</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	4,483,028	4,084,945	20,344,975
Assigned	-	-	-	-	-	-	-	129,908	23,547	28,448
Unassigned	-	-	-	-	-	-	-	7,590	-	-
Reserved	5,944,429	5,614,365	6,082,274	15,870,504	14,517,312	12,063,577	7,290,334	-	-	-
Unreserved, reported in										
Special revenue funds	204,314	200,855	491,002	10,400	13,294	13,672	14,032	-	-	-
Total all other governmental funds	<u>\$ 6,148,743</u>	<u>\$ 5,815,220</u>	<u>\$ 6,573,276</u>	<u>\$ 15,880,904</u>	<u>\$ 14,530,606</u>	<u>\$ 12,077,249</u>	<u>\$ 7,304,366</u>	<u>\$ 4,620,526</u>	<u>\$ 4,108,492</u>	<u>\$ 20,373,423</u>
Total governmental funds	<u>\$ 8,884,850</u>	<u>\$ 8,827,335</u>	<u>\$ 11,700,630</u>	<u>\$ 22,855,702</u>	<u>\$ 21,639,834</u>	<u>\$ 19,120,759</u>	<u>\$ 13,835,168</u>	<u>\$ 9,570,424</u>	<u>\$ 9,424,730</u>	<u>\$ 26,664,589</u>

Source: Comprehensive annual financial reports beginning with fiscal year 2004.

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$15,230,729	\$16,324,294	\$19,085,131	\$20,733,461	\$22,371,904	\$22,697,157	\$27,960,779	\$28,286,262	\$29,470,394	\$30,339,310
Licenses and permits	2,299,540	2,950,878	3,752,459	4,157,453	4,386,155	4,667,747	4,351,845	4,668,479	4,179,684	4,520,995
Intergovernmental	2,448,784	2,289,579	1,906,605	1,947,433	1,886,180	1,423,801	1,185,509	1,968,885	2,952,934	1,318,573
Charges for services	636,908	918,152	1,083,486	1,312,147	1,429,827	1,266,720	1,229,854	1,228,235	1,278,808	1,303,553
Fines	752,292	708,177	913,974	1,287,580	1,416,272	1,080,529	887,985	906,518	1,157,863	1,344,324
Interest income	130,950	241,056	447,027	1,168,713	724,089	363,160	125,965	106,993	174,777	210,469
Contributions and donations	79,092	11,178	10,471	48,606	24,058	6,077	17,573	292,534	111,896	40,983
Other revenues	5,633,724	5,342,174	5,685,364	5,556,776	5,717,872	6,868,135	1,254,288	1,026,683	1,774,570	2,305,664
Total revenues	27,212,019	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
Expenditures										
General Administration	1,342,417	1,175,864	1,360,195	1,250,802	1,580,257	1,557,569	1,571,884	8,217,235	1,707,876	1,605,999
Police	3,620,001	4,048,121	4,337,096	4,888,887	5,477,041	5,896,845	6,004,942	6,433,987	6,332,144	5,970,046
Public Works	2,940,409	3,075,737	3,118,878	3,950,504	4,723,666	4,355,183	4,056,273	4,422,869	4,274,381	4,337,902
City Clerk	492,853	510,793	589,262	596,897	711,846	697,422	718,119	704,585	763,234	723,982
Recreation	1,502,170	1,513,105	1,599,819	1,928,529	2,177,594	2,267,307	2,246,690	2,204,272	2,300,011	2,206,141
Fire	2,920,934	3,201,289	3,579,012	4,127,248	4,460,077	4,647,639	4,649,855	4,667,173	4,761,015	4,593,608
Planning	660,742	1,096,434	1,088,186	935,285	1,015,373	1,008,823	293,654	405,786	329,111	312,920
Court	778,990	725,414	816,962	973,634	1,136,203	1,004,457	937,885	947,780	1,148,270	1,285,737
City Council	146,493	164,692	163,735	161,141	127,562	129,429	124,375	136,436	140,391	136,944
Finance	316,854	403,115	658,035	914,484	964,909	775,708	633,046	653,632	647,596	509,955
Human Resources	1,998,967	2,331,458	2,605,761	2,941,506	3,195,076	3,511,294	3,729,630	3,811,510	3,649,337	3,669,399
Mayor's Office	219,818	204,634	221,642	293,795	234,878	527,103	352,846	300,596	323,618	296,282
Revenue	170,955	174,212	191,697	269,254	265,641	266,791	288,707	280,049	315,197	363,233
Engineering	502,861	-	-	365,580	466,412	505,271	587,040	515,095	703,480	522,233
Senior Center	198,251	214,903	230,697	238,550	255,041	276,566	312,042	292,077	281,278	252,380
Information Technology	256,366	186,124	-	-	-	-	294,394	367,196	349,555	340,237
Legal	331,768	238,057	269,951	342,057	353,696	358,047	322,919	243,754	247,741	242,694
Building	-	-	-	-	-	-	797,627	824,896	850,979	746,886
Debt service										
Principal	2,681,158	2,767,134	2,923,409	3,074,792	2,939,880	3,212,316	2,250,202	2,337,835	1,485,081	3,120,985
Interest	5,329,072	5,241,344	5,080,475	4,923,795	5,545,422	6,073,235	6,965,125	7,044,036	6,584,710	6,797,811
Bond issuance costs	-	206,213	-	559,525	264,695	124,665	-	263,737	228,757	417,289
Capital outlay	10,245,968	8,117,969	11,964,904	5,099,131	4,935,808	4,086,587	5,943,051	5,020,897	4,458,072	6,845,098
Total expenditures	36,657,047	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
Excess (deficiency) of revenues over (under) expenditures	(9,445,028)	(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)

