

CITY OF MADISON, ALABAMA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

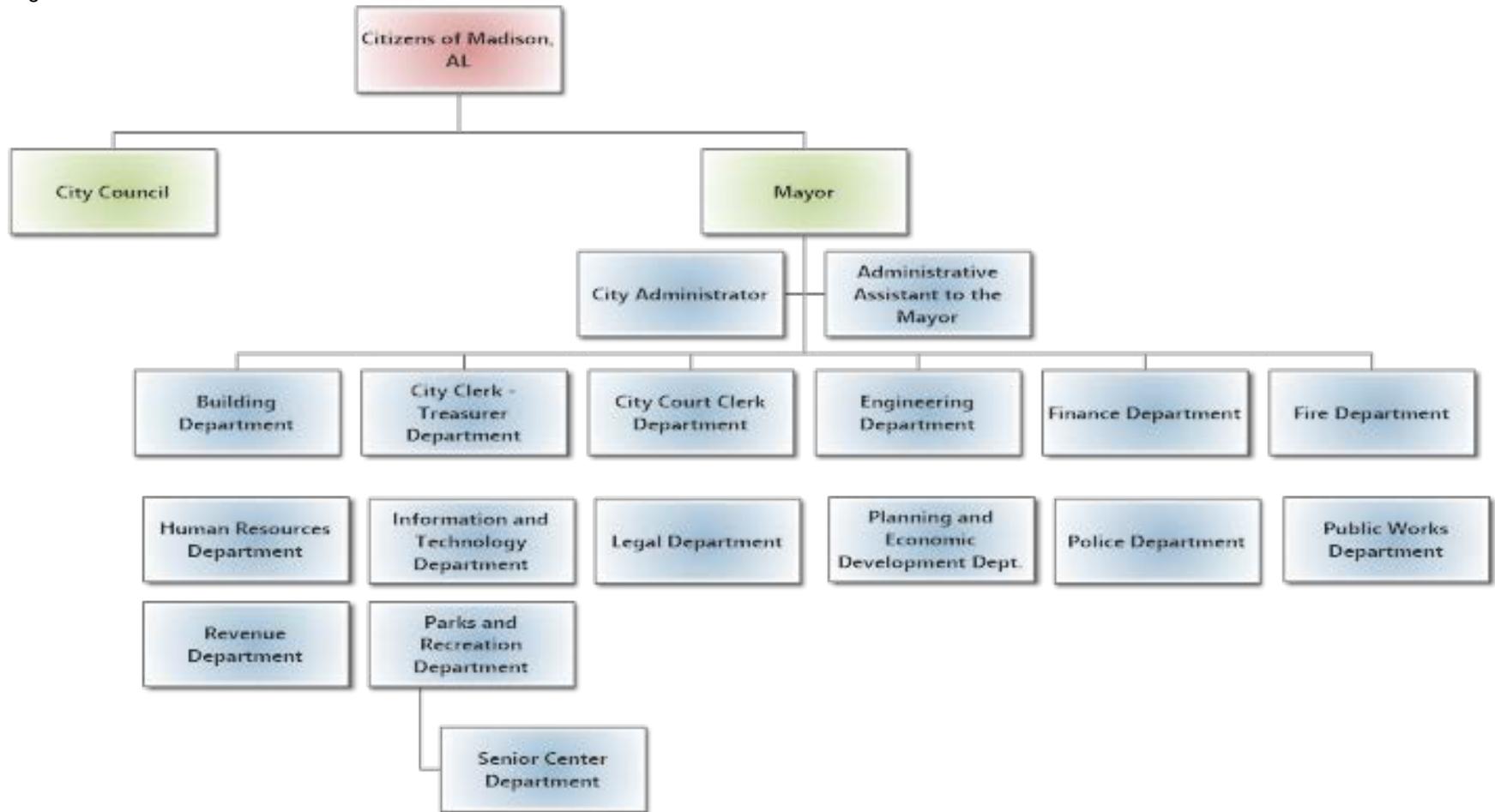


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City of Madison, Alabama

Organizational Structure



OFFICIALS OF THE CITY OF MADISON

MAYOR

Troy Trulock (through 10/31/2016)
Paul Finley (beginning 11/01/2016)

CITY COUNCIL

Tommy Overcash – President

Tim Holcombe – President Pro Tempore..... Steve Smith
D.J. Klein..... Mike Potter
Gerald Clark..... Ronica Ondocsin

DEPARTMENT DIRECTORS

Police ChiefLarry Muncey
Public Works Director Kent Smith
City Clerk-Treasurer Melanie Williard
Recreation Director.....Kory Alfred
Fire Chief..... Ralph Cobb
Planning Director Mary Beth Broeren
Court ClerkCheri Martin
Finance Director Roger Bellomy
Human Resources Director Terri Towry
Engineering Director Gary Chynoweth
Revenue Department Director Cameron Grounds
Information Technology Director..... Jason Colee
City Attorney..... Kelly Butler
Building Director Dustin Riddle

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
Of the City Council
City of Madison
Madison, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Madison, Alabama (the City), as of and for the year ended September 30, 2016, 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 99 percent, 99 percent, and 100 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Madison Board of Education and the Water and Wastewater Board of the City of Madison, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Madison, Alabama, as of September 30, 2016, and the respective changes in financial position for the then 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, beginning on page 4, the budgetary comparison information, on pages 66 and 67, and the pension information, on pages 68 through 74 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 and other auditors 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Madison, Alabama's basic financial statements. The combining financial statements and individual fund budgetary comparison schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and individual fund budgetary comparison schedules 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017 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 grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Warren Averett, LLC

Warren Averett, LLC
Huntsville, Alabama

March 31, 2017

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, 2016.

FINANCIAL HIGHLIGHTS

- Assets of the City of Madison exceeded its liabilities at the close of fiscal year 2016 by \$49,460,047 (net position). Of this amount, the City has a deficit unrestricted net position of (\$90,384,645) offset by \$27,493,234 in restricted net position and \$112,351,458 in net investment in capital assets.
- The City's total net position increased \$6,629,198 (15%) in fiscal year 2016. Page 6 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 \$39,534,510, a decrease of \$3,011,348 compared to the prior year. The unassigned fund balance of the General Fund was \$11,559,471, which the City may use for any lawful purpose. The unassigned fund balance of the General fund represents 39 percent of the total General fund expenditures.
- The City's total capital asset (net of accumulated depreciation) increased \$5,175,085, which primarily consists of the acquisition of land, equipment, construction of infrastructure, facilities and construction in progress.
- The City's general obligation warrants increased \$2,869,275. This increase is due to two new issuances of general obligation warrants in 2016, with the majority being related to refunding. Page 11 of this report provides more detailed information on the changes in overall 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 components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

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

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

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

Both the government-wide financial statements distinguish functions of the City of Madison that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business type activities). The governmental activities of the City of Madison include general government, public safety, highways and streets, and parks and recreation. The City has no functions classified as business-type activities. The government-wide financial statements are found on pages 13-14 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, a legally separate utility board, and a cooperative tax district for which the City is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government. Refer to Note 1 regarding the availability of separately issued financial statements for the component units.

Fund Financial Statements

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

Governmental Funds

The *governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources available* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Madison maintains eighteen 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 eighteen (18) 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 70-95 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 schedule for the general fund, the general obligation bond collection fund, and the school bonds fund has been provided for these funds to demonstrate compliance with this budget and can be found on pages 66-68 of this report. The capital improvement fund budget was adopted by project, as a project was approved, Council would add the approved project to the list of projects funded by the remaining 2006 bond proceeds and the 2013 bond proceeds.

The basic governmental fund financial statements are on pages 15 through 16 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 20 - 64 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 66 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position, especially net position by category, may serve over time as a useful indicator of a government's financial position. At September 30, 2016, the City's net position was \$49,460,047 which increased by \$6,629,198 (15%) compared to prior fiscal year. This increase is a result of mainly three factors: (1) an additional half cent sales tax levied in fiscal year 2014, (2) concentrated efforts to cut back expenses for each department and (3) revenues are in excess of budgeted projected revenues.

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

CITY OF MADISON'S NET POSITION

	Governmental Activities		
	September 30, 2016	September 30, 2015	Change
ASSETS			
Current and other asset	\$ 53,110,253	\$ 53,630,056	\$ (519,803)
Capital Assets	187,150,956	181,975,871	5,175,085
Total assets	240,261,209	235,605,927	4,655,282
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	2,533,772	1,212,650	1,321,122
Unamortized loss on bond refunding	8,835,948	2,986,756	5,849,192
Total deferred outflows of resources	11,369,720	4,199,406	7,170,314
LIABILITIES			
Long-term liabilities outstanding	184,954,537	182,179,599	2,774,938
Net pension liability	11,928,288	9,305,658	2,622,630
Other liabilities	5,288,057	4,331,911	956,146
Total liabilities	202,170,882	195,817,168	6,353,714
DEFERRED INFLOWS OF RESOURCES			
Excess of actual earnings over projected earnings on pension plan investments	-	1,126,264	(1,126,264)
NET POSITION			
Net investment in capital assets	112,351,458	137,551,769	(25,200,311)
Restricted:			
Debt service	1,518,325	1,427,196	91,129
Capital Improvements	23,104,910	27,437,249	(4,332,339)
Other	2,869,999	4,183,116	(1,313,117)
Unrestricted (deficit)	(90,384,645)	(127,768,481)	37,383,836
Total net position	\$ 49,460,047	\$ 42,830,849	\$ 6,629,198

Capital assets increased \$5,175,085 (3%) due mainly to the purchase of equipment and the donation, by subdivisions, of streets and sidewalks to the City. Long-term liabilities outstanding increased \$2,774,938 (2%) due mainly to issuance of new debt in the current year which was offset by the majority of the new issuances and related premiums being used to refund portions of the 2008-A and 2009-A warrants. 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 2016 were \$112,351,458. The large negative unrestricted net position in fiscal year 2015 (\$127,737,429) and 2016 (\$90,384,645) 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 \$6,629,198. Key elements of the increase are as follows:

- Acquisition of capital in the form of donated streets and sidewalks.
- Conservative efforts on behalf of the Department Heads and Finance Committee to control unnecessary spending.
- Revenue collections increasing due to infrastructure growth.

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

CITY OF MADISON'S CHANGES IN NET POSITION

	Governmental Activities		
	September 30,	September 30,	Change
	2016	2015	
REVENUES			
Program revenues:			
Charges for services	\$ 7,653,195	\$ 7,236,471	\$ 416,724
Operating grants and contributions	32,702	576,120	(543,418)
Capital grants and contributions	5,217,353	5,647,459	(430,106)
General revenues			
Property taxes and payemnts in lieu of taxes	16,016,598	14,204,256	1,812,342
Other taxes	23,479,086	22,319,592	1,159,494
Other revenue	635,066	1,060,620	(425,554)
	<u>53,034,000</u>	<u>51,044,518</u>	<u>1,989,482</u>
EXPENSES			
General administration	4,848,883	4,125,785	723,098
Police	6,978,039	7,129,144	(151,105)
Public works	7,411,072	7,257,616	153,456
City clerk	420,348	374,761	45,587
Recreation	2,580,758	3,204,259	(623,501)
Fire	5,224,707	5,116,654	108,053
Planning	496,882	496,264	618
Court	1,072,466	1,131,331	(58,865)
City council	126,618	307,296	(180,678)
Finance	572,938	527,615	45,323
Human resources	4,011,259	3,332,472	678,787
Mayor's office	182,119	192,180	(10,061)
Revenue	294,698	278,991	15,707
Engineering	1,910,025	1,378,905	531,120
Senior center	305,514	279,944	25,570
Information technology	534,207	426,886	107,321
Legal	455,645	344,840	110,805
Building	843,088	810,584	32,504
Interest on long-term debt	8,135,536	7,250,665	884,871
	<u>46,404,802</u>	<u>43,966,192</u>	<u>2,438,610</u>
Increase (decrease) in net position	6,629,198	7,078,326	(449,128)
Net position as restated - beginning of year	<u>42,830,849</u>	<u>35,752,523</u>	<u>7,078,326</u>
Net position - end of year	<u>\$ 49,460,047</u>	<u>\$ 42,830,849</u>	<u>\$ 6,629,198</u>

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

FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS

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

Governmental Funds

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

At the end of the current fiscal year, the City of Madison's governmental funds reported combined ending fund balances of \$39,534,510, a decrease of \$3,011,348 in comparison to the prior year. The amount of \$11,559,471 or 30% 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, \$473,267 are non-spendable for prepaid items, \$1,518,325 are restricted for debt service, \$23,104,910 are restricted for capital improvements, \$3,087,920 is other restricted, and \$8,338 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 2016, unassigned fund balance of the general fund was \$11,559,471, while the total fund balance was \$12,283,186. Unassigned general fund balance and total general fund balance represent 40 percent of the total general fund expenditures.

The General Fund's fund balance increased \$2,761,557 during the current fiscal year. Key factors in this increase are as follows:

- Revenue increased approximately 6.08% over the prior fiscal year (FY 2016).
- Expenditures were reduced by approximately .68% from the prior fiscal year (FY 2016).

At September 30, 2016, the general obligation bond collection fund had a fund balance of \$1,259,877, which represents a decrease of \$1,659,046 or 57%. This decrease is mainly due to earmarked funds that are used first, to pay timely bond payments and any remaining balance being able to be transferred to the General Fund to pay operating expenses. 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, 2016, the school bonds fund had a fund balance of \$16,009. This fund balance represents an increase of \$7,583, 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, 2016, the capital improvement fund had a fund balance of \$20,628,375, which represents a decrease of \$5,555,699. This decrease is directly related to the expenditures of funds on capital improvement projects.

General Fund Budgetary Highlights

During the year, the appropriations between the original and final amended budget increased \$2,139,647. The following are the main components to the increase:

- The final amended budget increase is mainly due to the Engineering Department receiving more appropriations for the improvements of roads and infrastructure.

At the end of the fiscal year, actual expenditures were under budget by \$2,879,648 or 9%. This is mainly due to three (3) contributing factors: (1) Department heads exercising conservative control over expenditures, (2) delaying the filling of vacant positions and (3) Finance Committee (sub-committee of City Council) closely monitoring the spending of each City department.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Madison’s investment in capital assets for its governmental activities as of September 30, 2016, amounts to \$187,150,956 (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 \$5,175,085 or 3% for 2016.

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

- New library facility in the development stage.
- New recreation campus and natatorium in the development stage.
- Purchases of several vehicles, a firetruck, and various heavy material machinery.
- New weather sirens
- Construction has begun on various other streets, roads and bridges.

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

	Governmental Activities		
	September 30, 2016	September 30, 2015	Change
Land	\$ 34,515,331	\$ 33,445,331	\$ 1,070,000
Improvements to land	87,562	71,713	15,849
Buildings	8,159,546	8,480,934	(321,388)
Building improvements	2,930,278	3,020,370	(90,092)
Improvements other than buildings	1,505,477	2,978,805	(1,473,328)
Machinery and equipment	5,345,846	4,565,194	780,652
Infrastructure	120,817,939	122,174,017	(1,356,078)
Other	1,337,357	7,119	1,330,238
Construction in progress	12,451,620	7,232,388	5,219,232
	\$ 187,150,956	\$ 181,975,871	\$ 5,175,085

Additional information on the City’s capital assets can be found in Note 4 on pages 34 - 37 of this report.

Long-Term Debt

At the end of the current fiscal year, the City of Madison had total outstanding debt of \$176,915,658. Of this amount, \$175,215,000 was comprised of the general obligation warrants backed by the full faith and credit of the City, \$969,528 was comprised of employees' compensated absences balance, and \$365,565 was comprised of the liability for other postemployment benefits.

