

CITY OF MADISON, ALABAMA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021



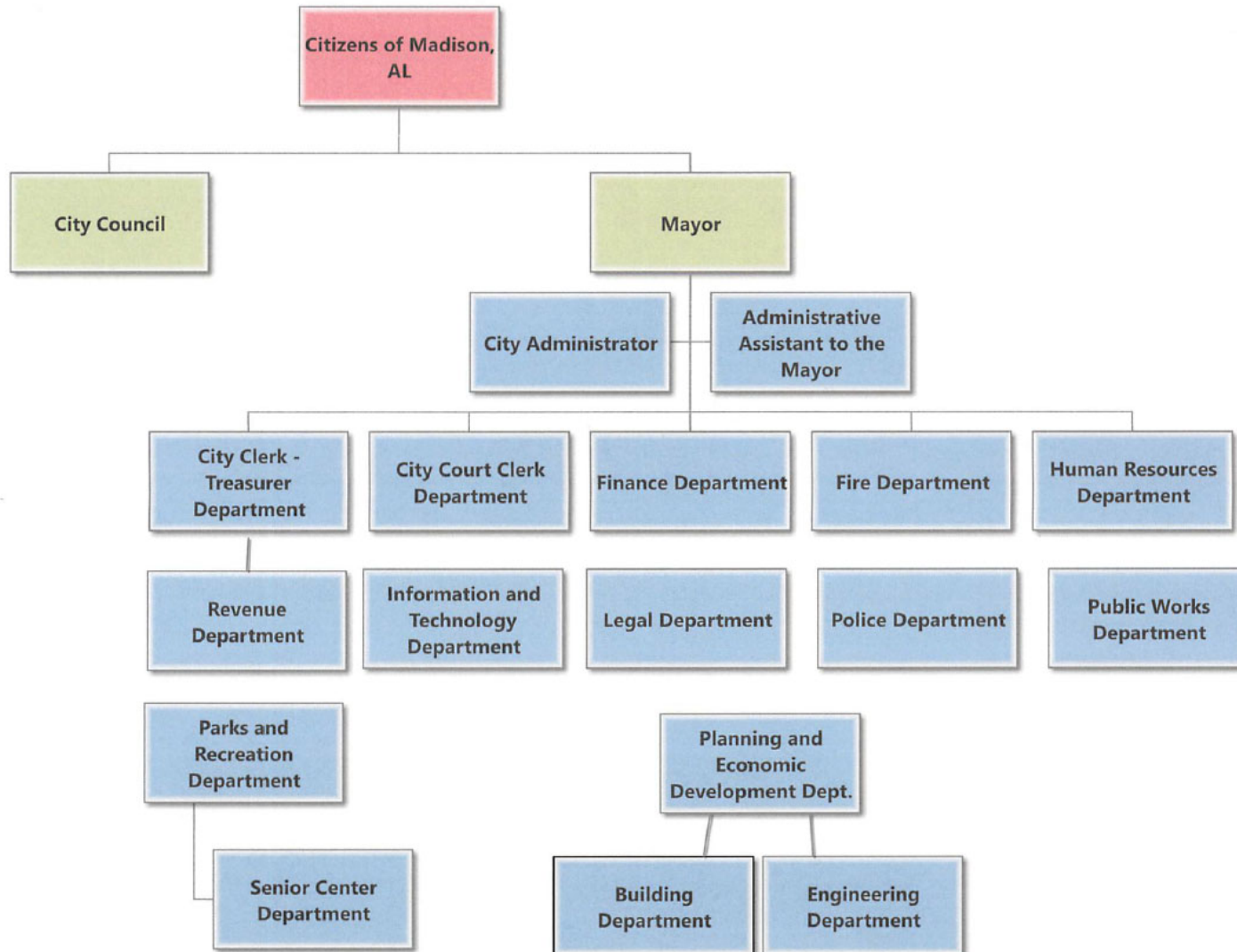
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INTRODUCTORY SECTION

City of Madison, Alabama

Organizational Structure



**OFFICIALS OF THE CITY OF MADISON
MAYOR
Paul Finley**

CITY COUNCIL

Greg Shaw – President (District 4)

Maura Wroblewski.....	District 1
Connie Spears	District 2
Teddy Powell.....	District 3
Ranae Bartlett – Finance Committee Chairperson	District 5
Karen Denzine	District 6
John Seifert – President Pro Tempore.....	District 7

DEPARTMENT DIRECTORS

Police Chief	Johnny Gandy
Public Works Director.....	Kent Smith
City Clerk-Treasurer.....	Lisa Thomas
Parks and Recreation Director	Kory Alfred
Fire Chief.....	David Bailey
Planning and Economic Development Director.....	Mary Beth Broeren
Municipal Court Clerk.....	Cheri Martin
Finance Director.....	Roger Bellomy
Human Resources Director	Terri Towry
Acting City Engineer.....	Michelle Dunson
Revenue Officer and Director.....	Cameron Grounds
Information Technology Director	Jason Colee
City Attorney.....	Megan Zingarelli
Building Director.....	Dustin Riddle

FINANCIAL SECTION

INDEPENDENT AUDITORS' 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, 2021, 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.

Auditors' 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 96 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 auditors' 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 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, 2021, 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, the budgetary comparison information, and the pension information, 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 introductory section, 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 presented in the supplementary information section 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, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining financial statements and individual fund budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2022 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

Huntsville, Alabama
April 14, 2022

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, 2021.

FINANCIAL HIGHLIGHTS

- Assets of the City of Madison exceeded its liabilities at the close of fiscal year 2021 by approximately \$100.7 million (net position). Of this amount, the City has an unrestricted net position deficit of approximately \$93.8 million offset by approximately \$51.5 million in restricted net position and approximately \$143 million in net investment in capital assets.
- The City's total net position increased approximately \$24.3 million in fiscal year 2021.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$78.8 million, an increase of approximately \$8.8 million compared to the prior year. The unassigned fund balance of the General Fund was approximately \$27 million, which the City may use for any lawful purpose. The unassigned fund balance of the General Fund represents 72 percent of the total General Fund expenditures.
- The City's total capital assets (net of accumulated depreciation) increased approximately \$9.1 million, which primarily consists of the acquisition of land, construction of infrastructure, facilities, and construction in progress.

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 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 legally separate cooperative tax district for which the City appoints the majority of the governing body. 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, the Capital Improvement Fund, and the Debt Service Fund, which are major funds. Data from the other thirteen (13) 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* of this report.

The City of Madison adopted an annual appropriated budget for its General Fund, General Obligation Bond Collection Fund, and School Bonds Fund. Budgetary comparison schedules for the General Fund, the General Obligation Bond Collection Fund, and the School Bonds Fund, have been provided for these funds to demonstrate budgetary compliance. The Capital Improvement Fund budget was adopted by project. As a project was approved, the Council added it to the list of projects funded by the remaining 2013, 2015, 2018 and 2020 bond proceeds.