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Other Financing - Sources and (Uses)										
Transfers from other funds	4,640,911	5,076,988	5,085,410	17,698,428	5,618,438	6,168,902	6,674,742	7,657,339	6,818,330	28,819,174
Transfers to other funds	(4,640,911)	(5,076,988)	(5,085,410)	(17,698,428)	(5,618,438)	(6,168,902)	(6,674,742)	(7,657,339)	(6,818,330)	(28,819,174)
Donated assets	6,195,060	5,283,826	9,975,519	-	-	-	-	-	-	-
Sales of capital assets	40,890	13,270	36,014	35,059	23,809	7,153	33,323	2,012	390,819	218,559
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	610,000	-	776,961	185,305	1,370,348	-	747,594	-	-	137,574
Proceeds from note payable	-	-	-	-	-	-	-	-	-	399,550
Other	-	300	-	200	-	-	-	-	-	-
Total other financing sources (uses)	6,845,950	6,753,609	10,788,494	12,778,299	1,658,852	389,856	780,917	7,346,100	635,214	21,153,749
Net change in fund balances	<u>\$ (2,599,078)</u>	<u>\$ (57,515)</u>	<u>\$ 2,873,295</u>	<u>\$11,155,072</u>	<u>\$ (1,215,868)</u>	<u>\$ (2,519,075)</u>	<u>\$ (5,285,591)</u>	<u>\$ (4,264,744)</u>	<u>\$ (145,694)</u>	<u>\$17,239,859</u>
Debt service as a percentage of noncapital expenditures	30.33%	29.89%	27.76%	26.14%	24.38%	25.30%	24.81%	21.40%	22.17%	26.88%

Source: Comprehensive annual financial reports beginning with fiscal year 2004.

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
2004	\$ 4,029,419	\$ 9,605,607	\$ 221,689	\$ 212,508	\$ 339,205	\$ 673,728	\$ 148,573	\$ 15,230,729
2005	\$ 4,299,572	\$ 10,278,865	\$ 254,292	\$ 212,516	\$ 323,682	\$ 766,627	\$ 188,740	\$ 16,324,294
2006	\$ 5,266,723	\$ 11,374,722	\$ 264,641	\$ 769,249	\$ 355,019	\$ 872,677	\$ 182,100	\$ 19,085,131
2007	\$ 5,813,150	\$ 12,283,993	\$ 272,468	\$ 828,045	\$ 408,314	\$ 909,090	\$ 218,401	\$ 20,733,461
2008	\$ 7,128,698	\$ 12,505,291	\$ 221,258	\$ 839,850	\$ 452,728	\$ 968,545	\$ 255,534	\$ 22,371,904
2009	\$ 7,178,217	\$ 12,303,388	\$ 327,829	\$ 855,690	\$ 424,872	\$ 939,661	\$ 667,500	\$ 22,697,157
2010	\$ 12,407,029	\$ 12,370,735	\$ 347,142	\$ 826,942	\$ 405,911	\$ 969,411	\$ 633,609	\$ 27,960,779
2011	\$ 13,057,772	\$ 12,232,843	\$ 395,607	\$ 867,085	\$ 426,918	\$ 1,115,104	\$ 190,933	\$ 28,286,262
2012	\$ 12,054,047	\$ 13,835,825	\$ 1,023,386	\$ 911,979	\$ 396,700	\$ 1,030,577	\$ 217,880	\$ 29,470,394
2013	\$ 13,131,629	\$ 13,735,359	\$ 1,067,279	\$ 879,765	\$ 358,657	\$ 980,422	\$ 186,199	\$ 30,339,310