Changes in debt outstanding are as follows

	Governmental Activities		
	September 30, 2016	September 30, 2015	Change
Governmental Activities			
Compensated absences	\$ 969,528	\$ 930,260	\$ 39,268
Other post-employment benefits	365,565	322,930	42,635
General obligation warrants	175,215,000	177,005,000	(1,790,000)
Plus deferred amounts for:			
Insurance premiums, net	8,580,684	3,921,409	4,659,275
	<u>\$ 185,130,777</u>	<u>\$ 182,179,599</u>	<u>\$ 2,951,178</u>

The City of Madison's total debt increased \$2 million or 1% during fiscal year 2016.

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 \$175,215,000 outstanding, the amount of \$84,390,000 is outstanding general obligation school warrants, which is not chargeable against the allowable debt limit. As of September 30, 2016, the City's allowable debt limit was \$119,470,188. The City's debt applicable to the limit was \$89,306,675 at September 30, 2016.

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

Additional information on the City's long-term debt is in Note 4 on pages 39 - 45 of this report.

ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES

With the adoption of the FY 2017 budget, the City is making use of the newly collected ½ cent sales tax which went into effect on October 1, 2013. Over a million dollars in neighborhood street, road repairs and infrastructure developments are included in the FY 2016 budget, along with approximately three million dollars in equipment and fire suppression vehicles

The City, with the FY 2016 budget, is capable of maintaining the same level of services to its citizens without an increase in personnel. Expenditures in the FY 2017 budget for the general fund were increased by \$3,276,995 or 11.35% over FY 2016. The FY 2017 projected fund balance for the general fund is expected to decrease by \$3,194,849 or approximately 26.01% over the FY 2016 fund balance. The FY 2017 projected fund balance is expected to be approximately 28.03% of budgeted revenues, which exceeds the 15% requirement of the City's fiscal policy.

Request for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF MADISON, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government	Component Units		
	Governmental Activities	The Water and Wastewater Board	Madison City Board of Education	Town Madison Cooperative District
ASSETS				
Cash and cash equivalents	\$ 37,593,099	\$ 10,090,545	\$ 32,304,858	\$ -
Cash with fiscal agent	1,518,325	-	10,470,968	-
Investments	-	-	163,053	-
Receivables, (net of allowances):				
Taxes	12,840,024	-	-	-
Accounts	685,225	-	-	-
Other	-	1,560,215	2,357,138	-
Due from governmental entities	-	-	-	-
Inventories	-	432,724	182,923	-
Prepaid items	473,580	18,958	-	-
Other	-	31,134,867	8,396	-
Unamortized bond issue costs, net	-	929,721	-	-
Capital Assets:				
Land, collections and construction in process	46,966,951	21,576,487	8,702,528	9,825,898
Other assets, net of accumulated depreciation	140,184,005	158,618,089	164,692,507	-
Total assets	240,261,209	224,361,606	218,882,371	9,825,898
DEFERRED OUTFLOWS OF RESOURCES				
Loss on refunding of debt	8,835,948	1,565,999	174,491	-
Contributions to pension plan subsequent to plan measurement date	1,196,343	211,782	5,828,327	-
Earnings on pension plan investments	1,337,429	740,163	-	-
Proportionate share of collective deferred outflows related to net pension liability	-	-	7,595,000	-
Total deferred outflows of resources	11,369,720	2,517,944	13,597,818	-
LIABILITIES				
Accounts payable	1,406,871	2,213,129	549,284	897,230
Accrued liabilities	308,421	7,912	8,363,592	-
Interest payable	2,488,772	855,057	-	515,924
Retainage payable	-	-	-	146,998
Due to component unit	1,021,360	-	-	-
Due to governmental activities	-	-	-	-
Customer deposits	62,633	22,700	-	-
Unearned revenue	-	-	208,350	-
Noncurrent liabilities:				
Net pension liability	11,928,288	3,341,688	78,508,000	-
Due within one year	3,876,254	2,950,000	1,509,000	-
Due in more than one year	181,078,283	93,550,588	52,883,797	8,811,455
Total liabilities	202,170,882	102,941,074	142,022,023	10,371,607
DEFERRED INFLOWS OF RESOURCES				
Excess of actual earnings over projected earnings on pension plan investments	-	-	-	-
Proportionate share of collective deferred inflows related to net pension liability	-	-	425,000	-
Total deferred inflows of resources	-	-	425,000	-
NET POSITION				
Invested in capital assets, net of related debt	112,351,458	85,749,228	119,176,729	1,014,443
Restricted:				
Debt service	1,518,325	6,870,780	14,829,153	-
Capital Improvements	23,104,910	16,529,647	-	-
Other	2,869,999	1,811,547	5,983,543	-
Unrestricted (deficit)	(90,384,645)	12,977,274	(49,956,259)	(1,560,152)
Total net position	\$ 49,460,047	\$ 123,938,476	\$ 90,033,166	\$ (545,709)

The accompanying notes are an integral part of this statement

**CITY OF MADISON, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government	Component Units		
					Governmental Activities	The Water and Wastewater Board	Madison City Board of Education	Town Madison Cooperative District
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES								
General administration	\$ 4,848,883	\$ 5,457,583	\$ 14,593	-	\$ 623,293	\$ -	\$ -	\$ -
Police	6,978,039	724,948	8,286	-	(6,244,805)	-	-	-
Public works	7,411,072	1,102,561	-	5,217,353	(1,091,158)	-	-	-
City clerk	420,348	-	-	-	(420,348)	-	-	-
Recreation	2,580,758	368,103	7,505	-	(2,205,150)	-	-	-
Fire	5,224,707	-	1,508	-	(5,223,199)	-	-	-
Planning	496,882	-	-	-	(496,882)	-	-	-
Court	1,072,466	-	-	-	(1,072,466)	-	-	-
City council	126,618	-	-	-	(126,618)	-	-	-
Finance	572,938	-	-	-	(572,938)	-	-	-
Human resources	4,011,259	-	-	-	(4,011,259)	-	-	-
Mayor's office	182,119	-	-	-	(182,119)	-	-	-
Revenue	294,698	-	-	-	(294,698)	-	-	-
Engineering	1,910,025	-	-	-	(1,910,025)	-	-	-
Senior center	305,514	-	810	-	(304,704)	-	-	-
Information technology	534,207	-	-	-	(534,207)	-	-	-
Legal	455,645	-	-	-	(455,645)	-	-	-
Building	843,088	-	-	-	(843,088)	-	-	-
Interest on long-term debt	8,135,536	-	-	-	(8,135,536)	-	-	-
Total governmental activities	<u>46,404,802</u>	<u>7,653,195</u>	<u>32,702</u>	<u>5,217,353</u>	(33,501,552)	-	-	-
COMPONENT UNITS								
The Water and Wastewater Board	13,047,597	17,952,597	-	1,758,583	-	6,663,583	-	-
Madison City Board of Education	107,127,425	11,920,551	57,039,294	2,785,063	-	-	(35,382,517)	-
Town Madison Cooperative District	459,588	-	-	-	-	-	-	(459,588)
Total component units	<u>185,483,525</u>	<u>37,526,343</u>	<u>57,072,806</u>	<u>9,760,999</u>	-	-	-	-
GENERAL REVENUES								
Property and payments in lieu of taxes					16,016,598	-	18,431,140	-
Sales and use taxes					18,275,501	-	10,901,508	-
Franchise taxes					1,218,447	-	-	-
Motor fuel taxes					833,716	-	-	-
Alcoholic beverages taxes					981,777	-	-	-
Rental taxes					456,388	-	-	-
Lodging taxes					1,349,214	-	-	-
Other taxes					364,043	-	107,923	-
Grants and contributions not restricted to specific purposes					-	-	339,959	-
Unrestricted interest income					94,261	40,292	327,729	-
Other					540,805	-	4,445,842	-
Total general revenues					<u>40,130,750</u>	<u>40,292</u>	<u>34,554,101</u>	<u>-</u>
CHANGE IN NET POSITION					6,629,198	6,703,875	(828,416)	(459,588)
Net position, beginning					42,861,901	117,234,601	90,861,582	(86,121)
Prior period adjustments					(31,052)	-	-	-
NET POSITION, ENDING					<u>\$ 49,460,047</u>	<u>\$ 123,938,476</u>	<u>\$ 90,033,166</u>	<u>\$ (545,709)</u>

The accompanying notes are an integral part of this statement

**CITY OF MADISON, ALABAMA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2016**

	General Fund	General Obligation Bond Collection Fund	School Bonds Fund	Capital Improvement Fund	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 10,649,646	\$ 2,384,588	\$ -	\$ 20,719,282	\$ 3,839,583	\$ 37,593,099
Cash with fiscal agent	-	-	16,009	-	1,502,316	1,518,325
Receivables, (net of allowances):						-
Taxes	7,936,364	4,454,645	-	-	449,015	12,840,024
Accounts	416,613	-	-	-	268,612	685,225
Prepaid items	473,267	-	-	-	313	473,580
Due from other funds	4,575	18,309	-	-	39,542	62,426
	<u>19,480,465</u>	<u>6,857,542</u>	<u>16,009</u>	<u>20,719,282</u>	<u>6,099,381</u>	<u>53,172,679</u>
Total assets	<u>\$ 19,480,465</u>	<u>\$ 6,857,542</u>	<u>\$ 16,009</u>	<u>\$ 20,719,282</u>	<u>\$ 6,099,381</u>	<u>\$ 53,172,679</u>
DEFERRED OUTFLOWS OF RESOURCES						
	-	-	-	-	-	-
LIABILITIES						
Accounts payable	555,498	-	-	90,907	198,950	845,355
Accrued liabilities	308,421	-	-	-	-	308,421
Customer deposits	62,633	-	-	-	-	62,633
Due to other funds	57,851	-	-	-	4,575	62,426
Due to component unit	1,021,360	-	-	-	-	1,021,360
Other liabilities	561,516	-	-	-	-	561,516
	<u>2,567,279</u>	<u>-</u>	<u>-</u>	<u>90,907</u>	<u>203,525</u>	<u>2,861,711</u>
Total liabilities	<u>2,567,279</u>	<u>-</u>	<u>-</u>	<u>90,907</u>	<u>203,525</u>	<u>2,861,711</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	4,630,000	5,597,665	-	-	548,993	10,776,658
	<u>4,630,000</u>	<u>5,597,665</u>	<u>-</u>	<u>-</u>	<u>548,993</u>	<u>10,776,658</u>
FUND BALANCES						
Nonspendable						
Prepaid items	473,267	-	-	-	-	473,267
Restricted:						
Debt service	-	-	16,009	-	1,502,316	1,518,325
Capital Improvements	25,130	-	-	20,628,375	2,451,405	23,104,910
Other	225,318	1,259,877	-	-	1,384,804	2,869,999
Assigned	-	-	-	-	8,338	8,338
Unassigned	11,559,471	-	-	-	-	11,559,471
	<u>12,283,186</u>	<u>1,259,877</u>	<u>16,009</u>	<u>20,628,375</u>	<u>5,346,863</u>	<u>39,534,310</u>
Total fund balance (deficit)	<u>12,283,186</u>	<u>1,259,877</u>	<u>16,009</u>	<u>20,628,375</u>	<u>5,346,863</u>	<u>39,534,310</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
	<u>\$ 19,480,465</u>	<u>\$ 6,857,542</u>	<u>\$ 16,009</u>	<u>\$ 20,719,282</u>	<u>\$ 6,099,381</u>	

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.	187,150,956
Net pension liability	(11,928,288)
Deferred outflows - contributions to pension plan subsequent to measurement date	2,533,772
Certain receivables are reported as assets in the government-wide statements. These receivables are not available to pay current period expenditures and therefore, are deferred in the funds.	10,776,658
Deferred charges on debt refunding are reported as deferred outflows of resources in the statement of net position and are not reported in the funds.	8,835,948
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(187,443,309)
Net position of governmental activities	<u>\$ 49,460,047</u>

The accompanying notes are an integral part of this statement

**CITY OF MADISON, ALABAMA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	General Fund	General Obligation Bond Collection Fund	School Bonds Fund	Capital Improvement Fund	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property and payments in lieu of taxes	\$ 5,539,388	\$ 1,628,435	\$ 5,498,173	\$ -	\$ 895,195	\$ 13,561,191
Sales and use	11,085,132	5,803,834	-	-	1,386,535	18,275,501
Franchise	1,218,447	-	-	-	-	1,218,447
Alcoholic beverages	981,777	-	-	-	-	981,777
Rental	456,388	-	-	-	-	456,388
Lodging	1,349,214	-	-	-	-	1,349,214
Other	364,043	-	-	-	-	364,043
Licenses and permits	4,935,841	-	-	-	-	4,935,841
Intergovernmental	10,755	-	-	-	833,857	844,612
Charges for services	1,636,194	-	-	-	-	1,636,194
Fines	710,987	-	-	-	208,467	919,454
Interest income	64,057	2,820	126	22,308	4,960	94,271
Contributions and donations	16,071	-	-	-	35,810	51,881
Other revenues	1,089,299	-	-	-	414,310	1,503,609
Total revenues	29,457,593	7,435,089	5,498,299	22,308	3,779,134	46,192,423
EXPENDITURES						
Current:						
General administration	2,888,386	6,645	-	-	766,099	3,661,130
Police	6,483,622	-	-	-	38,753	6,522,375
Public works	2,392,772	-	-	-	1,226,025	3,618,797
City clerk	414,954	-	-	-	-	414,954
Recreation	2,336,741	-	-	1,281,572	-	3,618,313
Fire	4,794,154	-	-	-	-	4,794,154
Planning	490,640	-	-	1,175	-	491,815
Court	1,066,215	-	-	-	-	1,066,215
City council	126,618	-	-	-	-	126,618
Finance	545,135	-	-	-	-	545,135
Human resources	4,012,930	-	-	-	-	4,012,930
Mayor's office	182,676	-	-	-	-	182,676
Revenue	294,046	-	-	-	-	294,046
Engineering	781,041	-	-	879,307	424,196	2,084,544
Senior center	265,455	-	-	-	-	265,455
Information technology	532,522	-	-	-	-	532,522
Legal	452,581	-	-	-	-	452,581
Building	823,537	-	-	-	-	823,537
Debt service:						-
Principal	-	-	1,480,000	-	2,200,000	3,680,000
Interest	-	-	4,001,512	-	3,804,636	7,806,148
Debt issuance costs	-	-	725,788	-	-	725,788
Capital Outlay	-	-	-	3,415,953	784,669	4,200,622
Total expenditures	28,884,025	6,645	6,207,300	5,578,007	9,244,378	49,920,355
Excess (deficiency) of revenues over expenditures	573,568	7,428,444	(709,001)	(5,555,699)	(5,465,244)	(3,727,932)
OTHER FINANCING SOURCES (USES)						
Sales of capital assets	-	-	-	-	-	-
Transfers from other funds	3,235,286	-	-	-	7,134,787	10,370,073
Transfers to other funds	(1,047,297)	(9,087,490)	-	-	(235,286)	(10,370,073)
Bond issue premium	-	-	4,789,277	-	-	4,789,277
Issuance of refunding bonds	-	-	51,935,000	-	-	51,935,000
Payment to refunding bonds escrow agent	-	-	(56,007,693)	-	-	(56,007,693)
Total other financing sources (uses), net	2,187,989	(9,087,490)	716,584	-	6,899,501	716,584
NET CHANGE IN FUND BALANCE	2,761,557	(1,659,046)	7,583	(5,555,699)	1,434,257	(3,011,348)
Fund balance (deficit), beginning	9,521,629	2,918,923	8,426	26,184,074	3,943,658	42,576,710
Prior period adjustment	-	-	-	-	(31,052)	(31,052)
FUND BALANCE (DEFICIT), ENDING	\$ 12,283,186	\$ 1,259,877	\$ 16,009	\$ 20,628,375	\$ 5,346,863	\$ 39,534,310

The accompanying notes 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, 2016**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$	(3,011,348)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		428,023
Donations of capital assets increase net position in the Statement of Activities but do not in the governmental funds because they are not financial resources.		4,747,062
Revenues in the Statement of Activities that do not provide current financial resources as they have not been received within the defined period from year-end to be available		2,094,515
For governmental funds, the issuance of long-term debt (e.g. warrants and leases) provide current financial resources and the repayment of long-term debt consumes current financial resources. Neither transaction, however has any affect on net position. Also, governmental funds report the effect of permiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Amount is the net effect of these differences in the long-term debt and related items.		2,979,917
Other expenses reported in the Statement of Activities that do not require current financial resources.		<u>(608,971)</u>
Change in net position of governmenal activities	\$	<u><u>6,629,198</u></u>

The accompanying notes are an integral part of this statement

NOTES TO FINANCIAL STATEMENTS

**CITY OF MADISON, ALABAMA
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SEPTEMBER 30, 2016 AND 2015**

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CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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.