Notes to the Financial Statements

The notes to the financial statements, as listed in the Table of Contents, provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information*, as listed in the Table of Contents, concerning the City of Madison's progress in funding its obligation to provide pension benefits to its employees.

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, 2021, the City's net position was approximately \$100.7 million which increased by approximately \$24.3 million (34%) compared to prior fiscal year. This increase is mainly the result of increased construction in progress.

The following table reflects the statement of net position compared to the prior year:

CITY OF MADISON'S NET POSITION

	Governmental Activities		
	September 30, 2021	September 30, 2020	Change
ASSETS			
Current and other asset	\$ 86,141,508	\$ 74,238,517	\$ 11,902,991
Capital assets	265,389,542	258,043,993	7,345,549
Total assets	<u>351,531,050</u>	<u>332,282,510</u>	<u>19,248,540</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	5,272,203	4,290,780	981,423
OPEB related items	101,955	52,934	49,021
Unamortized loss on bond refunding	9,687,662	11,643,661	(1,955,999)
Total deferred outflows of resources	<u>15,061,820</u>	<u>15,987,375</u>	<u>(925,555)</u>
LIABILITIES			
Long-term liabilities outstanding	238,246,145	249,358,560	(11,112,415)
Total OPEB liability	504,781	456,629	48,152
Net pension liability	15,870,080	13,357,432	2,512,648
Other liabilities	9,969,669	7,117,732	2,851,937
Total liabilities	<u>264,590,675</u>	<u>270,290,353</u>	<u>(5,699,678)</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB related items	578,530	681,160	(102,630)
Pension related items	701,437	881,292	(179,855)
Total deferred outflows of resources	<u>1,279,967</u>	<u>1,562,452</u>	<u>(282,485)</u>
NET POSITION			
Net investment in capital assets	143,048,163	123,978,876	19,069,287
Restricted:			
Debt service	2,695,593	3,049	2,692,544
Capital improvements	28,333,124	34,574,745	(6,241,621)
Other	20,440,774	15,809,470	4,631,304
Unrestricted (deficit)	<u>(93,795,426)</u>	<u>(97,949,060)</u>	<u>4,153,634</u>
Total net position	<u>\$ 100,722,228</u>	<u>\$ 76,417,080</u>	<u>\$ 24,305,148</u>

Capital assets increased approximately \$9.1 million (3.5%) due mainly to the capitalization of new buildings. Long-term liabilities outstanding decreased approximately \$7.8 million (3.2%) due mainly to the City's scheduled principal payments. By far, the largest portion of the City of Madison's net position is invested in capital assets (e.g., land, infrastructure), less any related outstanding debt, which was used to acquire the assets. Investments in capital assets at 2021 were approximately \$143 million. 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 approximately \$24.3 million. Key elements of the increase are as follows:

- Increase in operating grants and contributions
- Increase in charges for services
- Increase in other taxes

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

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CITY OF MADISON'S CHANGES IN NET POSITION

	Governmental Activities		
	September 30,	September 30,	Change
	2021	2020	
REVENUES			
Program revenues:			
Charges for services	\$ 10,165,035	\$ 12,148,731	\$ (1,983,696)
Operating grants and contributions	1,449,969	572,513	877,456
Capital grants and contributions	6,344,425	1,272	6,343,153
General revenues:			
Property taxes and payments in lieu of taxes	17,277,297	14,160,511	3,116,786
Other taxes	41,132,882	35,656,935	5,475,947
Other revenue	2,715,992	1,805,825	910,167
Total revenues	<u>79,085,600</u>	<u>64,345,787</u>	<u>14,739,813</u>
EXPENSES			
General services	7,428,574	5,145,833	2,282,741
Police	7,819,940	7,248,943	570,997
Public works	7,989,618	5,777,888	2,211,730
City clerk	393,234	481,950	(88,716)
Parks and recreation	3,182,232	2,917,289	264,943
Fire	6,714,709	6,341,195	373,514
Planning and economic development	861,388	598,761	262,627
Municipal court	1,175,732	1,287,972	(112,240)
City council	146,073	137,228	8,845
Finance	627,560	594,603	32,957
Human resources	5,324,397	5,787,696	(463,299)
Mayor's office	790,426	721,029	69,397
Revenue	293,768	300,915	(7,147)
Engineering	2,943,284	2,687,691	255,593
Senior center	333,866	250,854	83,012
Information technology	704,542	684,238	20,304
Legal	485,407	406,286	79,121
Building	969,176	1,028,272	(59,096)
Interest on long-term debt	6,596,526	9,337,912	(2,741,386)
Total expenses	<u>54,780,452</u>	<u>51,736,555</u>	<u>3,043,897</u>
Increase in net position	24,305,148	12,609,232	11,695,916
Net position - beginning of year	<u>76,417,080</u>	<u>63,807,848</u>	<u>12,609,232</u>
Net position - end of year	<u>\$ 100,722,228</u>	<u>\$ 76,417,080</u>	<u>\$ 24,305,148</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 approximately \$78.8 million, an increase of approximately \$8.8 million in comparison to the prior year. Approximately \$27 million or 34% 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, approximately \$300,000 is non-spendable for prepaid items, approximately \$2.7 million is restricted for debt service, approximately \$28.3 million is restricted for capital improvements and approximately \$20.4 million is restricted for other purposes 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 2021, unassigned fund balance of the General Fund was approximately \$27 million, while the total fund balance was approximately \$27.3. Unassigned General Fund balance and total General Fund balance represent 99% of the total General Fund expenditures.

The General Fund's fund balance increased approximately \$7.2 million during the current fiscal year. Key factors in this increase are as follows:

- Revenue increased approximately 6.8% over the prior fiscal year (FY 2020). Mainly from an increase in sales and use taxes.
- Expenditures were decreased by approximately 6.1% from the prior fiscal year (FY 2020). Mainly from a decrease in capital outlays for equipment.

At September 30, 2021, the General Obligation Bond Collection Fund had a fund balance of approximately \$16.4 million which represents an increase of approximately \$3.7 million or 23%. This increase is mainly due to the timing of transfers of earmarked funds collected in this fund that are used first to pay timely bond payments with any remaining balance being able to be transferred to the General Fund to pay operating expenditures. 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, 2021, the School Bonds Fund had a fund balance of approximately \$3,000. This fund balance represents an increase of \$62. The fund balance is restricted for debt service requirements (payments of principal and interest).

At September 30, 2021, the Capital Improvement Fund had a fund balance of approximately \$17.1 million, which represents a decrease of approximately \$6 million. This decrease is directly related to capital outlay during the fiscal year.

At September 30, 2021, the Debt Service Fund had a fund balance of approximately \$2.7 million , which represents a decrease of approximately \$300,000.

General Fund Budgetary Highlights

During the year, the appropriations between the original and final amended budget increased approximately \$1.1 million. The final amended General Fund budget increase included a three percent (3%) pay increase for all employees, an increase in road repairs and maintenance and the purchase of equipment. At the end of the fiscal year, actual expenditures were under budget by approximately \$5.4 million or 13%. The factors contributed to coming in under budget: conservative spending by departments, and Finance Committee closely monitoring expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Madison's investment in capital assets for its governmental activities as of September 30, 2021, amounts to approximately \$265.4 million (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 approximately \$9.1 million or 3.5% for 2021.