Source: Comprehensive annual financial reports beginning with fiscal year 2004.

(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>
2004	\$ 324,910,320
2005	\$ 405,172,480
2006	\$ 434,744,620
2007	\$ 485,303,840
2008	\$ 510,952,780
2009	\$ 525,315,060
2010	\$ 527,379,120
2011	\$ 541,396,460
2012	\$ 559,250,520
2013	\$ 550,810,460

Source: License Commissioner and Tax Assessor of Madison County

Schedule 7
CITY OF MADISON, ALABAMA
Principal Property Taxpayers
2013

Taxpayer	Type of Business	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Intergraph Corporation	Computer sales	\$ 5,288,140	1	0.96%
Intergraph Unimproved Properties LLC	Computer sales	5,134,620	2	0.93%
Continental 258 Fund LLC	Apartment rental	4,601,240	3	0.84%
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%
Knology of Huntsville, Inc.	Communication company	2,944,120	7	0.53%
Grand Reserve at Madison LLC	Apartment rental	2,800,040	8	0.51%
Target Corporation	Department Store	2,353,060	9	0.43%
Jetplex Associates I LLC	Industrial rental	<u>2,323,540</u>	10	<u>0.42%</u>
Top 10 Total		37,412,880		6.79%
Other taxpayers		<u>513,397,580</u>		<u>93.21%</u>
Totals		<u><u>\$ 550,810,460</u></u>		<u><u>100.00%</u></u>

Assessed Valuation of City at September 30, 2013
\$550,810,460

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

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

Fiscal Year	General Obligation Bonds	Capital Leases	Notes Payable	Total Primary Government	Percentage of Personal Income*	Per Capita*
2004	\$ 105,785,000	\$ 1,685,557	\$ -	\$ 107,470,557	6.97%	3,112
2005	\$ 104,650,000	\$ 1,363,423	\$ -	\$ 106,013,423	6.35%	2,959
2006	\$ 102,045,000	\$ 1,821,975	\$ -	\$ 103,866,975	5.71%	2,698
2007	\$ 112,420,000	\$ 1,514,987	\$ -	\$ 113,934,987	0.00%	2,844
2008	\$ 122,285,000	\$ 2,315,455	\$ -	\$ 124,600,455	0.00%	3,046
2009	\$ 143,715,000	\$ 1,653,138	\$ -	\$ 145,368,138	0.00%	3,396
2010	\$ 141,955,000	\$ 1,910,530	\$ -	\$ 143,865,530	0.00%	3,351
2011	\$ 153,870,000	\$ 1,402,695	\$ -	\$ 155,272,695	0.00%	3,616
2012	\$ 147,395,000	\$ 1,022,614	\$ -	\$ 148,417,614	0.00%	3,298
2013	\$ 164,510,000	\$ 748,978	\$ 199,775	\$ 165,458,753	0.00%	3,677

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**
2004	\$ 105,785,000	\$ 105,785,000	32.56%	3,064
2005	\$ 104,650,000	\$ 104,650,000	25.83%	2,921
2006	\$ 102,045,000	\$ 102,045,000	23.47%	2,651
2007	\$ 112,420,000	\$ 112,420,000	23.16%	2,806
2008	\$ 122,285,000	\$ 122,285,000	23.93%	2,990
2009	\$ 143,715,000	\$ 143,715,000	27.36%	3,358
2010	\$ 141,955,000	\$ 141,955,000	26.92%	3,306
2011	\$ 153,870,000	\$ 153,870,000	29.18%	3,584
2012	\$ 147,395,000	\$ 147,395,000	26.36%	3,275
2013	\$ 164,510,000	\$ 164,510,000	29.87%	3,656