During the year ended September 30, 2015, the City adopted GASB Statement 68, Accounting and Financial Reporting for Pensions. GASB 68 establishes accounting and financial reporting standards that record a net pension liability of the Board to employees for benefits provided through a defined benefit pension plan. Under GASB 68, an annual pension expense is recorded by the City for the change in the net pension liability adjusted for certain deferred inflows and deferred outflows of resources. These deferred inflows and deferred outflows of resources include actuarial gains and losses, changes in actuarial assumptions, pension investment return over and under the related actuarial assumption, and contributions made by the City after the respective actuarial measurement date of the pension plan.

A. FINANCIAL REPORTING ENTITY

As required by GAAP, these basic financial statements present the primary government (the City) and its component units, entities for which the City is financially accountable. The City discretely presents each component unit in a separate column in the government-wide financial statements to emphasize the fact that each is legally separate from the City. Each discretely presented component unit has a September 30 year-end.

DISCRETELY PRESENTED COMPONENT UNITS

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.

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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.

Town Madison Cooperative District

Town Madison Cooperative District (the "District") was incorporated in 2014 as a capital improvement district under the provisions of Chapter 99B of Title 11 of the Code of Alabama 1975. The purpose of the District is to acquire, construct, and install capital improvements for public infrastructure within the jurisdiction of the District. The District is governed by a board of directors comprised of 3 persons, 2 of which are appointed by the City Council of the City of Madison.

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

Madison Utilities
101 Ray Sanderson Drive
Madison, Alabama 35758

Town Madison Cooperative District 100
Hughes Road
Madison, Alabama 35758

Madison City Board Education
211 Celtic Drive
Madison, Alabama 35758

B. GOVERNMENT-WIDE AND FUND 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

Basic Financial Statements

Government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report all activities of the primary government and its component units. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges from services and are usually intended by management to be financially self-sustaining. The City currently has no business-type activities.

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 not properly included in program revenues but reported as general revenues. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances and transfers in the statement of net position have been eliminated except those representing balances or activity between the governmental activities and component units.

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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. 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.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current periods or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Sales taxes, payments in lieu of taxes, property taxes, licenses and permits, courts fines and costs, and interest all associate with the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources. The following information provides a description of the *governmental funds* and the *major funds* of the City:

Governmental Funds:

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:

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. It accounts for all general tax revenues and other receipts that are not restricted by law or contractual agreement or accounted for in another fund. Likewise, it also accounts for general operating expenditures, fixed charges and capital improvements costs not paid through other funds.

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 Fund: 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 governmental resources.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Major Funds

The City reports the four (4) following major governmental funds:

General Fund: the General Fund is the City's primary operating fund. This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund

General Obligation Bond Collection Fund: the general obligation bond collection fund, a special-revenue fund, is used to account for ½ -cent sales tax and the 5 ½ -mill property tax.

School Bonds Fund: the school bonds fund, a special revenue 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 capital projects 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 issuance of general obligation warrants.

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

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

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 components units, are stated at fair 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 of Board of Education is restricted by its governing board and the State of Alabama to not put public funds at risk by investing in investments not insured by the federal government.

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Receivables and Payables

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

Property taxes are levied on October 1 for the prior fiscal year beginning October 1, at which time a lien is attached. These taxes are due and payable October 1 and delinquent after December 31 each year, after which a penalty and interest are required to be charged. Revenue is recognized in the year when the taxes are levied and collected at the fund level and in the year for which they are levied at the government-wide level. The City’s property taxes are collected by 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 on a percent of gross revenue, determined from prior year’s bad debt experience and on evaluation of each customer’s capacity to pay 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 payment 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 non-spendable fund balance, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Interfund Receivables, Payables, and Transfers

Interfund receivables and payables are from interfund transactions and recorded by all funds affected in the period. Transactions that constitute reimbursements to a fund for expenditures or expense 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 with cost of \$1 or more, buildings with cost of \$50,000 or more, building improvements/generation equipment/leasehold improvements with cost of \$15,000 or more, roads with cost of \$100,000 or more, computer/other office equipment and residential/office furnishings with cost of \$5,000 or more, and all other assets with cost of \$10,000 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 acquisition value at the date of donation

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

Land and construction in progress are not depreciated.

Depreciation of all exhaustible capital assets is charged as an expense against operation or function. Property, plant, equipment and infrastructure of the primary government, as well as the component units, are depreciated using the straight-line method over the estimated useful lives as follows:

Building improvements	10-20 years
Buildings	20-40 years
Sidewalks ,streets, and bridges	20-50 years
Traffic signals	15 years
Utility plants in service	40-50 years
Improvements:	
Pumping stations	50 years
Outfall lines	50 years
Land improvements	12-25 years
Surface lots	15-20 years
Furniture and equipment	3-12 years
Greenways	15 years
Drainage systems	40 years
Motor vehicles	5 years

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which 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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Discretely Presently Component Units

Madison Utilities permits 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 ended. However, an employee may carry a total of 30 days of unused leave forward from one leave year to the next. Any leave that exceeds 30 days at the end of the year is transferred to the employee's sick leave balance. Employees may elect, in writing to donate annual leave to another employee due to serious illness or disability. There is no liability for unpaid accumulated sick leave. Madison Utilities does not pay an employee sick leave upon separation from the Board's services.

Madison City Board of Education 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 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 covert 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.

Twelve month employees with 10 years or less in service with Madison City Board of Education are allowed 10 working days. Employees with 11 years or greater in service with Madison City Board of Education are allowed 15 working days. Unused vacation leave can be carried over to succeeding years to a maximum of 20 days for less than 10 years of service and 30 days for greater than 10 years of service.

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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are the deferred charge on refunding and the contributions to the pension plan subsequent to the plan measurement date reported in the government-wide statement of net position. A deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of this item. One item is the excess of actual revenue earnings over projected earnings on pension plan investments. The other is unavailable revenue, which is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available

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.

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.

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.

Unassigned: this classification includes all amounts that are not included in other spendable classifications.

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

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Position

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows in the government-wide financial statements. 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.

Pensions

The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included on the State's Comprehensive Annual Financial Report.

E. GASB ACCOUNTING PRONOUNCEMENTS

Pronouncements Effective for the 2016 Financial Statements:

The City adopted GASB No.72, Fair Value Measurement and Application, in 2016. This statement provides guidance for applying fair value to certain investments and the disclosures related to all financial measurements. Required disclosures include the level of fair value hierarchy and techniques used to value the investments. The statement is intended to improve comparability among financial statements of government entities as the more detailed guidance allows for a consistent presentation of fair value.

The City adopted GASB No.73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68, Amendments for Certain Provisions of GASB Statements 67 and 68, in 2016. This statement sets requirements for defined benefit and contribution pensions that are not within the scope of Statement No. 68. The Statement broadens Statement No. 68 to pension assets not administered by a trust and also clarifies certain provisions for Statement No. 67 and 68 which will improve comparability of disclosed pension information between contributing entities. The implementation of this statement did not have a significant impact on the City's financial statements.

The City adopted GASB No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments in 2016. This statement identifies the hierarchy of generally accepted accounting principles within the context of the current governmental financial reporting environment and required retrospective application. The implementation of this statement did not have a significant impact on the City's financial statements.

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Pronouncements issued, but not yet effective, which will be adopted by the City in future years:

The City plans to adopt GASB No.74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, in the period beginning after June 15, 2016, fiscal 2017. This statement will improve the usefulness of other postemployment benefit information included in the financial statements and replaces Statement No. 43. It includes requirements for supplemental information and notes to the financial statements. The statement also sets specific requirements for the measurement of the Net OPEB liability.

The City plans to adopt GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in the period beginning after June 15, 2017, fiscal 2018. This statement will make financial information more useful for decision making as it requires recognition of the entire OPEB liability and more in depth measure of OPEB expense. New disclosure and supplemental information requirements will also improve the financial reporting surrounding OPEB.

The City plans to adopt GASB No 77, Tax Abatement Disclosures, in the period beginning after December 15, 2015, fiscal 2017. This statement improves financial reporting by providing users essential information regarding tax abatements by requiring more detailed information about the abatements and organizing the information in a consistent and comprehensive manner.

The City plans to adopt GASB No 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plan, in the period beginning after December 15, 2015, fiscal 2017. This statement amends the scope of Statement No. 68 to exclude certain pensions provided to state or local government employees if it includes benefits to non-state or local government beneficiaries. It also includes new disclosure requirements.

The City plans to adopt GASB No 80, Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14, in the period beginning after June 15, 2016, fiscal 2017. The statement amends blending requirements to include a component unit incorporated as a not-for-profit corporation and the primary government is the sole corporate member.

The City plans to adopt GASB No 81, Irrevocable Split-Interest Agreements, required for fiscal periods beginning after December 15, 2016, fiscal 2018. This Statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The City plans to adopt GASB No 82, Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73, required for fiscal periods beginning after June 15, 2016, except for certain provisions effective for fiscal periods beginning after June 15, 2017, in fiscal 2017 and 2018. This Statement improves financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues.

The City plans to adopt GASB No 83, Certain Asset Retirement Obligation, in the period beginning after June 15, 2018, fiscal 2019. The Statement will enhance comparability of financial statements among governments by providing uniform criteria to measure and recognize certain asset retirement obligations.

The City plans to adopt GASB No 84, Fiduciary Activities, in period beginning after December 15, 2018. fiscal 2020. The Statement establishes criteria for identifying fiduciary activities of all state and local governments and will enhance comparability of financial statements through this added criteria and clarity of whether and how business-type activities should report fiduciary activities.

Management is in the process of determining the effects that the adoption of these statements will have on the City's basic financial statements

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 2. RECONCILIATION OF GOVERNMENT-WDIE AND FUND FINANCIAL STATEMENTS-CONTINUED

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 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 \$187,443,309 difference are as follows:

Warrants payable	\$ 183,795,684
Accrued interest payable	2,488,772
Compensated absences	793,288
Other post-employment benefits	<u>365,565</u>
	<u><u>\$ 187,443,309</u></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 \$428,023 difference are as follows:

Capital outlay	\$ 6,283,448
Depreciation expense	<u>(5,855,425)</u>
	<u><u>\$ 428,023</u></u>

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2. RECONCILIATION OF GOVERNMENT-WDIE AND FUND FINANCIAL STATEMENTS-CONTINUED

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

The details of this \$2,979,917 difference are as follows:

Debt issued or incurred	
General obligation debt	\$ (51,935,000)
Principal repayments:	
General obligation debt	3,680,000
Payment to escrow agent for defeasance of refunded debt	50,045,000
Deferral of premiums	(4,789,277)
Deferral of refunding loss	6,227,382
Amortization of premium, discounts, and refunding loss	(248,188)
	<u>\$ 2,979,917</u>

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 (\$608,971) difference are as follows:

Compensated absences	\$ (45,203)
Accrued interest	(345,889)
Net pension obligation	(175,244)
Other postemployment expenses	(42,635)
	<u>\$ (608,971)</u>

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital improvement fund. All annual appropriations lapse at fiscal year-end.

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

The City adopts a line item budget 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.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY-CONTUNED

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 \$1000, funding increase or decrease to the personnel compensation, and funding increase or decrease to the capital outlay line item. These types of amendments require approval of the city council finance committee.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

<u>School Bonds</u>		
Interest	\$	119,657
Capital outlay	\$	702,122
<u>Gasoline Taxes and Inspection Fees Fund</u>		
General administration	\$	59,747
<u>Capital Replacement Fund</u>		
Police	\$	16,020
Capital outlay	\$	69,169
<u>Infrastructure Repair Fund</u>		
Engineering	\$	424,196
<u>Madison Redevelopment Authority Fund</u>		
Public works	\$	10

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, 2016.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4. DETAILED NOTES ON ALL FUNDS-

A. DEPOSITS AND INVESTMENTS

Primary Government

At September 30, 2016, the City's deposits and bank balances were 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.

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, 2016, the City had investments in money market accounts with fair value of \$1,518,325 with weighted average maturity of 37 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, 2016, the entire City's deposits and bank balances are insured by federal depository insurance or part of SAFE.

Discretely Presented Component Units

The Water and Wastewater Board

At September 30, 2016, all cash and cash equivalents of Madison Utilities Board, discretely presented component, are entirely insured or collateralized as provided by the Security for Alabama Funds Enhancement Act (SAFE) as prescribed in section 41-14-A of the Code of the State of Alabama with a Qualified Public Fund Depository. Funds held for the benefit of Madison Utilities Board by the depository banks' trust department or agents are invested in U.S. governmental securities or secured by U.S. government securities as required and defined by the trust indentures.

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 4. DETAILED NOTES ON ALL FUNDS-CONTINUED

Madison City Board of Education

At September 30, 2016, 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.