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

- Capitalization of new land, infrastructure and sidewalks.
- Construction has continued on various other streets, roads, and bridges.

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

	Governmental Activities		
	September 30, 2021	September 30, 2020	Change
Land	\$ 41,242,517	\$ 38,235,406	\$ 3,007,111
Improvements to land	449,342	555,743	(106,401)
Buildings	63,759,990	66,177,393	(2,417,403)
Building improvements	1,825,217	2,041,823	(216,606)
Improvements other than buildings	2,507,910	2,246,045	261,865
Machinery and equipment	2,702,325	2,259,350	442,975
Infrastructure	135,665,158	135,391,503	273,655
Construction in progress	17,237,083	9,407,519	7,829,564
	<u>\$ 265,389,542</u>	<u>\$ 256,314,782</u>	<u>\$ 9,074,760</u>

Additional information on the City's capital assets can be found in Note 5 of this report.

Long-Term Debt

At the end of the current fiscal year, the City of Madison had total outstanding debt of approximately \$238.2 million. Of this amount, approximately \$231.6 million was comprised of the general obligation warrants backed by the full faith and credit of the City, approximately \$1 million was comprised of employees' compensated absences balance.

Changes in debt outstanding are as follows:

	Governmental Activities		
	September 30, 2021	September 30, 2020	Change
Compensated absences	\$ 1,030,450	\$ 1,227,109	\$ (196,659)
General obligation warrants	231,575,000	235,915,000	(4,340,000)
Plus deferred amounts for:			
Issuance premiums, net	5,640,695	8,861,451	(3,220,756)
	<u>\$ 238,246,145</u>	<u>\$ 246,003,560</u>	<u>\$ (7,757,415)</u>

The City of Madison's total debt decreased approximately \$7.8 million or 3.2% during fiscal year 2021.

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 \$231.6 million outstanding, approximately \$77.9 million is outstanding general obligation school warrants, which is not chargeable against the allowable debt limit. As of September 30, 2021, the City's allowable debt limit was \$161,484,868. The City's debt applicable to the limit was \$150,954,407 at September 30, 2021.

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 6 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

With the adoption of the fiscal year (FY) 2022 budget, the following items were funded:

- Over \$311,000 in storm water control
- Over \$1,436,000 in capital outlay for various equipment needed by the City's departments
- A fund was established, for the ongoing maintenance of Toyota Field multiuse facility, a minimum of \$300,000 will be added to the fund for future repairs.
- Overall library operation budget is over \$1,000,000
- Over 36,650 linear feet of neighborhood road are to be repaired
- Three percent (3%) step-raise for employees on anniversary date and a 2.5% cost-of-living adjustment for all city employees
- No reduction in services

The FY 2022 General Fund's fund balance is expected to be approximately 36% of total revenues and other financing sources, which exceeds the 15% requirement of the City 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, 2021**

	Primary	Component Units		
	Government	The Water	Madison City	Town Madison
	Governmental	and	Board of	Cooperative
	Activities	Wastewater Board	Education	District
ASSETS				
Cash and cash equivalents	\$ 72,489,940	\$ 14,892,386	\$ 99,064,789	\$ -
Cash with fiscal agent	2,695,593	-	20,931,828	-
Investments	-	-	163,053	-
Receivables, (net of allowances):				
Taxes	9,993,017	-	28,051,698	-
Accounts	602,995	2,509,375	-	-
Other	17,580	84,630	10,733,560	-
Inventories	-	823,032	242,355	-
Prepaid items	342,383	28,127	-	-
Restricted cash and investments	-	63,399,211	-	-
Unamortized bond issue costs, net	-	2,354,714	-	-
Capital assets:				
Land, and construction in process	58,479,600	14,002,355	69,810,779	32,624,167
Other assets, net of accumulated depreciation	206,909,942	244,539,329	160,652,100	-
Total assets	<u>351,531,050</u>	<u>342,633,159</u>	<u>389,650,162</u>	<u>32,624,167</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	9,687,662	-	740,842	-
Pension plan items	5,272,203	736,417	32,310,928	-
OPEB items	101,955	-	32,589,293	-
Total deferred outflows of resources	<u>15,061,820</u>	<u>736,417</u>	<u>65,641,063</u>	<u>-</u>
LIABILITIES				
Accounts payable	4,171,763	2,720,831	343,986	63,597
Accrued liabilities	660,828	15,268	10,837,359	-
Interest payable	2,635,121	2,130,824	714,928	5,168,687
Retainage payable	-	166,297	-	-
Unearned revenue	2,501,957	-	293,764	-
Noncurrent liabilities:				
Net pension liability	15,870,080	3,574,129	113,787,000	-
Net OPEB liability	504,781	-	62,411,628	-
Due within one year	8,555,000	3,175,000	3,369,087	-
Due in more than one year	229,691,145	171,688,708	144,764,493	31,938,450
Total liabilities	<u>264,590,675</u>	<u>183,471,057</u>	<u>336,522,245</u>	<u>37,170,734</u>
DEFERRED INFLOWS OF RESOURCES				
OPEB items	578,530	-	38,010,498	-
Unavailable revenue	-	-	28,051,698	-
Pension plan items	701,437	189,084	1,973,000	-
Total deferred inflows of resources	<u>1,279,967</u>	<u>189,084</u>	<u>68,035,196</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	143,048,163	87,692,317	83,827,873	685,717
Restricted:				
Debt service	2,695,593	52,312,461	31,894,854	-
Capital improvements	28,333,124	-	49,135,490	-
Other	20,440,774	-	5,756,139	-
Unrestricted (deficit)	(93,795,426)	19,704,657	(119,880,572)	(5,232,284)
Total net position	<u>\$ 100,722,228</u>	<u>\$ 159,709,435</u>	<u>\$ 50,733,784</u>	<u>\$ (4,546,567)</u>