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 64,982,064	\$ 81,034,496	\$ 86,948,924	\$ 97,060,768	\$ 102,190,556	\$ 105,063,012	\$ 105,475,824	\$ 108,279,292	\$ 111,850,104	\$ 110,162,092
Total net debt applicable to limit	<u>36,443,499</u>	<u>35,280,755</u>	<u>36,325,910</u>	<u>48,570,910</u>	<u>47,957,729</u>	<u>57,050,965</u>	<u>46,506,747</u>	<u>52,563,750</u>	<u>52,040,997</u>	<u>73,388,724</u>
Legal debt margin	<u>\$ 28,538,565</u>	<u>\$ 45,753,741</u>	<u>\$ 50,623,014</u>	<u>\$ 48,489,858</u>	<u>\$ 54,232,827</u>	<u>\$ 48,012,047</u>	<u>\$ 58,969,077</u>	<u>\$ 55,715,542</u>	<u>\$ 59,809,107</u>	<u>\$ 36,773,368</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>56.08%</u>	<u>43.54%</u>	<u>41.78%</u>	<u>50.04%</u>	<u>46.93%</u>	<u>54.30%</u>	<u>44.09%</u>	<u>48.54%</u>	<u>46.53%</u>	<u>66.62%</u>

Legal Debt Margin Calculation for Fiscal 2013:

Assessed Value	\$ 550,810,460
Debt limit (20% of total assessed value)	110,162,092
Debt Applicable to limit	
General obligation bonds	164,510,000
Less: Exempt Debt	
General obligations water and sewer warrants	3,592,743
General obligation school warrants	<u>86,690,000</u>
Total exempt debt	90,282,743
Total net debt applicable to limit	74,227,257
Less assets available for debt service	<u>838,533</u>
Total net debt applicable to limit	<u>73,388,724</u>
Legal debt margin	<u>\$ 36,773,368</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>
2004	34,529	\$ 1,542,555,000	\$ 44,674	2.50%
2005	35,829	\$ 1,670,025,000	\$ 46,611	2.30%
2006	38,500	\$ 1,818,180,000	\$ 47,225	2.00%
2007	40,060	-	-	2.00%
2008	40,900	-	-	2.70%
2009	42,800	-	-	5.20%
2010	42,938	-	-	5.40%
2011	42,938	-	-	5.60%
2012	44,972	-	-	4.70%
2013 (approximate)	45,000	-	-	4.40%

* 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government:										
City Clerk	4	5	5	5	5	5	5	5	5	5
Court Clerk	6	6	6	6	6	6	6	6	7	7
City Council	4	4	4	3	4	4	4	4	4	4
Finance	6	7	8	13	13	12	8	8	8	8
Human Resources	4	4	7	4	4	5	5	5	5	5
Mayor's Office	3	3	3	3	3	4	4	3	3	3
Revenue	3	3	3	4	4	4	4	3	1	1
Information Technology	0	0	0	0	1	1	1	1	3	3
Legal	2	2	2	2	2	2	2	2	2	2
Total	32	34	38	40	42	43	39	37	38	38
Public Safety:										
Police	84	92	98	106	107	107	114	109	108	108
Fire	51	52	58	70	70	70	70	70	70	70
Building	0	0	0	0	0	0	17	17	15	15
Planning	15	24	21	19	19	18	4	5	5	5
Total	150	168	177	195	196	195	205	201	198	198
Streets and Highways										
Public Works	51	51	51	58	58	58	55	55	59	59
Engineering	11	0	0	7	5	7	7	8	7	7
Total	62	51	51	65	63	65	62	63	66	66
Parks and Recreation										
Recreation	32	32	32	33	33	33	33	32	37	37
Senior Center	6	6	6	6	7	7	7	7	7	7
Total	38	38	38	39	40	40	40	39	44	44
Total - all departments	282	291	304	339	341	343	346	340	346	346

Source: City of Madison Annual Budget

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	3	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

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

Honorable Mayor and City Council
City of Madison
Madison, Alabama

We have audited, 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, 2013, 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 7, 2014. 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 7, 2014