B. CAPITAL ASSETS

The Capital asset activity of the Primary Government for the year ended September 30, 2016 is as follows:

	Balance October 1, 2015	Additions	Deletions and Reclassifications	Balance September 30, 2016
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 33,445,331	\$ 1,070,000	\$ -	\$ 34,515,331
Construction in progress	<u>7,232,388</u>	<u>5,219,232</u>	<u>-</u>	<u>12,451,620</u>
Total capital assets, not being depreciated	40,677,719	6,289,232	-	46,966,951
Capital assets, being depreciated:				
Land improvements	85,335	20,200	-	105,535
Buildings	13,268,546	-	-	13,268,546
Building improvements	4,449,330	133,400	-	4,582,730
Improvements - other than buildings	4,338,809	-	(1,332,095)	3,006,714
Machinery, equipment and furniture	17,844,376	1,033,668	-	18,878,044
Infrastructure	172,118,277	3,736,454	(1,063,128)	174,791,603
Other	<u>13,000</u>	<u>-</u>	<u>1,332,095</u>	<u>1,345,095</u>
Total capital assets, being depreciated	212,117,673	4,923,722	(1,063,128)	215,978,267
Less accumulated depreciation for:				
Land improvements	(13,622)	(4,351)	-	(17,973)
Buildings	(4,787,612)	(321,388)	-	(5,109,000)
Building improvements	(1,428,960)	(223,492)	-	(1,652,452)
Improvements - other than buildings	(1,360,004)	(141,233)	-	(1,501,237)
Machinery, equipment and furniture	(13,279,182)	(1,133,700)	880,684	(13,532,198)
Infrastructure	(49,944,260)	(4,029,404)	-	(53,973,664)
Other	<u>(5,881)</u>	<u>(1,857)</u>	<u>-</u>	<u>(7,738)</u>
Total accumulated depreciation	<u>(70,819,521)</u>	<u>(5,855,425)</u>	<u>880,684</u>	<u>(75,794,262)</u>
Total capital assets, being depreciated, net	<u>141,298,152</u>	<u>(931,703)</u>	<u>(182,444)</u>	<u>140,184,005</u>
Governmental activities capital assets, net	<u>\$ 181,975,871</u>	<u>\$ 5,357,529</u>	<u>\$ (182,444)</u>	<u>\$ 187,150,956</u>

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4. DETAILED NOTES ON ALL FUNDS-CONTINUED

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

General Administration	\$	303,478
Police		463,144
Public Works		3,785,098
City Clerk		2,101
Recreation		359,638
Fire		474,478
Planning		1,630
Court		2,736
Finance		24,120
Human Resources		746
Engineering		344,133
Senior Center		37,483
Information Technology		38,778
Legal		355
Building		<u>17,507</u>
Total depreciation expense - governmental activities	<u>\$</u>	<u>5,855,425</u>

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4. DETAILED NOTES ON ALL FUNDS- CONTINUED

Discretely presented components units

Activity for the discretely presented component unit, The Water and Wastewater Board for the year ended September 30, 2016 was as follows:

	Balance October, 1 2015	Additions and Reclassifications	Deletions and Reclassifications	Balance September, 30 2016
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,260,385	\$ 2,331	\$ -	\$ 3,262,716
Construction in progress	8,597,494	15,107,916	(5,391,639)	18,313,771
Total capital assets, not being depreciated	11,857,879	15,110,247	(5,391,639)	21,576,487
Capital assets, being depreciated:				
Land improvements	5,118,471	86,885	-	5,205,356
Buildings	47,141,396	326,897	-	47,468,293
Building improvements	80,532,100	2,607,480	-	83,139,580
Machinery, Equipment and Furniture	77,654,980	2,368,047	(298,603)	79,724,424
Total capital assets, being depreciated	210,446,947	5,389,309	(298,603)	215,537,653
Less accumulated depreciation for:				
Land improvements	1,502,330	137,766	-	1,640,096
Buildings	9,965,789	1,182,635	-	11,148,424
Building improvements	20,048,986	1,649,182	-	21,698,168
Machinery, equipment and furniture	20,678,651	2,023,671	(269,446)	22,432,876
Total accumulated depreciation	52,195,756	4,993,254	(269,446)	56,919,564
Total capital assets, being depreciated, net	158,251,191	396,055	(29,157)	158,618,089
Governmental activities capital assets, net	<u>\$ 170,109,070</u>	<u>\$ 15,506,302</u>	<u>\$ (5,420,796)</u>	<u>\$ 180,194,576</u>

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4. DETAILED NOTES ON ALL FUNDS- CONTINUED

Activity for the discretely presented component unit, Madison City Board of Education for the year ended September 30, 2016 was as follows:

	Balance October, 1 2015	Additions and Reclassifications	Deletions and Reclassifications	Balance September, 30 2016
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,702,528	\$ -	\$ -	\$ 8,702,528
Construction in progress	22,819,837	-	(22,819,837)	-
Total capital assets, not being depreciated	31,522,365	-	(22,819,837)	8,702,528
Capital assets, being depreciated:				
Land improvements	9,056,602	20,605	-	9,077,207
Buildings	168,949,653	24,147,529	-	193,097,182
Equipment	5,016,851	301,628	-	5,318,479
Vehicles	6,978,186	743,724	-	7,721,910
Total capital assets, being depreciated	190,001,292	25,213,486	-	215,214,778
Less accumulated depreciation for:				
Land improvements	5,458,586	337,794	-	5,796,380
Buildings	32,766,500	3,600,779	-	36,367,279
Equipment	3,747,772	336,307	-	4,084,079
Vehicles	3,734,762	539,771	-	4,274,533
Total accumulated depreciation	45,707,620	4,814,651	-	50,522,271
Total capital assets, being depreciated, net	144,293,672	20,398,835	-	164,692,507
Governmental activities capital assets, net	<u>\$ 175,816,037</u>	<u>\$ 20,398,835</u>	<u>\$ (22,819,837)</u>	<u>\$ 173,395,035</u>

During the year ended September 30, 2016, Town Madison Cooperative District had a balance of construction in progress of \$9,825,898 consisting of additions of: (1) \$8,811,455 resulting from the construction of assets with the proceeds of advances on the revenue bonds, \$867,455 in accounts payable for construction incurred during 2016 before an advance on revenue bonds subsequent to year end, and \$146,988 in retainage payable on the project. As all of the capital assets at September 30, 2016 were construction in progress, there was no depreciation expense in 2016.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4. DETAILED NOTES ON ALL FUNDS- CONTINUED

C. 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, 2015, is as follows:

Transfers In/Out

<u>Transfers To:</u>	<u>General Fund</u>	<u>General Obligation Bond Collection Fund</u>	<u>Non-major Government</u>	<u>Total In</u>
Transfers From:				
General fund	\$ -	\$ -	\$ 1,047,297	\$ 1,047,297
General obligation bond collection fund	3,000,000		6,087,490	\$ 9,087,490
Non-major government	<u>235,286</u>	<u>-</u>	<u>-</u>	<u>235,286</u>
Total out	<u>\$ 3,235,286</u>	<u>\$ -</u>	<u>\$ 7,134,787</u>	<u>\$ 10,370,073</u>

Due To/From Primary Government and Component Units:

<u>Due To:</u>	<u>General Fund</u>	<u>General Obligation Bond Collection Fund</u>	<u>Non-major Government</u>	<u>Total In</u>
Due From:				
General fund	\$ -	\$ 18,309	\$ 39,542	\$ 57,851
Non-major government	<u>4,575</u>	<u>-</u>	<u>-</u>	<u>4,575</u>
Total out	<u>\$ 4,575</u>	<u>\$ 18,309</u>	<u>\$ 39,542</u>	<u>\$ 62,426</u>

<u>Due From:</u>	<u>Component Unit - Madison City School Board</u>	<u>Total In</u>
Due To:		
Primary Government - General fund	<u>\$ 1,021,360</u>	<u>\$ 1,021,360</u>
	<u>\$ 1,021,360</u>	<u>\$ 1,021,360</u>

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4. DETAILED NOTES ON ALL FUNDS-CONTINUED

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 repayment 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 operation

D. LEASES

Capital Leases

Component Unit – Madison City Board of Education

The discretely presented component unit, Madison City Board of Education, has entered into various lease agreements as lessee for financing the acquisition of transportation and computer equipment. These lease agreements are treated as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the basic financial statements.

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2016 are as follows:

Year Ending September 30	Governmental Activities
2017	\$ 291,426
2018	285,863
2019	280,299
2020	274,736
2021	269,172
2022-2025	720,962
Total minimum lease payments	2,122,458
Less: amount representing interest	(176,528)
Present value of minimum lease payments	\$ 1,945,930

E. 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.

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 4. DETAILED NOTES ON ALL FUNDS-CONTINUED

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, 2013-A bond fund, 2015-A bond fund, and 2015-B 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, 2016, are as follows:

	Face Amount	Dated	Final Maturity	Interest Rates (%)	Principal Maturities	Ending Balance	Amount Due Within One Year
Governmental activities:							
G.O. Warrants - general purposes							
Series 2006-A	\$ 37,980,000	12/1/2006	12/1/2036	3.50% - 4.75%	55,000 - 3,340,000	\$ 24,555,000	\$ 55,000
Series 2011 - Taxable	7,300,000	3/1/2011	3/1/2022	1.50% - 5.24%	700,000 - 885,000	4,715,000	700,000
Series 2013-A	26,985,000	5/30/2013	4/1/2037	3.00% - 5.00%	420,000 - 1,920,000	26,985,000	420,000
Series 2015-A	23,790,000	5/1/2015	4/1/2037	2.00% - 5.00%	575,000 - 1,390,000	22,315,000	575,000
Series 2015-B	12,255,000	5/1/2015	12/1/2036	2.00% - 5.00%	690,000 - 1,085,000	12,255,000	-
	<u>108,310,000</u>					<u>90,825,000</u>	<u>1,750,000</u>
G.O. Warrants - school purposes							
Series 2008-A	\$ 12,235,000	5/1/2008	3/1/2025	2.40% - 4.75%	265,000 - 3,360,000	840,000	265,000
Series 2009	50,710,000	8/27/2009	2/1/2039	1.25% - 5.25%	100,000 - 5,545,000	10,695,000	100,000
Series 2011-A	6,445,000	8/16/2011	11/1/2026	0.85% - 4.00%	390,000 - 545,000	5,050,000	390,000
Series 2011-B	18,460,000	12/8/2011	2/1/2032	4.00% - 5.00%	770,000 - 1,305,000	15,870,000	770,000
Series 2016-A	9,535,000	3/31/2016	3/1/2029	4.00% - 5.00%	900,000 - 1,490,000	9,535,000	-
Series 2016-B	42,400,000	6/23/2016	2/1/2039	3.00% - 5.00%	1,300,000 - 4,460,000	42,400,000	-
	<u>139,785,000</u>					<u>84,390,000</u>	<u>1,525,000</u>
Total Primary Government	<u><u>\$ 248,095,000</u></u>					<u><u>\$ 175,215,000</u></u>	<u><u>\$ 3,275,000</u></u>

Component Unit

General obligation warrants currently outstanding as of September 30, 2016, for The Water and Wastewater Board and Madison City Board of Education are as follows:

	Face Amount	Dated	Final Maturity	Interest Rates (%)	Principal Maturities	Ending Balance	Amount Due Within One Year
The Water and Wastewater Board							
<i>Water and Sewer Revenue Bonds</i>							
Series 2006-A Nontaxable	\$ 34,935,000	2006	12/1/2032	4.25 - 4.75	13,750 - 159,167	\$ 15,375,000	\$ -
Series 2006-B Taxable	1,195,000	2006	12/1/2018	5.10 - 5.15	20,000 - 21,667	500,000	240,000
Series 2007	9,265,000	2007	12/1/2034	4.25	377,083 - 395,000	9,265,000	-
Series 2008	3,500,000	2008	12/1/2035	4.25	291,667	3,500,000	-
Series 2013	10,000,000	2013	12/1/2034	2.0 - 4.1	32,917 - 56,250	9,230,000	395,000
Series 2015	20,040,000	2015	12/1/2032	3.5 - 5.0	19,167 - 203,750	20,040,000	-
	<u>\$ 78,935,000</u>					<u>\$ 57,910,000</u>	<u>\$ 635,000</u>

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 4. DETAILED NOTES ON ALL FUNDS-CONTINUED

	<u>Face Amount</u>	<u>Dated</u>	<u>Final Maturity</u>	<u>Interest Rates (%)</u>	<u>Principal Maturities</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
<i>Subordinated Water and Sewer Revenue Bonds</i>							
Series 1996-SRF	\$ 2,845,000	1996	8/15/2018	3.18	16,250 - 16,667	\$ 395,000	\$ 195,000
Series 2004-CWSRF-DL	5,240,000	2004	8/15/2025	2.0 - 4.1	22,500 - 28,750	2,755,000	270,000
Series 2010-SRF	13,315,000	2010	8/15/2022	2.50	93,333 - 113,333	7,420,000	1,120,000
Series 2013-DWSRF-BL	11,440,000	2013	8/15/2024	1.60	50,833 - 62,917	5,425,000	610,000
Series 2014-SRF	2,955,000	2014	2/15/2035	2.45	10,000 - 15,417	2,840,000	120,000
Series 2016-SRF	16,110,000	2016	2/15/2037	2.20	54,167 - 82,083	16,110,000	-
	<u>\$ 51,905,000</u>					<u>\$ 34,945,000</u>	<u>\$ 2,315,000</u>

	<u>Face Amount</u>	<u>Dated</u>	<u>Final Maturity</u>	<u>Interest Rates (%)</u>	<u>Principal Maturities</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
<i>Governmental activities:</i>							
<i>Madison City Board of Education</i>							
Series 2009-B	\$ 4,178,868	2009	5/1/2019	3.0 - 5.0	41,640 - 37,439	\$ 1,420,831	\$ 449,263
Series 2010	36,000,000	2011	9/1/2027	3.0 - 5.0	133,693	17,647,509	1,604,319
Series 2013	13,242,981	2013	6/1/2033	3.0 - 5.0	40,683 - 75,991	11,861,244	488,195
Series 2014-A	3,209,774	2014	2/1/2025	3.0 - 5.0	21,026 - 30,437	2,726,154	252,308
	<u>\$ 56,631,623</u>					<u>\$ 33,655,738</u>	<u>\$ 2,794,085</u>

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, 2016. At September 30, 2016, that amount was \$119,470,188. As of September 30, 2016, the total outstanding debt applicable to the limit was \$89,306,675 which is 74.75 percent of total debt limit.

Advance Refunding

In May 2016, the City issued the 2016-A General Obligation School Warrants for the face amount of \$9,535,000 with interest rates ranging from 4.00% to 5.00% for an advanced partial refunding of the 2008-A General Obligation Warrants, which had interest rates ranging from 4.00% to 4.75%. \$11,087,764 of the net proceeds (which included a premium of \$1,709,149 and a payment of \$172,189 for underwriting and issuance cost) were deposited in and 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 2008-A General Obligation Warrants is considered defeased and the liability for the refunded portion of these bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$742,059. This difference is reported in the accompanying financial statements as deferred outflow of resources and is recognized as a component of interest expense over the remaining life of the refunded debt.

The City completed the advance refunding to reduce its debt service payments over the next 14 years by \$461,543 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$621,578. The economic gain is greater in this case due to the refunding warrants being repaid over 14 years compared to the remaining 10 years of debt service on the refunded warrants.

In June 2016, the City issued the 2016-B General Obligation School Warrants for the face amount of \$42,400,000 with interest rates ranging from 4.00% to 5.00% for an advanced partial refunding of the 2009 General Obligation Warrants, which had interest rates ranging from 3.375% to 5.25%. \$44,919,929 of the net proceeds (which included a premium of \$3,080,128 and a payment of \$536,533 for underwriting and

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4. DETAILED NOTES ON ALL FUNDS-CONTINUED

issuance cost) were deposited in and 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 2009 General Obligation Warrants is considered defeased and the liability for the refunded portion of these bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$5,485,324. This difference is reported in the accompanying financial statements as deferred outflow of resources and is recognized as a component of interest expense over the remaining life of the refunded debt.

The City completed the advance refunding to reduce its debt service payments over the next 23 years by \$7,152,903 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$6,038,674.