The accompanying notes are an integral part of this statement

**CITY OF MADISON, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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 services	\$ 7,428,574	\$ 7,525,042	\$ 451,101	\$ -	\$ 547,569	\$ -	\$ -	\$ -
Police	7,819,940	31,936	-	-	(7,788,004)	-	-	-
Public works	7,989,618	2,075,800	-	6,344,425	430,607	-	-	-
City clerk	393,234	-	-	-	(393,234)	-	-	-
Parks and recreation	3,182,232	532,257	451,101	-	(2,198,874)	-	-	-
Fire	6,714,709	-	547,767	-	(6,166,942)	-	-	-
Planning and economic development	861,388	-	-	-	(861,388)	-	-	-
Municipal Court	1,175,732	-	-	-	(1,175,732)	-	-	-
City council	146,073	-	-	-	(146,073)	-	-	-
Finance	627,560	-	-	-	(627,560)	-	-	-
Human resources	5,324,397	-	-	-	(5,324,397)	-	-	-
Mayor's office	790,426	-	-	-	(790,426)	-	-	-
Revenue	293,768	-	-	-	(293,768)	-	-	-
Engineering	2,943,284	-	-	-	(2,943,284)	-	-	-
Senior center	333,866	-	-	-	(333,866)	-	-	-
Information technology	704,542	-	-	-	(704,542)	-	-	-
Legal	485,407	-	-	-	(485,407)	-	-	-
Building	969,176	-	-	-	(969,176)	-	-	-
Interest on long-term debt	6,596,526	-	-	-	(6,596,526)	-	-	-
Total governmental activities	<u>\$ 54,780,452</u>	<u>\$ 10,165,035</u>	<u>\$ 1,449,969</u>	<u>\$ 6,344,425</u>	<u>(36,821,023)</u>	-	-	-
COMPONENT UNITS								
The Water and Wastewater Board	\$ 21,426,926	\$ 23,715,724	\$ -	\$ 5,032,626	-	7,321,424	-	-
Madison City Board of Education	150,967,674	10,490,633	87,797,788	8,965,805	-	-	(43,713,448)	-
Town Madison Cooperative District	1,478,599	-	-	-	-	-	-	(1,478,599)
Total component units	<u>\$ 173,873,199</u>	<u>\$ 34,206,357</u>	<u>\$ 87,797,788</u>	<u>\$ 13,998,431</u>	-	-	-	-
GENERAL REVENUES								
Property and payments in lieu of taxes	-	-	-	-	17,277,297	-	34,848,983	-
Sales and use taxes	-	-	-	-	32,385,164	-	21,123,120	-
Gas taxes	-	-	-	-	566,167	-	-	-
Franchise taxes	-	-	-	-	2,695,001	-	-	-
Alcoholic beverages taxes	-	-	-	-	1,655,955	-	-	-
Rental taxes	-	-	-	-	675,466	-	-	-
Lodging taxes	-	-	-	-	2,481,500	-	-	-
Other taxes	-	-	-	-	673,629	-	424,547	-
Grants and contributions not restricted to specific purposes	-	-	-	-	-	-	690,460	-
Unrestricted interest income	-	-	-	-	227,704	29,838	926,565	-
Other	-	-	-	-	2,488,288	-	4,114,213	66,959
Total general revenues	-	-	-	-	<u>61,126,171</u>	<u>29,838</u>	<u>62,127,888</u>	<u>66,959</u>
CHANGE IN NET POSITION								
					24,305,148	7,351,262	18,414,440	(1,411,640)
Net position, beginning					<u>76,417,080</u>	<u>152,358,173</u>	<u>32,319,344</u>	<u>(3,134,927)</u>
NET POSITION, ENDING					<u>\$ 100,722,228</u>	<u>\$ 159,709,435</u>	<u>\$ 50,733,784</u>	<u>\$ (4,546,567)</u>

The accompanying notes are an integral part of this statement

**CITY OF MADISON, ALABAMA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2021**

	General Fund	General Obligation Bond Collection Fund	School Bonds Fund	Capital Improvement Fund	Debt Service Fund	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 26,244,076	\$ 13,225,016	\$ -	\$ 18,083,595	\$ -	\$ 14,937,253	\$ 72,489,940
Cash with fiscal agent	-	-	3,111	-	2,692,482	-	2,695,593
Receivables, (net of allowances):							
Taxes	6,191,268	3,128,190	-	-	-	673,559	9,993,017
Grants	17,580	-	-	-	-	-	17,580
Accounts	437,524	-	-	-	-	165,471	602,995
Prepaid items	342,383	-	-	-	-	-	342,383
Due from other funds	3,791	23,244	-	-	-	44,071	71,106
Total assets	\$ 33,236,622	\$ 16,376,450	\$ 3,111	\$ 18,083,595	\$ 2,692,482	\$ 15,820,354	\$ 86,212,614
LIABILITIES							
Accounts payable	\$ 1,778,199	\$ -	\$ -	\$ 977,843	\$ -	\$ 524,867	\$ 3,280,909
Accrued liabilities	660,828	-	-	-	-	-	660,828
Unearned revenue	2,501,957	-	-	-	-	-	2,501,957
Due to other funds	67,315	40	-	-	-	3,751	71,106
Other liabilities	890,853	-	-	-	-	-	890,853
Total liabilities	5,899,152	40	-	977,843	-	528,618	7,405,653
FUND BALANCES							
Nonspendable:							
Prepaid items	342,383	-	-	-	-	-	342,383
Restricted:							
Debt service	-	-	3,111	-	2,692,482	-	2,695,593
Capital improvements	-	-	-	17,105,752	-	11,227,372	28,333,124
Other	-	16,376,410	-	-	-	4,064,364	20,440,774
Assigned	-	-	-	-	-	-	-
Unassigned	26,995,087	-	-	-	-	-	26,995,087
Total fund balance	27,337,470	16,376,410	3,111	17,105,752	2,692,482	15,291,736	78,806,961
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 33,236,622	\$ 16,376,450	\$ 3,111	\$ 18,083,595	\$ 2,692,482	\$ 15,820,354	\$ 86,212,614

The accompanying notes are an integral part of this statement

**CITY OF MADISON, ALABAMA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

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

Fund balances - total governmental funds	\$	78,806,961
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Those assets consist of:

Governmental nondepreciable / amortizable assets	58,479,600	
Governmental depreciable / amortizable assets	316,923,617	
Less: accumulated depreciation / amortization	<u>(110,013,675)</u>	
		265,389,542

Deferred outflows and inflows of resources related to pensions and other post-employment benefits (OPEB) are applicable to future periods and not reported in governmental funds.

Deferred outflows of resources - pensions	5,272,201	
Deferred inflows of resources - pensions	(701,437)	
Deferred outflows of resources - OPEB	101,955	
Deferred inflows of resources - OPEB	<u>(578,530)</u>	
		4,094,189

Unamortized deferred amounts on refundings are not recognized in the governmental funds.

9,687,662

Long-term liabilities, including warrants payable, are not due and payable in the current period and therefore are not reported in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position.