Future Debt Service

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

<u>Governmental activities:</u>		
G.O. Warrants - general purposes	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,750,000	\$ 4,305,619
2018	2,560,000	3,805,985
2019	2,725,000	3,616,308
2020	2,855,000	3,513,058
2021	3,125,000	3,418,382
2022-2026	17,740,000	14,825,172
2027-2031	24,160,000	10,319,003
2032-2036	29,285,000	4,991,629
2037	6,625,000	235,744
	<u>90,825,000</u>	<u>49,030,900</u>
G.O. Warrants - school purposes		
2017	\$ 1,525,000	\$ 5,868,128
2018	1,570,000	5,823,716
2019	1,610,000	5,776,529
2020	2,250,000	5,242,533
2021	2,360,000	5,163,288
2022-2026	13,715,000	22,174,040
2027-2031	21,645,000	9,930,542
2032-2036	23,470,000	5,020,297
2037-2039	16,245,000	849,580
	<u>84,390,000</u>	<u>65,848,653</u>

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4. DETAILED NOTES ON ALL FUNDS-CONTINUED

Discretely presented components units

The Water and Wastewater Board

2017	\$ 2,950,000	\$ 2,844,719
2018	3,705,000	3,105,187
2019	3,745,000	3,012,774
2020	3,860,000	2,921,272
2021	3,985,000	2,825,172
2022-2026	22,295,000	12,054,632
2027-2031	26,945,000	7,444,162
2032-2036	24,385,000	1,946,035
2037	985,000	10,835
	<u>92,855,000</u>	<u>36,164,788</u>

Madison City Board of Education

2017	\$ 2,794,085	\$ 838,928
2018	2,849,863	784,485
2019	2,914,091	724,818
2020	2,454,327	662,048
2021	2,496,609	619,548
2022-2026	12,745,826	2,458,357
2027-2031	5,599,399	1,003,196
2032-2033	1,801,539	108,537
	<u>33,655,739</u>	<u>7,199,917</u>
Total governmental activities	<u>\$ 126,510,739</u>	<u>\$ 43,364,705</u>

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 4. DETAILED NOTES ON ALL FUNDS-CONTINUED

Changes in long-term liabilities

During the year ended September 30, 2015, the following changes occurred in the City's long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
<u>Governmental activities:</u>					
General obligation warrants	\$ 177,005,000	\$ 51,935,000	\$ (53,725,000)	\$ 175,215,000	\$ 3,275,000
Plus (less) amount deferred for: Issue discounts & premiums	3,921,409	4,789,277	(130,002)	8,580,684	601,254
Total warrant, bonds, & notes	180,926,409	56,724,277	(53,855,002)	183,795,684	3,876,254
Compensated absences	930,260	928,304	(889,036)	969,528	176,240
Net pension obligation	9,305,658	2,622,630	-	11,928,288	
Other post-employment benefits	322,930	60,914	(18,279)	365,565	
Governmental Activities Long-Term Liabilities	<u>\$ 191,485,257</u>	<u>\$ 60,336,125</u>	<u>\$ (54,762,317)</u>	<u>\$ 197,059,065</u>	<u>\$ 4,052,494</u>

Discretely presented components units

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
<u>Governmental activities:</u>					
The Water and Wastewater Board					
Revenue warrants	\$ 79,600,000	\$ 16,110,000	\$ (2,855,000)	\$ 92,855,000	\$ 2,950,000
Unamortized bond premium/discount	1,697,823	-	(107,474)	1,590,349	107,474
Total warrants	81,297,823	16,110,000	(2,962,474)	94,445,349	3,057,474
Customer deposits	1,521,399	321,094	-	1,842,493	-
Compensated absences	195,997	16,749	-	212,746	-
Total Water and Wastewater Board Long-Term Liabilities	<u>83,015,219</u>	<u>16,447,843</u>	<u>(2,962,474)</u>	<u>96,500,588</u>	<u>3,057,474</u>
Madison City Board of Education					
Bonds payable	\$ 53,145,871	\$ -	\$ (1,137,641)	\$ 52,008,230	\$ 1,189,765
Unamortized bond premium/discount	507,708	-	(69,071)	438,637	69,072
Capitalized leases	1,694,464	501,629	(250,163)	1,945,930	250,163
Total Madison City Board of Education Long-Term Liabilities	<u>55,348,043</u>	<u>501,629</u>	<u>(1,456,875)</u>	<u>54,392,797</u>	<u>1,509,000</u>
Total governmental activities	<u>\$ 138,363,262</u>	<u>\$ 16,949,472</u>	<u>\$ (4,419,349)</u>	<u>\$ 150,893,385</u>	<u>\$ 4,566,474</u>

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 4. DETAILED NOTES ON ALL FUNDS-CONTINUED

In 2014, Town Madison Cooperative District issued \$22,000,000 in revenue bonds. The Bonds are special obligations of the District payable solely from revenues derived by the District from remittances from the City of certain sales and property taxes pursuant to the funding agreement between the City and the District dated July 1, 2014. The bond indenture states that the bondholder will make the proceeds of the bond available to the District in advances from time to time, in an aggregate amount not exceeding the \$22,000,000 principal amount of the bond, to finance the capital projects of the District under the funding agreement. The terms of the bond provides for the bondholder of the bonds to make an advance deposit to a trust account when necessary to pay for costs of the capital projects of the District. The funding agreement provides that the City will remit Net Project Tax Proceeds actually received by the City in each calendar quarter in a trust fund to be used by the District to service this debt. As of September 30, 2106, the balance of the revenue bonds was \$8,811,455, which was total advances made during 2016.

F. FUND BALANCE CONSTRAINTS

The constraints on fund balance as listed in aggregate in the Governmental Funds Balance Sheet are detailed according to balance classification and fund below:

	General Fund	General Obligation Bond Collection Fund	School Bonds Fund	Capital Improvement Fund	Other Non-Major Governmental Funds	Total Governmental Funds
FUND BALANCES						
Nonspendable						
Prepaid items	\$ 473,267	\$ -	\$ -	\$ -	\$ -	\$ 473,267
Restricted:						
Debt service	-	-	16,009	-	1,502,316	1,518,325
Capital Improvements	25,130	-	-	20,628,375	2,451,405	23,104,910
Neighborhood Park Improvement	-	-	-	-	-	-
Bibb Cemetary	3,391	-	-	-	-	3,391
Fire Donations	11,539	-	-	-	-	11,539
Public Works	252	-	-	-	-	252
Police Donations	60,470	-	-	-	-	60,470
Recreation Donation	149,666	-	-	-	-	149,666
Other	-	1,259,877	-	-	1,384,804	2,644,681
Assigned	-	-	-	-	8,338	8,338
Unassigned	11,559,471	-	-	-	-	11,559,471
Total fund balance (deficit)	<u>\$ 12,283,186</u>	<u>\$ 1,259,877</u>	<u>\$ 16,009</u>	<u>\$ 20,628,375</u>	<u>\$ 5,346,863</u>	<u>\$ 39,534,310</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 or omissions; employee injuries; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settles claims from the past three fiscal years have not exceeded commercial insurance coverage.

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5. OTHER INFORMATION –CONTINUED

Discretely presented components units

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.

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

In 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 \$366,943 from The Water and Wastewater Board for the years ended September 30, 2016 for these related franchise fees.

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, 2016, the City received \$439,976 from the North Alabama Gas District.

C. RELATED ORGANIZATIONS

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

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5. OTHER INFORMATION –CONTINUED

D. SUBSEQUENT EVENTS

The City evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. The City evaluated subsequent events through March 31, 2017, which is the date the financial statements were available for issuance.

E. COMMITMENTS AND CONTINGENCIES

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

F. DEFINED BENEFITS PENSION PLAN

Primary Government:

Plan Description

The City participates in the Employees' Retirement System of Alabama (ERS), which provides pension benefits, deferred allowance, and death and disability benefits to plan members and beneficiaries. The ERS is an agent multiple-employer public employee retirement system which acts as a common investment and administrative agent for government employers in the State of Alabama. All full time employees that are eligible are covered by the System.

The Employees' Retirement System of Alabama (ERS) was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of the ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Employee membership data related to the Plan, as of September 30, 2015 was as follows:

Retirees and beneficiaries currently receiving benefits	22,211
Terminated employees entitled to but not yet receiving benefits	1,353
Terminated employees not entitled to a benefit	5,451
Active members	<u>55,378</u>
Total	<u><u>84,393</u></u>

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5. OTHER INFORMATION –CONTINUED

Employee membership data related to the City of Madison portion of the Plan, as of September 30, 2015 was as follows:

Retired members or their beneficiaries currently receiving benefits	74
Vested inactive members	5
Non-vested inactive members	40
Active members	320
Post-DROP retired members still in active service	1
Total	440

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to § 36-27-6.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 with 10 years or more creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS are allowed to 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 20102 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5. OTHER INFORMATION –CONTINUED

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to beneficiary on the member's age, service credit, employment status and eligibility for retirement.

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were allowed by statute to elect to contribute 7.25% of earnable compensation. The City did not make this election. Effective October 1, 2012, covered members of the ERS were allowed by statute to elect to contribute 7.50% of earnable compensation. The City did not make this election. Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2016, the City's active employee contribution rate was 5% of covered employee payroll for Tier 1 Employees (6% for Tier 2 Employees), and the City's average contribution rate to fund the normal and accrued liability costs was 8.53% and 5.78%, respectively, of covered employee payroll for Tier 1 and Tier 2 Employees.

City's contractually required contribution rate for the year ended September 30, 2016 was 8.49% of pensionable pay for Tier 1 employees, and 5.98% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$1,196,343 for the year ended September 30, 2016.

Net Pension Liability

The City's net pension liability at September 30, 2016 was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

	Expected	Actual
Total Pension Liability		
as of September 30, 2014 (a)	\$ 48,828,517	\$ 48,853,075
Entry Age Normal Cost for		
October 1, 2014 - September 30, 2015 (b)	1,313,993	1,313,993
Actual Benefit Payments and Refunds for		
October 1, 2014 - September 30, 2015 (c)	(1,898,212)	(1,898,212)
Total Pension Liability		
as of September 30, 2015		
[(a) x (1.08)] + (b) - [(c) x (1.04)]	\$ 52,074,651	\$ 52,101,174
 Difference between Expected and Actual Experience (Gain)/Loss		 \$ 26,523

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5. OTHER INFORMATION –CONTINUED

Actuarial assumptions

The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75% - 7.25%
Investment rate of return*	8.00%

*Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stock	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.50%

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5. OTHER INFORMATION –CONTINUED

Discount rate

The discount rate used to measure the total pension liability was the long term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability -
City of Madison**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
	(a)	(b)	(a)-(b)
Balances at 09/30/2014	\$ 48,828,517	\$ 39,522,859	\$ 9,305,658
Changes for the year:			
Service cost	1,313,993	-	1,313,993
Interest	3,830,353	-	3,830,353
Differences between expected and actual experience	26,523	-	26,523
Contributions - employer	-	1,241,889	(1,241,889)
Contributions - employee	-	842,647	(842,647)
Net investment income	-	469,958	(469,958)
Benefit payments, including refunds of employee contributions	(1,898,212)	(1,898,212)	-
Administrative expense	-	-	-
Transfers among employers	-	(6,255)	6,255
Net Changes	<u>3,272,657</u>	<u>650,027</u>	<u>2,622,630</u>
Balances at 09/30/2015	<u>\$ 52,101,174</u>	<u>\$ 40,172,886</u>	<u>\$ 11,928,288</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's net pension liability calculated using the discount rate of 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increases (9.00%)
City's net pension liability	\$ 18,598,156	\$ 11,928,288	\$ 6,323,051

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5. OTHER INFORMATION –CONTINUED

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor’s report dated October 17, 2016 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$1,400,856.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 22,839	\$ -
Changes of Assumption	-	-
Net difference between projected and actual earnings on pension plan investments	1,314,590	-
Employer contributions subsequent to the measurement date	1,196,343	-
Total	\$ 2,533,772	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended September 30:		
2017	\$	261,933
2018		261,933
2019		261,933
2020		543,497
2021		3,684
Thereafter		4,389

Component Unit – The Water and Wastewater Board

Plan Description

The Water and Wastewater Board is also part of the ERS referenced above. Therefore, all benefits and descriptions of the overall plan are the same as referenced above. Specifics related to the Water and Wastewater Board have been detailed below.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5. OTHER INFORMATION –CONTINUED

Employees covered by benefit terms

At September, 30, 2016, the following employees were covered by the benefit terms:

Inactive members or their beneficiaries currently receiving benefits	18
Inactive members entitled to but not yet receiving benefits	2
Inactive members not entitled to receive benefits	2
Active members	49
Total	71

Contributions

Covered members of the ERS contribute 7.5% of earnable compensation to the ERS as required by statute. Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2016, the Company's average active employee contribution rate was 8.75% of covered employee payroll, and the Company's average contribution rate to fund the normal and accrued liability costs was 9.14% of covered employee payroll.

The Company's contractually required contribution rate for the year ended September 30, 2016, was 8.93% of pensionable pay for Tier 1 employee and 7.60% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$211,782 for the year ended September 30, 2016.

Net Pension Liability

The Company's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014, rolled forward to September 30, 2015, using standard roll-forward techniques as shown in the following table:

Total Pension Liability as of September 30, 2014 (a)	\$ 9,117,475
Entry Age Normal Cost for October 1, 2014 - September 30, 2015 (b)	\$ 192,834
Actual Benefit Payments and Refunds for October 1, 2014 - September 30, 2015 (c)	\$ (538,506)
Total Pension Liability as of September 30, 2015 [(a) x (1.08)] + (b) - [(c) x (1.04)]	\$ 9,479,661

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5. OTHER INFORMATION –CONTINUED

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Company's net pension liability calculated using the discount rate of 8%, as well as what the Company's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increases (9.00%)
Company's net pension liability	\$ 4,456,688	\$ 3,341,688	\$ 2,402,834

**Changes in Net Pension Liability -
The Water and Wastewater Board**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a)-(b)
Balances at 09/30/2014	\$ 8,524,686	\$ 6,265,962	\$ 2,258,724
Changes for the year:			
Service cost	192,834	-	192,834
Interest	660,435	-	660,435
Differences between expected and actual experience	640,212	-	640,212
Contributions - employer	-	162,502	(162,502)
Contributions - employee	-	168,654	(168,654)
Net investment income	-	73,145	(73,145)
Benefit payments, including refunds of employee contributions	(538,506)	(538,506)	-
Administrative expense	-	-	-
Transfers among employers	-	6,216	(6,216)
Net Changes	<u>954,975</u>	<u>(127,989)</u>	<u>1,082,964</u>
Balances at 09/30/2015	\$ 9,479,661	\$ 6,137,973	\$ 3,341,688

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5. OTHER INFORMATION –CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the Company recognized pension expense of \$333,871. At September 30, 2016, the Company reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 540,179	\$ -
Changes of Assumption	-	-
Net difference between projected and actual earnings on pension plan investments	199,984	-
Employer contributions subsequent to the measurement date	211,782	-
Total	\$ 951,945	\$ -

Amounts reported as deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended September 30:		
2017	\$	138,688
2018		138,688
2019		138,688
2020		184,052
2021		100,033
Thereafter		40,014

Component Unit – Madison City Board of Education

Plan Description

The Teacher’s Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the Code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5. OTHER INFORMATION –CONTINUED

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2016 was 11.94% of annual pay for Tier 1 members and 10.84% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$5,828,327 for the year ended September 30, 2016.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5. OTHER INFORMATION –CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016 the System reported a liability of \$78,508,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014. The System's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2015 the System's proportion was 0.750150%, which was an increase of 0.023273% from its proportion measured as of September 30, 2014.

For the year ended September 30, 2016, the System recognized pension expense of \$5,828,327. At September 30, 2016 the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ -	\$ 425,000
Changes of Assumption	-	-
Net difference between projected and actual earnings on pension plan investments	5,140,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,455,000	-
Employer contributions subsequent to the measurement date	5,828,327	-
Total	\$ 13,423,327	\$ 425,000

\$5,828,327 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2017	\$ 1,489,000
2018	1,489,000
2019	1,489,000
2020	2,637,000
2021	66,000
Thereafter	-

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5. OTHER INFORMATION –CONTINUED

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.50% - 8.25%
Investment rate of return*	8.00%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2014, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

Mortality rates for TRS were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA projected to 2015 and set back one year for females.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stock	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.50%

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5. OTHER INFORMATION –CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the System's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increases (9.00%)
Plan's net pension liability	\$ 103,861,000	\$ 78,508,000	\$ 57,006,000

Plan's Net Pension Liability

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2015. The auditor's report dated October 17, 2016 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2015 along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5. OTHER INFORMATION –CONTINUED

G. OTHER POST-EMPLOYMENT BENEFITS

Primary Government

General Information

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

Plan Description

The City's OPEB is a single-employer defined benefit healthcare plan administered by the City. To be eligible an employee must retire with the City of Madison and be eligible for retirement through Employees' Retirement System of Alabama (the System). The System retirement eligibility requirements are described in 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 ½ with 10 years 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 not to fund the Annual Required Contribution except to the extent of the current year's retiree costs.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5. OTHER INFORMATION –CONTINUED

Annual Required Contribution

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

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

Annual required contribution	\$	59,929
Interest on net OPEB obligation		12,917
Adjustment to annual required contribution		(11,932)
Annual OPEB cost (expense)		60,914
Contributions made		18,279
Increase in net OPEB obligation		42,635
Net OPEB obligation-beginning of year		322,930
Net OPEB obligation-end of year	\$	365,565

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for September 30, 2015 are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2014	\$ 58,128	6.02%	\$ 265,550
9/30/2015	\$ 60,739	5.53%	\$ 322,930
9/30/2016	\$ 60,914	30.01%	\$ 365,565

Funding Status and Funding Progress

The funded status of the City's plan as of September 30, 2014 (the latest actuarial valuation date), is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
9/30/2009	\$ -	\$ 537,826	\$ 537,826	0.00%	\$ 14,318,376	3.76%
9/30/2010	\$ -	\$ 489,174	\$ 489,174	0.00%	\$ 15,305,233	3.20%
9/30/2012	\$ -	\$ 512,337	\$ 512,337	0.00%	\$ 14,478,183	3.54%
9/30/2014	\$ -	\$ 627,906	\$ 627,906	0.00%	\$ 14,749,140	4.26%
9/30/2016	\$ -	\$ 834,615	\$ 834,615	0.00%	\$ 12,984,985	6.43%

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5. OTHER INFORMATION –CONTINUED

As of September 30, 2016, the most recent actuarial valuation date, the City's OPEB plan was 100% unfunded. Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include, but are not limited to, future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results compared with past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

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

At September 30, 2016, 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) 7.50%- 5.00% medical cost trend over 5 years, (3) 50% 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.

Component Unit – Madison City Board of Education

The Board contributes to the Alabama Retired Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The Trust provides health care benefits to state and local school system retirees and was established in 2007 under the provisions of Act Number 2007-16 as an irrevocable trust fund. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees' Health Insurance Board (PEEHIB) members. The Code of Alabama 1975, Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Education Employees' Health Insurance Plan website, <http://www.rsa-al.gov> under the Employees' Financial Reports section.

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 83-455 to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the PEEHIB. Any Trust fund assets used in paying administrative costs and retiree benefits are transferred to and paid from the PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly as follows:

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5. OTHER INFORMATION –CONTINUED

Individual Coverage - Non-Medicare Eligible	\$	151
Individual Coverage - Medicare Eligible Retired Member	\$	10
Family Coverage - Non Medicare Eligible Retired Member and Non-Medicare Eligible Non-Spousal Dependent(s)	\$	391
Family Coverage - Non Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) with Non-Medicare Eligible Spouse	\$	416
Family Coverage - Non Medicare Eligible Retired Member and Non-Spousal Dependent Medicare Eligible	\$	250
Family Coverage - Non Medicare Eligible Retired Member and Spouse Dependent Medicare Eligible	\$	260
Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - No Spouse	\$	250
Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible Dependen(s) - with Non-Medicare Eligible Spouse	\$	275
Family Coverage - Medicare Eligible Retired Member and Non-Spousal Dependent Medicare Eligible	\$	109
Family Coverage - Medicare Eligible Retired Member and Spousal Dependent Medicare Eligible	\$	119
Tobacco Surcharge	\$	10
Surviving Spouse Non-Medicare Eligible	\$	740
Surviving Spouse Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$	987
Surviving Spouse Non-Medicare Eligible and Dependent Medicare Eligible	\$	1,033
Surviving Spouse Medicare Eligible	\$	425
Surviving Spouse Medicare Eligible and Dependent Non-Medicare Eligible	\$	679
Surviving Spouse Medicare Eligible and Dependent Medicare Eligible	\$	725

For employees that retire other than for disability, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium.

The Board is required to contribute at a rate specified by the State for each active employee. The Board's share of premiums for retired Board employees health insurance is included as part of the premium for active employees.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5. OTHER INFORMATION –CONTINUED

The following shows the required contributions in dollars and the percentage of that amount contributed for Board retirees:

Fiscal Year Ended September 30,	2016	2015
Active Health Insurance Premiums Paid by the Board	\$ 780.00	\$ 780.00
Amount of Premium Attributable to Retirees	\$ 211.00	\$ 181.00
Percentage of Active Employee Premiums Attributable to Retirees	27.08%	23.17%
Percentage of Required Amount Contributed	100.00%	100.00%
Total Amount Paid Attributable to Retirees	\$ 2,833,779.00	\$ 2,311,432.00

Each year the PEEHIB certifies to the Governor and to the Legislature the contribution rates based on the amount needed to fund coverage for benefits for the following fiscal year and the Legislature sets the premium rate in the annual appropriation bill.

The Board has accounted for payments made by the federal government for retiree drug subsidy (RDS) payments in accordance with GASB Technical Bulletin 2006-1. This bulletin requires the RDS to be recorded as an “on-behalf payment”, resulting in offsetting revenues and expenditures. The amount recognized in the 2016 financial statements for RDS is \$627,868.

H. PRIOR PERIOD RESTATEMENTS AND ADJUSTMENTS

The City of Madison restated the beginning net position reported in the Statement of Revenues, Expenditures and Changes in Fund Balance for the reasons shown below.

	Other Governmental Funds
Beginning net position, as originally reported	\$ 3,943,658
<u>Restatements:</u>	
To properly accrue for expense erroneously excluded from prior year change in fund balance	(31,052)
Beginning net position, restated	\$ 3,912,606

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MADISON, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BY ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
Property and payments in lieu of taxes	\$ 4,501,473	\$ 4,526,473	\$ 5,539,388	\$ 1,012,915
Sales and use	10,865,000	10,990,000	11,085,132	95,132
Franchise	1,019,142	1,028,652	1,218,447	189,795
Alcoholic beverages	989,000	1,011,000	981,777	(29,223)
Rental	385,000	420,000	456,388	36,388
Lodging	1,231,000	1,256,000	1,349,214	93,214
Other	451,216	451,854	364,043	(87,811)
Licenses and permits	4,441,300	4,627,200	4,935,841	308,641
Intergovernmental	6,300	8,111	10,755	2,644
Charges for services	1,454,405	1,506,305	1,636,194	129,889
Fines	950,000	800,000	710,987	(89,013)
Interest income	46,585	48,500	64,057	15,557
Contributions and donations	28,500	12,500	16,071	3,571
Other revenues	557,433	554,907	1,089,299	534,392
Total revenues	26,926,354	27,241,502	29,457,593	2,216,091
EXPENDITURES				
Current:				
General administration	2,723,701	2,902,171	2,888,386	13,785
Police	6,519,546	6,540,065	6,483,622	56,443
Public works	2,548,903	2,574,503	2,392,772	181,731
City clerk	427,906	427,906	414,954	12,952
Recreation	2,405,649	2,427,310	2,336,741	90,569
Fire	4,736,434	5,322,692	4,794,154	528,538
Planning	530,794	530,793	490,640	40,153
Court	1,226,210	1,231,210	1,066,215	164,995
City council	178,840	130,940	126,618	4,322
Finance	580,052	580,052	545,135	34,917
Human resources	4,497,284	4,497,284	4,012,930	484,354
Mayor's office	198,953	198,953	182,676	16,277
Revenue	296,088	301,538	294,046	7,492
Engineering	530,845	1,830,585	781,041	1,049,544
Senior center	281,133	281,133	265,455	15,678
Information technology	614,417	614,417	532,522	81,895
Legal	414,123	458,973	452,581	6,392
Building	898,648	898,648	823,537	75,111
Total expenditures	29,609,526	31,749,173	28,884,025	2,865,148
Excess (deficiency) of revenues over expenditures	(2,683,172)	(4,507,671)	573,568	5,081,239
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	-	15,178	-	(15,178)
Transfers from other funds	3,649,945	3,654,945	3,235,286	(419,659)
Transfers to other funds	(406,961)	(423,203)	(1,047,297)	(1,470,500)
Total other financing sources (uses), net	3,242,984	3,246,920	2,187,989	(1,905,337)
NET CHANGE IN FUND BALANCE	559,812	(1,260,751)	2,761,557	3,175,902
Fund balance (deficit), beginning	9,521,629	9,521,629	9,521,629	-
FUND BALANCE (DEFICIT), ENDING	\$ 10,081,441	\$ 8,260,878	\$ 12,283,186	\$ 3,175,902

CITY OF MADISON, ALABAMA
GENERAL OBLIGATION BOND COLLECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BY ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
Property and payments in lieu of taxes	\$ 3,535,714	\$ 3,535,714	\$ 1,628,435	\$ (1,907,279)
Sales and use	5,455,189	5,455,189	5,803,834	348,645
Interest income	2,000	2,000	2,820	820
	<u>8,992,903</u>	<u>8,992,903</u>	<u>7,435,089</u>	<u>(1,557,814)</u>
Total revenues				
EXPENDITURES				
Current:				
General administration	10,000	10,000	6,645	3,355
	<u>10,000</u>	<u>10,000</u>	<u>6,645</u>	<u>3,355</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>8,982,903</u>	<u>8,982,903</u>	<u>7,428,444</u>	<u>(1,554,459)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	400,000	400,000	-	(400,000)
Transfers to other funds	<u>(9,087,859)</u>	<u>(9,087,859)</u>	<u>(9,087,490)</u>	<u>369</u>
Total other financing sources (uses), net	<u>(8,687,859)</u>	<u>(8,687,859)</u>	<u>(9,087,490)</u>	<u>(399,631)</u>
NET CHANGE IN FUND BALANCE	295,044	295,044	(1,659,046)	(1,954,090)
Fund balance (deficit), beginning	<u>2,918,923</u>	<u>2,918,923</u>	<u>2,918,923</u>	<u>-</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ 3,213,967</u>	<u>\$ 3,213,967</u>	<u>\$ 1,259,877</u>	<u>\$ (1,954,090)</u>

**CITY OF MADISON, ALABAMA
SCHOOL BONDS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BY ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
Property and payments in lieu of taxes	\$ 5,361,855	\$ 5,361,855	\$ 5,498,173	\$ 136,318
Interest income	-	-	126	126
Total revenues	5,361,855	5,361,855	5,498,299	136,444
EXPENDITURES				
Debt service:				
Principal	1,480,000	1,480,000	1,480,000	-
Interest	3,881,855	3,881,855	4,001,512	(119,657)
Capital Outlay	-	-	702,122	(702,122)
Total expenditures	5,361,855	5,361,855	6,183,634	(821,779)
Excess (deficiency) of revenues over expenditures	-	-	(685,335)	(685,335)
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	-	-	(23,666)	23,666
Bond issue premium	-	-	4,789,277	4,789,277
Issuance of refunding bonds	-	-	51,935,000	51,935,000
Payment to refunding bonds escrow agent	-	-	(56,007,693)	(56,007,693)
Total other financing sources (uses), net	-	-	692,918	740,250
NET CHANGE IN FUND BALANCE	-	-	7,583	54,915
Fund balance (deficit), beginning	8,426	8,426	8,426	-
FUND BALANCE (DEFICIT), ENDING	\$ 8,426	\$ 8,426	\$ 16,009	\$ 54,915

CITY OF MADISON, ALABAMA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30

	2015	2014
Total pension liability		
Service Cost	\$ 1,313,993	\$ 1,293,881
Interest	3,830,353	3,588,378
Changes of benefit terms	-	-
Differences between expected and actual experience	26,523	-
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(1,898,212)	(1,816,933)
Net change in total pension liability	3,272,657	3,065,326
Total pension liability - beginning	48,828,517	45,763,191
Total pension liability - ending (a)	\$ 52,101,174	\$ 48,828,517
Plan fiduciary net position		
Contributions - employer	\$ 1,241,889	\$ 1,187,884
Contributions - member	842,647	821,163
Net investment income	469,958	4,224,470
Benefit payments, including refunds of employee contributions	(1,898,212)	(1,816,933)
Transfers among employers	(6,255)	(11,338)
Net change in plan fiduciary net position	650,027	4,405,246
Plan net position - beginning	39,522,859	35,117,613
Plan net position - ending (b)	\$ 40,172,886	\$ 39,522,859
Net pension liability (asset) - ending (a)-(b)	\$ 11,928,288	\$ 9,305,658
Plan fiduciary net position as a percentage of the total pension liability	77.11%	80.94%
Covered-employee payroll	\$ 15,649,404	\$ 14,894,040
Net pension liability (asset) as a percentage of covered-employee payroll	76.22%	62.48%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years to which information is available

**CITY OF MADISON, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30**

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 5,828,327	\$ 1,187,884
Contributions in relation to the actuarially determined contribution	<u>(5,828,327)</u>	<u>(1,187,884)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 15,649,404	\$ 14,894,040
Contribution as percentage of covered employee-payroll	37.24%	7.98%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years to which information is available

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2016 were based on the September 30, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

<i>Actuarial cost method</i>	<i>Entry Age</i>
<i>Amortization method</i>	<i>Level percent closed</i>
<i>Remaining amortization period</i>	<i>14 years</i>
<i>Asset valuation method</i>	<i>Five year smoothed market</i>
<i>Inflation</i>	<i>3.00%</i>
<i>Salary increases</i>	<i>3.75 - 7.25%, including inflation</i>
<i>Investment rate of return</i>	<i>8.00%, net of pension plan investment expense, including inflation</i>

** This schedule is presented to illustrate the requirement to show information for 10 years. However, as 2015 was the implementation year, only data for the current and prior year have been presented. Additional subsequent years' information will be added in subsequent years until a full 10-year trend is compiled.*

**CITY OF MADISON, ALABAMA
WATER AND WASTEWATER BOARD
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30**

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service Cost	\$ 192,834	\$ 196,052
Interest	660,435	635,366
Changes of benefit terms	-	-
Differences between expected and actual experience	640,212	-
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(538,506)	(497,602)
Net change in total pension liability	<u>954,975</u>	<u>333,816</u>
Total pension liability - beginning	8,524,686	8,190,870
Total pension liability - ending (a)	<u>\$ 9,479,661</u>	<u>\$ 8,524,686</u>
Plan fiduciary net position		
Contributions - employer	\$ 162,502	\$ 140,634
Contributions - member	168,654	160,406
Net investment income	73,145	680,589
Benefit payments, including refunds of employee contributions	(538,506)	(497,602)
Transfers among employers	6,216	22,826
Net change in plan fiduciary net position	<u>(127,989)</u>	<u>506,853</u>
Plan net position - beginning	6,265,962	5,759,109
Plan net position - ending (b)	<u>\$ 6,137,973</u>	<u>\$ 6,265,962</u>
Net pension liability (asset) - ending (a)-(b)	\$ 3,341,688	\$ 2,258,724
Plan fiduciary net position as a percentage of the total pension liability	64.75%	73.50%
Covered-employee payroll	\$ 2,342,196	\$ 2,164,396
Net pension liability (asset) as a percentage of covered-employee payroll	142.67%	104.36%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years to which information is available