Balances at September 30, 2021 are:

Warrants payable	(237,215,695)	
Accrued interest payable	(2,635,121)	
Compensated absences	(1,030,449)	
Net pension liability	(15,870,080)	
Other post-employment benefits	<u>(504,781)</u>	
		<u>(257,256,126)</u>

Net position of governmental activities

\$ 100,722,228

The accompanying notes are an integral part of this statement

**CITY OF MADISON, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	General Fund	General Obligation Bond Collection Fund	School Bonds Fund	Capital Improvement Fund	Debt Service Fund	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUES							
Taxes:							
Property and payments in lieu of taxes	\$ 6,699,836	\$ 4,579,659	\$ 5,532,159	\$ -	\$ -	\$ 465,643	\$ 17,277,297
Sales and use	19,972,303	9,359,059	-	-	-	3,053,802	32,385,164
Gas	-	-	-	-	-	566,167	566,167
Franchise	2,695,001	-	-	-	-	-	2,695,001
Alcoholic beverages	1,627,820	-	-	-	-	28,135	1,655,955
Rental	675,466	-	-	-	-	-	675,466
Lodging	1,616,308	-	-	-	-	865,192	2,481,500
Other	673,629	-	-	-	-	-	673,629
Licenses and permits	6,440,024	-	-	-	-	705,019	7,145,043
Intergovernmental	287,168	-	-	-	-	1,162,801	1,449,969
Charges for services	2,112,571	-	-	-	-	-	2,112,571
Fines	705,711	-	-	-	-	201,710	907,421
Interest income	115,044	25,499	60	51,624	966	34,511	227,704
Contributions and donations	183,929	-	-	67,903	-	106,487	358,319
Other revenues	705,010	10	-	1,200,000	-	514,061	2,419,081
Total revenues	44,509,820	13,964,227	5,532,219	1,319,527	966	7,703,528	73,030,287
EXPENDITURES							
Current:							
General services	3,602,027	10,180	-	-	-	1,042,980	4,655,187
Police	7,273,729	-	-	-	-	-	7,273,729
Public works	3,126,360	-	-	-	-	1,451,447	4,577,807
City clerk	376,161	-	-	-	-	-	376,161
Parks and recreation	2,435,955	-	-	-	-	-	2,435,955
Fire	6,022,459	-	-	-	-	-	6,022,459
Planning and economic development	581,050	-	-	-	-	-	581,050
Municipal court	1,143,381	-	-	-	-	-	1,143,381
City council	142,145	-	-	-	-	-	142,145
Finance	587,484	-	-	-	-	-	587,484
Human resources	5,180,884	-	-	-	-	-	5,180,884
Mayor's office	762,161	-	-	-	-	-	762,161
Revenue	281,186	-	-	-	-	-	281,186
Engineering	1,486,059	-	-	-	-	193,924	1,679,983
Senior center	292,030	-	-	-	-	-	292,030
Information technology	661,517	-	-	-	-	-	661,517
Legal	472,354	-	-	-	-	-	472,354
Building	914,709	-	-	-	-	-	914,709
Debt service:							
Principal	-	-	2,730,000	-	4,965,000	-	7,695,000
Interest	-	-	2,802,157	-	5,356,145	-	8,158,302
Capital outlay	1,926,351	-	-	7,323,486	-	1,202,110	10,451,947
Total expenditures	37,268,002	10,180	5,532,157	7,323,486	10,321,145	3,890,461	64,345,431
Excess (deficiency) of revenues over expenditures	7,241,818	13,954,047	62	(6,003,959)	(10,320,179)	3,813,067	8,684,856
OTHER FINANCING SOURCES (USES)							
Proceeds from sales of capital assets	69,207	-	-	-	-	-	69,207
Transfers from other funds	980,809	-	-	-	10,025,220	3,570,000	14,576,029
Transfers to other funds	(620,000)	(10,211,278)	-	-	-	(3,744,751)	(14,576,029)
Total other financing sources (uses), net	430,016	(10,211,278)	-	-	10,025,220	(174,751)	69,207
NET CHANGE IN FUND BALANCE	7,671,834	3,742,769	62	(6,003,959)	(294,959)	3,638,316	8,754,063
Fund balance, beginning	19,665,636	12,633,641	3,049	23,109,711	2,987,441	11,653,420	70,052,898
FUND BALANCE, ENDING	\$ 27,337,470	\$ 16,376,410	\$ 3,111	\$ 17,105,752	\$ 2,692,482	\$ 15,291,736	\$ 78,806,961

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, 2021

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

Net change in fund balances - total governmental funds \$ 8,754,063

Governmental funds do not report capital assets on the Balance Sheet; however they are reported in the government-wide financial statements. Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is depreciated or amortized over the estimated useful lives of the assets.

Expenditures for capital assets	9,608,079	
Donated capital assets	5,986,106	
Less current year depreciation	(8,248,636)	
		7,345,549

The issuance of long-term debt provides current financial resources to the governmental fund, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect

Debt principal payments	7,695,000	
Amortization of premiums/discounts	3,220,756	
Amortization of deferred loss on refunding	(1,955,971)	
		8,959,785

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:

Change in compensated absences	196,660	
Change in accrued interest	296,991	
Change in other post-employment benefits	103,469	
Change in net pension liability	(1,351,369)	
		(754,249)

Change in net position of governmental activities \$ 24,305,148

The accompanying notes are an integral part of this statement

NOTES TO FINANCIAL STATEMENTS

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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 prescribed by the Governmental Accounting Standards Board.

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 or closely related. 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 City has determined the Madison Utilities is a component unit based on the significance of its relationship with the City. 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, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

A. FINANCIAL REPORTING ENTITY – CONTINUED

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 entity is considered a component unit of the City because of the nature and significance of its relationship to the City. The City issued general obligation warrants, which Madison 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 three persons, two of which are appointed by the City Council of the City of Madison. The City is considered to be financially accountable for the District.

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

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 position 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 for interfund activities, payables, and receivables. All internal balances and transfers in the statement of net position have been eliminated except those representing balances or activity between the governmental activities and component units.

Fund Financial Statements

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

Separate statements are presented for governmental funds. 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 position. 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.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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 90 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.

Revenue recognition criteria for property taxes requires that property taxes expected to be collected within 90 days of the current period be accrued. No accrual has been made for ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year. Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

Major Funds

The financial transactions of the City are recorded in individual funds. The operations of each fund are accounted for using a separate set of self-balancing accounts, which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenue, and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The following is a description of the major governmental funds of the City:

General Fund: the General Fund is the City's primary operating fund. 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.

General Obligation Bond Collection Fund: the General Obligation Bond Collection Fund, a debt service fund, is used to account for ½ -cent sales tax and the 5 ½ -mill property tax.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Major Funds

School Bonds Fund: the School Bonds Fund, a debt service 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.

Debt Service Fund: the City uses the Debt Service Fund account to receive transfers from other funds where resources are collected for specific debt service and the payment of principal, interest, and related cost on general obligation warrants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

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 are stated at fair value.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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: all land, 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.

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

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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.

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, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are the deferred loss on refunding and the pension related items reported in the government-wide statement of net position.

A deferred loss 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 pension related deferred inflows in the government-wide statement of net position. 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.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Fund Balance Classifications – Continued

Committed: this classification includes amounts that are used only for specific purposes pursuant to constraints imposed by formal action or ordinance 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 were 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.

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.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Post-employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City of Madison plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan.

E. GASB ACCOUNTING PRONOUNCEMENTS

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

GASB Statement No. 87, *Leases*, was issued to improve accounting and financial reporting for leases by governments. The requirements of this statement are effective for reporting periods beginning after June 15, 2021, fiscal year 2022.

GASB Statement No 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers. The requirements of this statement are effective for reporting periods beginning after December 15, 2021, fiscal year 2023.