**CITY OF MADISON, ALABAMA
WATER AND WASTEWATER BOARD
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30**

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 211,782	\$ 163,092
Contributions in relation to the actuarially determined contribution	<u>211,782</u>	<u>163,092</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 2,419,021	\$ 2,342,196
Contribution as percentage of covered payroll	8.75%	6.96%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years to which information is available

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2016 were based on the September 30, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

<i>Actuarial cost method</i>	<i>Entry Age</i>
<i>Amortization method</i>	<i>Level percent closed</i>
<i>Remaining amortization period</i>	<i>14 years</i>
<i>Asset valuation method</i>	<i>Five year smoothed market</i>
<i>Inflation</i>	<i>3.00%</i>
<i>Salary increases</i>	<i>3.75 - 7.25%, including inflation</i>
<i>Investment rate of return</i>	<i>8.00%, net of pension plan investment expense, including inflation</i>

** This schedule is presented to illustrate the requirement to show information for 10 years. However, as 2015 was the implementation year, only data for the current and prior year have been presented. Additional subsequent years' information will be added in subsequent years until a full 10-year trend is compiled.*

**CITY OF MADISON, ALABAMA
MADISON CITY BOARD OF EDUCATION
SCHEDULE OF SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30**

	2015	2014
System's proportion of the collective net pension liability	0.750150%	0.726877%
System's proportionate share of the net pension liability	\$ 78,508,000	\$ 66,034,000
System's covered-employee payroll	\$ 47,523,599	\$ 46,123,000
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.53%	69.85%
Plan fiduciary net position as a percentage of the total pension liability	67.51%	71.01%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years to which information is available

**CITY OF MADISON, ALABAMA
MADISON CITY BOARD OF EDUCATION
BOARD OF EDUCATION SCHEDULE OF SYSTEM CONTRIBUTIONS
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30**

	2016	2015
Contractually required contribution	\$ 5,828,327	\$ 5,529,834
Contributions in relation to the contractually required contribution	(5,828,327)	(5,529,834)
Contribution deficiency (excess)	-	-
System's covered-employee payroll	\$ 49,443,833	\$ 47,523,599
Contributions as a percentage of covered-employee payroll	11.79%	11.64%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years to which information is available

SUPPLEMENTARY INFORMATION

**CITY OF MADISON, ALABAMA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2016**

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,839,583	\$ -	\$ 3,839,583
Cash with fiscal agent	-	1,502,316	1,502,316
Receivables, (net of allowances):			-
Taxes	449,015	-	449,015
Accounts	268,612	-	268,612
Prepaid items	313	-	313
Due from other funds	39,542	-	39,542
	<u>4,597,065</u>	<u>1,502,316</u>	<u>6,099,381</u>
Total assets	<u>\$ 4,597,065</u>	<u>\$ 1,502,316</u>	<u>\$ 6,099,381</u>
DEFERRED OUTFLOWS OF RESOURCES			
	-	-	-
LIABILITIES			
Accounts Payable	\$ 198,950	\$ -	\$ 198,950
Due to other funds	4,575	-	4,575
	<u>203,525</u>	<u>-</u>	<u>203,525</u>
Total liabilities	<u>203,525</u>	<u>-</u>	<u>203,525</u>
DEFERRED INFLOWS OF RESOURCES			
	548,993	-	548,993
FUND BALANCES			
Restricted:			
Debt service	-	1,502,316	1,502,316
Capital Improvements	2,451,405	-	2,451,405
Other	1,384,804	-	1,384,804
Assigned	8,338	-	8,338
	<u>3,844,547</u>	<u>1,502,316</u>	<u>5,346,863</u>
Total fund balance (deficit)	<u>3,844,547</u>	<u>1,502,316</u>	<u>5,346,863</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	<u>\$ 4,597,065</u>	<u>\$ 1,502,316</u>	<u>\$ 6,099,381</u>

**CITY OF MADISON, ALABAMA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes:			
Property and payments in lieu of taxes	\$ 895,195	\$ -	\$ 895,195
Sales and use	1,386,535	-	1,386,535
Intergovernmental	833,857	-	833,857
Fines	208,467	-	208,467
Contributions and donations	35,810	-	35,810
Other revenues	414,310	-	414,310
Interest income	3,129	1,831	4,960
Total revenues	3,777,303	1,831	3,779,134
EXPENDITURES			
Current:			
General administration	766,099		766,099
Police	38,753		38,753
Public works	1,226,025		1,226,025
Engineering	424,196		424,196
Debt service:			
Principal	-	2,200,000	2,200,000
Interest	-	3,804,636	3,804,636
Capital Outlay	784,669		784,669
Total expenditures	3,239,742	6,004,636	9,244,378
Excess (deficiency) of revenues over expenditures	537,561	(6,002,805)	(5,465,244)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	1,047,297	6,087,490	7,134,787
Transfers to other funds	(234,147)	(1,139)	(235,286)
Total other financing sources (uses), net	813,150	6,086,351	6,899,501
NET CHANGE IN FUND BALANCE	1,350,711	83,546	1,434,257
Fund balance (deficit), beginning	2,524,888	1,418,770	3,943,658
Prior period adjustment	(31,052)	-	(31,052)
FUND BALANCE (DEFICIT), ENDING	\$ 3,844,547	\$ 1,502,316	\$ 5,346,863

**CITY OF MADISON, ALABAMA
NON-MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2016**

	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	Storm Water Users Fee Fund	Capital Replacement Fund	Infrastructure Repair Fund	Redevelopment Authority Fund	Total Nonmajor Governmental Special Rev. Funds
ASSETS														
Cash and cash equivalents	\$ 826,787	\$ 16,904	\$ 8,513	\$ 133,023	\$ 277,520	\$ 1,246,003	\$ 5,171	\$ -	\$ 91,605	\$ 98,206	\$ 395,080	\$ 737,621	\$ 3,150	\$ 3,839,583
Receivables, (net of allowances):														
Taxes	-	-	-	330,870	-	-	-	-	-	-	59,073	59,072	-	449,015
Accounts	204,713	6,928	-	-	-	-	-	-	-	-	-	-	56,971	268,612
Prepaid items	-	-	-	313	-	-	-	-	-	-	-	-	-	313
Due from other funds	16,007	-	-	-	17,608	-	-	-	-	-	5,927	-	-	39,542
Total assets	<u>\$ 1,047,507</u>	<u>\$ 23,832</u>	<u>\$ 8,513</u>	<u>\$ 464,206</u>	<u>\$ 295,128</u>	<u>\$ 1,246,003</u>	<u>\$ 5,171</u>	<u>\$ -</u>	<u>\$ 91,605</u>	<u>\$ 98,206</u>	<u>\$ 460,080</u>	<u>\$ 796,693</u>	<u>\$ 60,121</u>	<u>\$ 4,597,065</u>
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LIABILITIES														
Accounts Payable	\$ 97,296	\$ 8,170	\$ -	\$ 3,819	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,294	\$ 28,900	\$ 22,471	\$ -	\$ 198,950
Due to other funds	-	4,400	175	-	-	-	-	-	-	-	-	-	-	4,575
Total liabilities	<u>97,296</u>	<u>12,570</u>	<u>175</u>	<u>3,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,294</u>	<u>28,900</u>	<u>22,471</u>	<u>-</u>	<u>203,525</u>
DEFERRED INFLOWS OF RESOURCES	-	-	-	492,022	-	-	-	-	-	-	-	-	56,971	548,993
FUND BALANCES														
Restricted:														
Capital Improvements	-	-	-	-	-	1,246,003	-	-	-	-	431,180	774,222	-	2,451,405
Other	950,211	11,262	-	(31,635)	295,128	-	5,171	-	91,605	59,912	-	-	3,150	1,384,804
Assigned	-	-	8,338	-	-	-	-	-	-	-	-	-	-	8,338
Total fund balance (deficit)	<u>950,211</u>	<u>11,262</u>	<u>8,338</u>	<u>(31,635)</u>	<u>295,128</u>	<u>1,246,003</u>	<u>5,171</u>	<u>-</u>	<u>91,605</u>	<u>59,912</u>	<u>431,180</u>	<u>774,222</u>	<u>3,150</u>	<u>3,844,547</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,047,507</u>	<u>\$ 23,832</u>	<u>\$ 8,513</u>	<u>\$ 464,206</u>	<u>\$ 295,128</u>	<u>\$ 1,246,003</u>	<u>\$ 5,171</u>	<u>\$ -</u>	<u>\$ 91,605</u>	<u>\$ 98,206</u>	<u>\$ 460,080</u>	<u>\$ 796,693</u>	<u>\$ 60,121</u>	<u>\$ 4,597,065</u>

CITY OF MADISON, ALABAMA
NON-MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	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	Storm Water Users Fee Fund	Capital Replacement Fund	Infrastructure Repair Fund	Redevelopment Authority Fund	Total Nonmajor Governmental Special Rev. Funds
REVENUES														
Taxes:														
Property and payments in lieu of taxes	\$ 477,545	\$ -	\$ -	\$ 134,548	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 283,102	\$ -	\$ -	\$ -	895,195
Sales and use	-	-	-	-	-	-	-	-	-	-	693,273	693,262	-	1,386,535
Intergovernmental	758,673	68,992	-	-	-	-	-	6,192	-	-	-	-	-	833,857
Fines	-	-	-	-	208,467	-	-	-	-	-	-	-	-	208,467
Contributions and donations	-	-	810	-	-	-	-	-	-	-	35,000	-	-	35,810
Other revenues	34,350	-	-	750	-	375,899	161	-	-	-	-	-	3,150	414,310
Interest income	751	40	8	369	214	532	15	-	114	28	454	594	10	3,129
Total revenues	1,271,319	69,032	818	135,667	208,681	376,431	176	6,192	114	283,130	728,727	693,856	3,160	3,777,303
EXPENDITURES														
Current:														
General administration	59,747	44,845	-	661,497	-	-	-	-	-	-	-	-	10	766,099
Police	-	-	-	-	-	-	14,477	8,256	-	-	16,020	-	-	38,753
Public works	951,924	-	-	-	-	-	-	-	50,883	223,218	-	-	-	1,226,025
Engineering	-	-	-	-	-	-	-	-	-	-	-	424,196	-	424,196
Capital Outlay	-	-	-	-	-	-	-	-	-	-	784,669	-	-	784,669
Total expenditures	1,011,671	44,845	-	661,497	-	-	14,477	8,256	50,883	223,218	800,689	424,196	10	3,239,742
Excess (deficiency) of revenues over expenditures	259,648	24,187	818	(525,830)	208,681	376,431	(14,301)	(2,064)	(50,769)	59,912	(71,962)	269,660	3,150	537,561
OTHER FINANCING SOURCES (USES)														
Transfers from other funds	-	-	-	421,132	-	624,101	-	2,064	-	-	-	-	-	1,047,297
Transfers to other funds	-	(24,147)	-	-	(210,000)	-	-	-	-	-	-	-	-	(234,147)
Total other financing sources (uses), net	-	(24,147)	-	421,132	(210,000)	624,101	-	2,064	-	-	-	-	-	813,150
NET CHANGE IN FUND BALANCE	259,648	40	818	(104,698)	(1,319)	1,000,532	(14,301)	-	(50,769)	59,912	(71,962)	269,660	3,150	1,350,711
Fund balance (deficit), beginning	721,615	11,222	7,520	73,063	296,447	245,471	19,472	-	142,374	-	503,142	504,562	-	2,524,888
Prior period adjustment	(31,052)	-	-	-	-	-	-	-	-	-	-	-	-	(31,052)
FUND BALANCE (DEFICIT), ENDING	\$ 950,211	\$ 11,262	\$ 8,338	\$ (31,635)	\$ 295,128	\$ 1,246,003	\$ 5,171	\$ -	\$ 91,605	\$ 59,912	\$ 431,180	\$ 774,222	\$ 3,150	\$ 3,844,547

**CITY OF MADISON, ALABAMA
DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

SPECIAL REVENUE

Special Revenue funds are used to account for specific revenues legally restricted to expenditures for particular purposes.

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

The City uses the 2-cent gasoline tax for operation and maintenance of streets.

TVA Tax Distribution Fund – This fund is used to account for revenues restricted to expenditures for the school system. A total of 65% of the revenues of TVA Tax distribution are restricted for the school system.

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

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

Correctional Fund – This fund is used to account for revenues generated from fines restricted by the State for operation and maintenance of municipal jail services and court related purposes.

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

Federal Forfeiture Fund – This fund is used to account for sharing funds received from the U.S. Department of Justice and the U.S. Department of the Treasury.

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

Street Repairs and Maintenance Fund – This fund is used to account for revenues and expenditures for repairs and maintenance work performed on City streets in accordance with agreement with Madison Utilities.

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

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

**CITY OF MADISON, ALABAMA
GASOLINE TAXES AND INSPECTION FEES FUND
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property and payments in lieu of taxes	\$ 365,000	\$ 365,000	\$ 477,545	\$ 112,545
Intergovernmental	745,600	745,600	758,673	13,073
Interest income	-	-	751	751
Other revenues	-	-	34,350	34,350
Total revenues	<u>1,110,600</u>	<u>1,110,600</u>	<u>1,271,319</u>	<u>160,719</u>
EXPENDITURES				
Current:				
General Administration	-	-	59,747	(59,747)
Public works	1,105,000	1,105,000	951,924	153,076
Total expenditures	<u>1,105,000</u>	<u>1,105,000</u>	<u>1,011,671</u>	<u>93,329</u>
Excess (deficiency) of revenues over expenditures	<u>5,600</u>	<u>5,600</u>	<u>259,648</u>	<u>254,048</u>
NET CHANGE IN FUND BALANCE	5,600	5,600	259,648	254,048
Fund balance (deficit), beginning	721,615	721,615	721,615	-
Prior period adjustments	-	-	(31,052)	(31,052)
FUND BALANCE (DEFICIT), ENDING	<u>\$ 727,215</u>	<u>\$ 727,215</u>	<u>\$ 950,211</u>	<u>\$ 222,996</u>

**CITY OF MADISON, ALABAMA
TVA TAX DISTRIBUTION FUND
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 80,000	\$ 80,000	\$ 68,992	\$ (11,008)
Interest income	-	-	40	40
Total revenues	80,000	80,000	69,032	(10,968)
EXPENDITURES				
Current:				
General Administration	52,000	52,000	44,845	7,155
Total expenditures	52,000	52,000	44,845	7,155
Excess (deficiency) of revenues over expenditures	28,000	28,000	24,187	(3,813)
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(28,000)	(28,000)	(24,147)	3,853
Total other financing sources (uses)	(28,000)	(28,000)	(24,147)	3,853
NET CHANGE IN FUND BALANCE	-	-	40	40
Fund balance (deficit), beginning	11,222	11,222	11,222	-
FUND BALANCE (DEFICIT), ENDING	\$ 11,222	\$ 11,222	\$ 11,262	\$ 40