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, 2021**

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETING INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for most governmental funds. All annual appropriations lapse at fiscal year-end.

The budget preparation is coordinated through the mayor's office and the finance department. Each department head is responsible for preparing and submitting their appropriation requests according to the budget schedule. The mayor submits the proposed budget to the city council finance committee. The finance committee holds meetings to review and make recommended changes to the proposed budget. After the 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 require the approval of the city council.

The second type of budget amendment does not cause any net change in the overall budget. The effect is that it redistributes appropriated funding within a department to different line items without causing an increase or decrease in the budget. The exceptions are amendments within a department in excess of \$1000, personnel compensation, and 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:

Library Fund	\$	591,550
Correctional Fund	\$	25,347

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, 2021.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

3. DEPOSITS AND INVESTMENTS

Primary Government

At September 30, 2021, 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 Fund 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. State statute limits the City's investments to U.S. Treasury obligations, and obligations of the State of Alabama, and Alabama counties and 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 cash and cash equivalents as allowed and limited by state statute.

Custodial Credit Risk: at September 30, 2021, the City's deposits and bank balances are insured by federal depository insurance or part of SAFE.

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

4. CAPITAL ASSETS

The Capital asset activity of the primary government for the year ended September 30, 2021, was as follows:

	Balance October 1, 2020	Additions	Deletions and Reclassifications	Balance September 30, 2021
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 39,964,617	\$ 1,277,900	\$ -	\$ 41,242,517
Construction in progress	9,407,519	8,429,740	(600,176)	17,237,083
Total capital assets, not being depreciated	49,372,136	9,707,640	(600,176)	58,479,600
Capital assets, being depreciated:				
Land improvements	677,535	-	-	677,535
Buildings	73,376,721	-	-	73,376,721
Building improvements	4,597,930	-	-	4,597,930
Improvements - other than buildings	4,385,346	455,899	-	4,841,245
Machinery, equipment, and furniture	19,624,954	1,693,502	(165,601)	21,152,855
Infrastructure	207,927,011	3,737,144	600,176	212,264,331
Other	13,000	-	-	13,000
Total capital assets, being depreciated	310,602,497	5,886,545	434,575	316,923,617
Less accumulated depreciation for:				
Land improvements	(121,792)	(106,401)	-	(228,193)
Buildings	(7,199,328)	(2,417,403)	-	(9,616,731)
Building improvements	(2,556,107)	(216,606)	-	(2,772,713)
Improvements - other than buildings	(2,139,301)	(194,034)	-	(2,333,335)
Machinery, equipment, and furniture	(17,365,604)	(1,250,527)	165,601	(18,450,530)
Infrastructure	(72,535,508)	(4,063,665)	-	(76,599,173)
Other	(13,000)	-	-	(13,000)
Total accumulated depreciation	(101,930,640)	(8,248,636)	165,601	(110,013,675)
Total capital assets, being depreciated, net	208,671,857	(2,362,091)	600,176	206,909,942
Governmental activities capital assets, net	\$ 258,043,993	\$ 7,345,549	\$ -	\$ 265,389,542

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

4. CAPITAL ASSETS – CONTINUED

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

General administration	\$ 2,332,467
Police	345,201
Public works	2,897,393
City clerk	6,678
Recreation	678,959
Fire	525,819
Planning	264,280
Court	754
Finance	23,841
Human resources	339
Mayor's office	7,202
Revenue	4,812
Engineering	1,073,193
Senior center	33,766
Information technology	24,744
Building	29,188
Total depreciation expense - governmental activities	\$ 8,248,636

Discretely Presented Components Unit

During the year ended September 30, 2021, Town Madison Cooperative District had a balance of construction in progress of \$32,515,433 consisting of additions resulting from the construction of assets with the proceeds of advances on the revenue bonds. As all of the capital assets at September 30, 2021, were construction in progress, there was no depreciation expense in 2021.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

5. 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, 2021, is as follows:

Interfund Transfers:

Transfers Out:	Transfers In:				Total Out
	General Fund	Debt Service Fund	Capital Improvement Fund	Non-major Government	
General Fund	\$ -	\$ -	\$ -	\$ 620,000	\$ 620,000
General Obligation Bond Collection Fund		10,025,220	-	186,058	10,211,278
Non-major government	980,809	-	-	2,763,942	3,744,751
Total in	<u>\$ 980,809</u>	<u>\$ 10,025,220</u>	<u>\$ -</u>	<u>\$ 3,570,000</u>	<u>\$ 14,576,029</u>

Due To/From Other Funds:

Payable Fund	Receivable Fund			Total
	General Fund	General Obligation Bond Collection Fund	Non-major Government	
General Fund	\$ -	\$ 23,244	\$ 44,071	\$ 67,315
General Obligation Bond Collection Fund	40	-		40
Non-major government	3,751	-	-	3,751
Total due from	<u>\$ 3,791</u>	<u>\$ 23,244</u>	<u>\$ 44,071</u>	<u>\$ 71,106</u>

The City uses transfers to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers are used to move revenue restricted to debt service from the fund(s) collecting the revenue to the Debt Service Fund as debt service 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.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

6. LONG-TERM DEBT

The following is a summary of changes in the City's long-term liabilities for the year ended September 30, 2021:

Primary Government:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
<u>Governmental activities:</u>					
General obligation warrants	\$ 239,270,000	\$ -	\$ (7,695,000)	\$ 231,575,000	\$ 8,555,000
Plus (less) amount deferred for: Issue discounts & premiums	8,861,451	-	(3,220,756)	5,640,695	-
Total warrant, bonds, & notes	248,131,451	-	(10,915,756)	237,215,695	8,555,000
Compensated absences	1,227,109	834,824	(1,031,483)	1,030,450	192,513
Governmental Activities Long-Term Liabilities	<u>\$ 249,358,560</u>	<u>\$ 834,824</u>	<u>\$ (11,947,239)</u>	<u>\$ 238,246,145</u>	<u>\$ 8,747,513</u>

General Obligation Warrants

The City issues general obligation warrants providing funds for the acquisition and construction of major capital facilities 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.

The General Obligation Warrants are considered direct placement debt. In the event of default of the agreements, all obligations outstanding shall immediately become due and payable. Events of default of the agreements are failure to pay, noncompliance with any of the covenants, and terms and conditions, and any deterioration of the financial condition of the City.