**CITY OF MADISON, ALABAMA
SENIOR CENTER DONATION FUND
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Contributions and donations	\$ 2,000	\$ 2,000	\$ 810	\$ (1,190)
Interest income	-	-	8	8
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>818</u>	<u>(1,182)</u>
EXPENDITURES				
Current:				
Senior Center	4,000	4,000	-	4,000
Capital Outlay	-	-	-	-
Total expenditures	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Excess (deficiency) of revenues over expenditures	<u>(2,000)</u>	<u>(2,000)</u>	<u>818</u>	<u>2,818</u>
NET CHANGE IN FUND BALANCE	(2,000)	(2,000)	818	2,818
Fund balance (deficit), beginning	<u>7,520</u>	<u>7,520</u>	<u>7,520</u>	<u>-</u>
FUND BALANCE (DEFICIT), ENDING	<u><u>\$ 5,520</u></u>	<u><u>\$ 5,520</u></u>	<u><u>\$ 8,338</u></u>	<u><u>\$ 2,818</u></u>

**CITY OF MADISON, ALABAMA
LIBRARY FUND
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Prroperty and payment in lieu of taxes	\$ 321,429	\$ 321,429	\$ 134,548	\$ (186,881)
Interest Income	-	-	369	369
Other revenues	-	-	750	750
Total revenues	<u>321,429</u>	<u>321,429</u>	<u>135,667</u>	<u>(185,762)</u>
EXPENDITURES				
Current:				
General Administration	<u>681,000</u>	<u>681,000</u>	<u>661,497</u>	<u>19,503</u>
Total expenditures	<u>681,000</u>	<u>681,000</u>	<u>661,497</u>	<u>19,503</u>
Excess (deficiency) of revenues over expenditures	<u>(359,571)</u>	<u>(359,571)</u>	<u>(525,830)</u>	<u>(166,259)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	<u>400,000</u>	<u>421,132</u>	<u>421,132</u>	<u>-</u>
Total other financing sources (uses)	<u>400,000</u>	<u>421,132</u>	<u>421,132</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	40,429	61,561	(104,698)	(166,259)
Fund balance (deficit), beginning	<u>73,063</u>	<u>73,063</u>	<u>73,063</u>	<u>-</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ 113,492</u>	<u>\$ 134,624</u>	<u>\$ (31,635)</u>	<u>\$ (166,259)</u>

**CITY OF MADISON, ALABAMA
CORRECTIONAL FUND
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fines	\$ 280,375	\$ 280,375	\$ 208,467	\$ (71,908)
Interest Income	-	-	214	214
Total revenues	280,375	280,375	208,681	(71,694)
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(250,000)	(255,000)	(210,000)	45,000
Total other financing sources (uses)	(250,000)	(255,000)	(210,000)	45,000
NET CHANGE IN FUND BALANCE	30,375	25,375	(1,319)	(26,694)
Fund balance (deficit), beginning	296,447	296,447	296,447	-
FUND BALANCE (DEFICIT), ENDING	\$ 326,822	\$ 321,822	\$ 295,128	\$ (26,694)

**CITY OF MADISON, ALABAMA
MUNICIPAL GOVERNMENT CAPITAL IMPROVEMENT FUND
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other revenue	\$ 365,000	\$ 365,000	\$ 375,899	\$ 10,899
Interest Income	250	250	532	282
Total revenues	<u>365,250</u>	<u>365,250</u>	<u>376,431</u>	<u>11,181</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	624,101	624,101
Transfers to other funds	(400,000)	(400,000)	-	400,000
Total other financing sources (uses), net	<u>(400,000)</u>	<u>(400,000)</u>	<u>624,101</u>	<u>1,024,101</u>
NET CHANGE IN FUND BALANCE	(34,750)	(34,750)	1,000,532	1,035,282
Fund balance (deficit), beginning	<u>245,471</u>	<u>245,471</u>	<u>245,471</u>	<u>-</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ 210,721</u>	<u>\$ 210,721</u>	<u>\$ 1,246,003</u>	<u>\$ 1,035,282</u>

**CITY OF MADISON, ALABAMA
FEDERAL FORFEITURE FUND
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual	Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other revenues	\$ 2,000	\$ 2,000	\$ 161	\$ (1,839)
Interest income	\$ -	\$ -	\$ 15	\$ 15
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>176</u>	<u>(1,824)</u>
EXPENDITURES				
Current:				
Police	<u>15,000</u>	<u>15,000</u>	<u>14,477</u>	<u>523</u>
Total expenditures	<u>15,000</u>	<u>15,000</u>	<u>14,477</u>	<u>523</u>
Excess (deficiency) of revenues over expenditures	<u>(13,000)</u>	<u>(13,000)</u>	<u>(14,301)</u>	<u>(1,301)</u>
NET CHANGE IN FUND BALANCE	(13,000)	(13,000)	(14,301)	(1,301)
Fund balance (deficit), beginning	<u>19,472</u>	<u>19,472</u>	<u>19,472</u>	<u>-</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ 6,472</u>	<u>\$ 6,472</u>	<u>\$ 5,171</u>	<u>\$ (1,301)</u>

**CITY OF MADISON, ALABAMA
DOMESTIC VIOLENCE FUND
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 27,102	\$ 27,102	\$ 6,192	\$ (20,910)
Total revenues	27,102	27,102	6,192	(20,910)
EXPENDITURES				
Current:				
Police	34,063	34,063	8,256	25,807
Total expenditures	34,063	34,063	8,256	25,807
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	6,961	2,071	2,064	(7)
Total other financing sources (uses)	6,961	2,071	2,064	(7)
Excess (deficiency) of revenues over expenditures	-	(4,890)	-	4,890
NET CHANGE IN FUND BALANCE	-	(4,890)	-	4,890
Fund balance (deficit), beginning	-	-	-	-
FUND BALANCE (DEFICIT), ENDING	\$ -	\$ (4,890)	\$ -	\$ 4,890

**CITY OF MADISON, ALABAMA
STREET REPAIRS AND MAINTENANCE FUND
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest income	\$ -	\$ -	\$ 114	\$ 114
Total revenues	-	-	114	114
EXPENDITURES				
Current:				
Public works	135,000	135,000	50,883	84,117
Total expenditures	135,000	135,000	50,883	84,117
Excess (deficiency) of revenues over expenditures	(135,000)	(135,000)	(50,769)	84,231
NET CHANGE IN FUND BALANCE	(135,000)	(135,000)	(50,769)	84,231
Fund balance (deficit), beginning	142,374	142,374	142,374	-
FUND BALANCE (DEFICIT), ENDING	<u>\$ 7,374</u>	<u>\$ 7,374</u>	<u>\$ 91,605</u>	<u>\$ 84,231</u>

**CITY OF MADISON, ALABAMA
STORM WATER USERS FEE FUND
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property and payments in lieu of taxes	\$ 299,000	\$ 299,000	\$ 283,102	(15,898)
Interest Income	-	-	28	28
Total revenues	<u>299,000</u>	<u>299,000</u>	<u>283,130</u>	<u>(15,870)</u>
EXPENDITURES				
Current:				
Public works	<u>299,000</u>	<u>299,000</u>	<u>223,218</u>	<u>75,782</u>
Total expenditures	<u>299,000</u>	<u>299,000</u>	<u>223,218</u>	<u>75,782</u>
Excess (deficiency) of revenues over expenditures	-	-	59,912	59,912
NET CHANGE IN FUND BALANCE	-	-	59,912	59,912
Fund balance (deficit), beginning	-	-	-	-
FUND BALANCE (DEFICIT), ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,912</u>	<u>\$ 59,912</u>

**CITY OF MADISON, ALABAMA
CAPITAL REPLACEMENT FUND
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Sales and use	\$ 679,063	\$ 679,063	\$ 693,273	\$ 14,210
Contributions and donations	-	-	35,000	35,000
Interest income	200	200	454	254
Total revenues	<u>679,263</u>	<u>679,263</u>	<u>728,727</u>	<u>49,464</u>
EXPENDITURES				
Current:				
Police	-	-	16,020	(16,020)
Capital Outlay	<u>715,500</u>	<u>715,500</u>	<u>784,669</u>	<u>(69,169)</u>
Total expenditures	<u>715,500</u>	<u>715,500</u>	<u>800,689</u>	<u>(85,189)</u>
Excess (deficiency) of revenues over expenditures	<u>(36,237)</u>	<u>(36,237)</u>	<u>(71,962)</u>	<u>(35,725)</u>
NET CHANGE IN FUND BALANCE	(36,237)	(36,237)	(71,962)	(35,725)
Fund balance (deficit), beginning	<u>503,142</u>	<u>503,142</u>	<u>503,142</u>	<u>-</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ 466,905</u>	<u>\$ 466,905</u>	<u>\$ 431,180</u>	<u>\$ (35,725)</u>

**CITY OF MADISON, ALABAMA
 INFRASTRUCTURE REPAIR FUND
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Sales and use	\$ 679,063	\$ 679,063	\$ 693,262	\$ 14,199
Interest income	200	200	594	394
Total revenues	<u>679,263</u>	<u>679,263</u>	<u>693,856</u>	<u>14,593</u>
EXPENDITURES				
Current:				
Engineering	-	-	424,196	(424,196)
Capital outlay	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>600,000</u>
Total expenditures	<u>600,000</u>	<u>600,000</u>	<u>424,196</u>	<u>175,804</u>
Excess (deficiency) of revenues over expenditures	<u>79,263</u>	<u>79,263</u>	<u>269,660</u>	<u>190,397</u>
NET CHANGE IN FUND BALANCE	79,263	79,263	269,660	190,397
Fund balance (deficit), beginning	<u>504,562</u>	<u>504,562</u>	<u>504,562</u>	<u>-</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ 583,825</u>	<u>\$ 583,825</u>	<u>\$ 774,222</u>	<u>\$ 190,397</u>

**CITY OF MADISON, ALABAMA
MADISON REDEVELOPMENT AUTHORITY FUND
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other revenues	\$ -	\$ -	\$ 3,150	\$ 3,150
Interest Income	-	-	10	10
Total revenues	-	-	3,160	3,160
EXPENDITURES				
Current:				
Public works	-	-	10	(10)
Total expenditures	-	-	10	(10)
Excess (deficiency) of revenues over expenditures	-	-	3,150	3,150
NET CHANGE IN FUND BALANCE	-	-	3,150	3,150
Fund balance (deficit), beginning	-	-	-	-
FUND BALANCE (DEFICIT), ENDING	\$ -	\$ -	\$ 3,150	\$ 3,150

**CITY OF MADISON, ALABAMA
NON-MAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2016**

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 5 1/2 –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 5 ½ 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 5 ½ mill property tax will provide 10% of the debt service requirements for the outstanding general obligation warrants.

2015-B Bond Fund – This fund is used to account for the accumulation of resources for payment of the general obligation taxable warrants dated May 1, 2015. The ½ cent sales tax and the 5 ½ mill property tax will provide 100% of the debt service requirements for the outstanding general obligation warrants.

**CITY OF MADISON, ALABAMA
NON-MAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2016**

	<u>2006-A</u> <u>Bond Fund</u>	<u>2011</u> <u>Bond Fund</u>	<u>2013-A</u> <u>Bond Fund</u>	<u>2015-A</u> <u>Bond Fund</u>	<u>2015-B</u> <u>Bond Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Debt Serv.</u> <u>Funds</u>
ASSETS						
Cash with fiscal agent	\$ 59	\$ 427,084	\$ 565,321	\$ 500,288	\$ 9,564	\$ 1,502,316
Total assets	<u>\$ 59</u>	<u>\$ 427,084</u>	<u>\$ 565,321</u>	<u>\$ 500,288</u>	<u>\$ 9,564</u>	<u>\$ 1,502,316</u>
FUND BALANCES						
Restricted:						
Debt service	<u>59</u>	<u>427,084</u>	<u>565,321</u>	<u>500,288</u>	<u>9,564</u>	<u>1,502,316</u>
Total fund balance (deficit)	<u>\$ 59</u>	<u>\$ 427,084</u>	<u>\$ 565,321</u>	<u>\$ 500,288</u>	<u>\$ 9,564</u>	<u>\$ 1,502,316</u>

CITY OF MADISON, ALABAMA
NON-MAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	2005	2006-A	2011	2013-A	2015-A	2015-B	Total Nonmajor Governmental Debt Serv. Funds
	<u>Bond Fund</u>	<u>Bond Fund</u>	<u>Bond Fund</u>	<u>Bond Fund</u>	<u>Bond Fund</u>	<u>Bond Fund</u>	
REVENUES							
Interest income	-	1,233	194	141	231	32	1,831
Total revenues	<u>-</u>	<u>1,233</u>	<u>194</u>	<u>141</u>	<u>231</u>	<u>32</u>	<u>1,831</u>
EXPENDITURES							
Debt Service:							
Principal	-	50,000	675,000	-	1,475,000	-	2,200,000
Interest	-	1,121,165	234,897	1,045,294	943,811	459,469	3,804,636
Total expenditures	<u>-</u>	<u>1,171,165</u>	<u>909,897</u>	<u>1,045,294</u>	<u>2,418,811</u>	<u>459,469</u>	<u>6,004,636</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(1,169,932)</u>	<u>(909,703)</u>	<u>(1,045,153)</u>	<u>(2,418,580)</u>	<u>(459,437)</u>	<u>(6,002,805)</u>
OTHER FINANCING SOURCES (USES)							
Transfers from other funds	-	1,170,735	922,129	1,045,294	2,489,863	459,469	6,087,490
Transfers to other funds	(180)	(959)	-	-	-	-	(1,139)
Total other financing sources (uses), net	<u>(180)</u>	<u>1,169,776</u>	<u>922,129</u>	<u>1,045,294</u>	<u>2,489,863</u>	<u>459,469</u>	<u>6,086,351</u>
NET CHANGE IN FUND BALANCE	(180)	(156)	12,426	141	71,283	32	83,546
Fund balance (deficit), beginning	<u>180</u>	<u>215</u>	<u>414,658</u>	<u>565,180</u>	<u>429,005</u>	<u>9,532</u>	<u>1,418,770</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ -</u>	<u>\$ 59</u>	<u>\$ 427,084</u>	<u>\$ 565,321</u>	<u>\$ 500,288</u>	<u>\$ 9,564</u>	<u>\$ 1,502,316</u>

**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 GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members of the City Council
City of 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, the aggregate discretely presented component units, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2016. Our report includes reference to other auditors who audited the financial statements of the City of The Water and Wastewater Board, which is a component unit of the City, and the Madison City Board of Education, also a component unit of the City, as described in our report on the City's financial statements. This report includes our consideration of the results of other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 a 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 material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 16-01 that we consider to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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.

Warren Averett, LLC

Warren Averett, LLC
Huntsville, Alabama

March 31, 2017

**CITY OF MADISON, ALABAMA
SCHEDULE OF FINDING AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Section I – Financial Statement Findings

16-01 Breach in Employee Compliance

Criteria/Specific Requirement: Improper completion of employee timesheets within the Legal department at the City of Madison.

Condition: During inquiry and substantive procedures performed to gather understanding of internal controls in place, it was discovered that all employees (4 in total), within the Legal department, had not completed their timesheets or received proper department head authorization on said timesheets as noted as being required in the City of Madison’s employee handbook.

Effect: As payments were made in accordance with a full pay period but not substantiated by appropriately completed and approved timesheets, it is possible that employees within the legal department could have received payment and related employee benefits without actively attending or performing required job responsibilities.

Cause: Individuals involved were unaware of the prohibitive nature of the lack of required employee compliance.

Recommendation: Ensure proper communication of compliance requirements to all employees and add an additional level of monitoring to ensure proper compliance of employee required timesheet submission and department head authorization.

Management’s Response: Once the transaction in question was identified as prohibited and fully evaluated, City management initiated corrective action.

**CITY OF MADISON, ALABAMA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Financial Statement Findings

None noted.