Source of Repayment of Long-Term Debt

The repayment of the City's general obligation long-term debt is provided by resources from special revenue funds transferred to the Debt Service Fund. The repayment of the City's general obligation long-term debt, for school purposes, is provided by ad valorem taxes and accounted for in the School Bonds Fund.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

6. LONG-TERM DEBT – CONTINUED

Outstanding Debt

General obligation warrants currently outstanding as of September 30, 2021, are as follows:

	Face Amount	Dated	Final Maturity	Interest Rates (%)	Principal Maturities	Ending Balance	Amount Due Within One Year
<u>Governmental activities:</u>							
G.O. Warrants - general purposes							
Series 2011 - Taxable	\$ 7,300,000	3/1/2011	3/1/2022	1.50% - 5.24%	730,000 - 885,000	\$ 885,000	\$ 885,000
Series 2013-A	26,985,000	5/30/2013	4/1/2024	3.00% - 5.00%	625,000 - 1,920,000	3,120,000	1,195,000
Series 2015-A	23,790,000	5/1/2015	4/1/2028	2.00% - 5.00%	740,000 - 1,390,000	9,765,000	1,365,000
Series 2015-B	12,255,000	5/1/2015	12/1/2036	2.00% - 5.00%	690,000 - 1,085,000	12,255,000	-
Series 2016-C	26,365,000	10/1/2016	12/1/2036	1.00% - 5.00%	135,000 - 2,220,000	25,335,000	145,000
Series 2018-A Taxable	50,445,000	10/1/2017	5/1/2048	2.50% - 4.55%	1,065,000 - 3,000,000	49,380,000	1,095,000
Series 2018-C	19,535,000	10/1/2017	7/1/2043	3.00% - 3.50%	565,000 - 1,270,000	19,535,000	565,000
Series 2020-A	34,055,000	7/21/2020	4/1/2037	0.92% - 2.31%	490,000 - 3,330,000	33,375,000	490,000
	<u>200,730,000</u>					<u>153,650,000</u>	<u>5,740,000</u>
G.O. Warrants - school purposes							
Series 2011-A	6,445,000	8/16/2011	11/1/2022	0.85% - 4.00%	400,000 - 545,000	450,000	450,000
Series 2011-B	18,460,000	12/8/2011	2/1/2022	4.00% - 5.00%	785,000 - 1,305,000	880,000	880,000
Series 2016-A	9,535,000	3/31/2016	3/1/2029	4.00% - 5.00%	900,000 - 1,490,000	7,565,000	1,110,000
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	-
Series 2018-D	11,955,000	11/6/2018	2/1/2039	2.00% - 4.00%	290,000 - 1,145,000	11,430,000	70,000
Series 2020-B	15,500,000	7/21/2020	2/1/2032	0.92% - 2.00%	300,000 - 1,755,000	15,200,000	305,000
	<u>104,295,000</u>					<u>77,925,000</u>	<u>2,815,000</u>
Total Primary Government	<u>\$305,025,000</u>					<u>\$ 231,575,000</u>	<u>\$ 8,555,000</u>

Legal Debt Margin

The City is subject to a debt limit that is 20% of the full valuation of taxable real property at September 30, 2021. At September 30, 2021, that amount was \$161,484,868. As of September 30, 2021, the total outstanding debt applicable to the limit was \$150,954,407, which is 93% of total debt limit.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

6. LONG-TERM DEBT – CONTINUED

Future Debt Service

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

<u>Governmental activities:</u>	<u>Principal</u>	<u>Interest</u>
G.O. Warrants - general purposes		
2022	\$ 5,735,000	\$ 5,371,396
2023	4,815,000	5,177,986
2024	5,910,000	4,958,218
2025	6,390,000	4,741,778
2026	6,680,000	4,518,590
2027 - 2031	37,245,000	18,994,850
2032 - 2036	43,665,000	12,539,286
2037 - 2041	22,265,000	6,754,585
2042 - 2046	15,075,000	3,233,953
2047 - 2048	5,870,000	403,585
	<u>153,650,000</u>	<u>66,694,226</u>
G.O. Warrants - school purposes		
2022	2,815,000	3,178,322
2023	2,915,000	2,572,400
2024	2,990,000	2,491,323
2025	3,075,000	2,405,130
2026	3,525,000	2,303,393
2027 - 2031	22,520,000	9,057,987
2032 - 2036	23,790,000	4,697,339
2037 - 2041	16,295,000	794,050
	<u>77,925,000</u>	<u>27,499,943</u>
Total governmental activities	<u>\$ 231,575,000</u>	<u>\$ 94,194,170</u>

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

6. LONG-TERM DEBT – CONTINUED

Component Units:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
The Water and Wastewater Board					
Revenue warrants	\$ 166,760,000	\$ -	\$ (3,055,000)	\$ 163,705,000	\$ 3,175,000
Unamortized bond premium/discount	<u>7,790,346</u>	<u>-</u>	<u>(422,089)</u>	<u>7,368,257</u>	<u>-</u>
Total warrants	174,550,346	-	(3,477,089)	171,073,257	3,175,000
Customer deposits	3,134,138	421,411	-	3,555,549	465,947
Compensated absences	<u>244,172</u>	<u>-</u>	<u>(9,270)</u>	<u>234,902</u>	<u>-</u>
Total Water and Wastewater Board Long-term liabilities	<u>177,928,656</u>	<u>421,411</u>	<u>(3,486,359)</u>	<u>174,863,708</u>	<u>3,640,947</u>
Madison City Board of Education					
Bonds payable	140,823,140	7,271,924	(9,207,582)	138,887,482	2,760,162
Unamortized bond premium/discount	7,852,012	-	(308,761)	7,543,251	308,762
Capitalized leases	1,245,277	-	(300,163)	945,114	300,163
Compensated absences	<u>675,530</u>	<u>82,201</u>	<u>-</u>	<u>757,731</u>	<u>-</u>
Total Madison City Board of Education Long-term liabilities	<u>150,595,959</u>	<u>7,354,125</u>	<u>(9,816,506)</u>	<u>148,133,578</u>	<u>3,369,087</u>
Total component units	<u>\$ 328,524,615</u>	<u>\$ 7,775,536</u>	<u>\$ (13,302,865)</u>	<u>\$ 322,997,286</u>	<u>\$ 7,010,034</u>

General obligation warrants currently outstanding as of September 30, 2021, for the Madison City Board of Education and the Water and Wastewater Board are as follows:

	Face Amount	Dated	Final Maturity	Interest Rates (%)	Principal Maturities	Ending Balance	Amount Due Within One Year
Madison City Board of Education							
Series 2010	\$ 36,000,000	2011	9/1/2027	3.0 - 5.0	1,604,319	\$ 36,000,000	\$ -
Series 2013	13,242,981	2013	6/1/2033	3.0 - 5.0	40,683 - 75,991	2,647,116	623,276
Series 2014-A	3,209,774	2014	2/1/2025	3.0 - 5.0	260,995 - 1,042,896	1,357,466	314,570
Series 2019	93,410,000	2019	8/1/2049	3.0 - 5.0	1,630 - 19,805	91,780,000	1,705,000
Series 2020-C	<u>7,271,924</u>	2020	6/1/2033	.0253 - 2.44	117,316 - 4,108,840	<u>7,102,900</u>	<u>117,316</u>
	<u>153,134,679</u>					<u>138,887,482</u>	<u>2,760,162</u>
The Water and Wastewater Board							
<i>Water and Sewer Revenue Bonds</i>							
Series 2015	20,040,000	2015	12/1/2032	3.5 - 5.0	230,000 - 2,445,000	19,330,000	260,000
Series 2017	63,360,000	2017	12/1/2047	3.75 - 5.0	1,380,000 - 5,895,000	63,360,000	-
Series 2020	<u>61,815,000</u>	2020	12/1/2050	2.0 - 5.0	390,000 - 8,925,000	<u>61,815,000</u>	<u>-</u>
	<u>145,215,000</u>					<u>144,505,000</u>	<u>260,000</u>
Subordinated Water and Sewer Revenue Bonds							
Series 2010-SRF	13,315,000	2010	8/15/2022	2.50	1,210,000 - 1,165,000	1,360,000	1,360,000
Series 2013-DWSRF-BL	11,440,000	2013	8/15/2024	1.60	625,000 - 755,000	2,195,000	710,000
Series 2014-SRF	2,955,000	2014	2/15/2035	2.45	120,000 - 185,000	2,215,000	135,000
Series 2016-SRF	<u>16,110,000</u>	2016	2/15/2037	2.20	650,000 - 985,000	<u>13,430,000</u>	<u>710,000</u>
	<u>43,820,000</u>					<u>19,200,000</u>	<u>2,915,000</u>
Total component units	<u>\$ 342,169,679</u>					<u>\$ 302,592,482</u>	<u>\$ 5,935,162</u>

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

6. LONG-TERM DEBT – CONTINUED

Future Debt Service

Annual debt service requirements to maturity for the Component Units are as follows:

<u>Governmental activities:</u>	<u>Principal</u>	<u>Interest</u>
The Water and Wastewater Board		
2022	\$ 3,175,000	\$ 6,100,834
2023	3,065,000	5,996,970
2024	3,160,000	5,898,720
2025	3,285,000	5,772,904
2026	3,430,000	5,630,210
2027-2031	19,130,000	26,212,057
2032-2036	22,980,000	22,319,784
2037-2041	28,290,000	17,007,393
2042-2046	35,205,000	10,097,539
2047-2051	41,985,000	3,318,594
	<u>163,705,000</u>	<u>108,355,005</u>
Madison City Board of Education		
2022	3,060,325	4,002,302
2023	3,196,053	3,859,829
2024	3,221,844	3,724,580
2025	3,259,952	3,583,737
2026	2,926,423	3,440,026
2027-2031	52,188,840	14,764,927
2032-2036	16,614,160	11,446,754
2037-2041	18,180,000	8,093,250
2042-2046	22,110,000	4,162,750
2047-2051	15,075,000	687,375
	<u>139,832,597</u>	<u>57,765,530</u>
Total governmental activities	<u>\$ 303,537,597</u>	<u>\$ 166,120,535</u>

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

6. LONG-TERM DEBT – CONTINUED

In 2014, Town Madison Cooperative District issued 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. 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 \$51,885,000 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 to a trust fund to be used by the District to service this debt. As of September 30, 2021, the balance of the revenue bonds was \$31,938,450, which was total advances made to date less principal payments made to date.

7. 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	Debt Service Fund	Other Non-Major Governmental Funds	Total Governmental Funds
FUND BALANCES							
Nonspendable:							
Prepaid items	\$ 342,383	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 342,383
Restricted:							
Debt Service	-	-	3,111	-	2,692,482	-	2,695,593
Capital Improvements	-	-	-	17,105,752	-	11,227,372	28,333,124
Other	-	16,376,410	-	-	-	4,064,364	20,440,774
Assigned	-	-	-	-	-	-	-
Unassigned	26,995,087	-	-	-	-	-	26,995,087
Total fund balance (deficit)	<u>\$ 27,337,470</u>	<u>\$ 16,376,410</u>	<u>\$ 3,111</u>	<u>\$ 17,105,752</u>	<u>\$ 2,692,482</u>	<u>\$ 15,291,736</u>	<u>\$ 78,806,961</u>

8. 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. Settled claims from the past three fiscal years have not exceeded commercial insurance coverage.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

9. RELATED PARTY TRANSACTIONS

In 1991, the City and The Water and Wastewater Board, a discretely presented component unit, entered into a franchise agreement for the operation of certain utility systems for the City. The Water and Wastewater Board pays the City, no later than September 1 of each year, 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 \$518,059 from The Water and Wastewater Board for the year ended September 30, 2021, 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 receives 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, 2021, the City received \$525,747 from the North Alabama Gas District.

10. 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 April 14, 2022, which is the date the financial statements were available for issuance.

11. 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.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

12. DEFINED BENEFITS PENSION PLAN

Primary Government

Plan Description

The City participates in the Employees' Retirement System of Alabama, which provides pension benefits, deferred allowance, and death and disability benefits to plan members and beneficiaries.

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide 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 ERS is vested in its Board of Control, which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* 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.

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 the *Code of Alabama 1975, Section 36-27-6*.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

12. DEFINED BENEFITS PENSION PLAN – CONTINUED

Primary Government – 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 ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) 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. 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 (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

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 ERS members are eligible for retirement after age 62 (56 for State Police) 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 (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

12. DEFINED BENEFITS PENSION PLAN – CONTINUED

Primary Government – Continued

Benefits Provided – Continued

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2020, membership consisted of:

Retirees and beneficiaries currently receiving benefits	28,672
Terminated employees entitled to but not yet receiving benefits	1,974
Terminated employees not entitled to a benefit	14,133
Active members	56,369
Post-DROP participants who are still in active service	97
	97
Total	101,245

Employee membership data related to the City of Madison portion of the Plan, as of September 30, 2020, was as follows:

Retired members or their beneficiaries currently receiving benefits	101
Vested inactive members	10
Non-vested inactive members	72
Active members	338
Post-DROP participants who are still in active service	1
	1
Total	522

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

12. DEFINED BENEFITS PENSION PLAN – CONTINUED

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 required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS 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 ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

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 preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2020, 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 9.44% and 7.56%, respectively, of pensionable payroll for Tier 1 and Tier 2 employees.

The City's contractually required contribution rate for the year ended September 30, 2021, was 9.44% of pensionable pay for Tier 1 employees, and 7.56% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2017, 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 City were \$1,412,150 for the year ended September 30, 2021.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

12. DEFINED BENEFITS PENSION PLAN – CONTINUED

Net Pension Liability

The City's net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2019, rolled forward to September 30, 2020, using standard roll-forward techniques as shown in the following table:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a)-(b)
Balances at September 30, 2019	\$ 68,424,671	\$ 55,067,239	\$ 13,357,432
Changes for the year:			
Service cost	1,518,941	-	1,518,941
Interest	5,161,036	-	5,161,036
Change in benefit terms	1,021,881	-	1,021,881
Differences between expected and actual experience	518,558	-	518,558
Contributions - employer	-	1,412,150	(1,412,150)
Contributions - employee	-	1,171,540	(1,171,540)
Net investment income	-	3,124,078	(3,124,078)
Benefit payments, including refunds of employee contributions	(2,796,456)	(2,796,456)	-
Administrative expense	-	-	-
Transfers among employers	(578,943)	(578,943)	-
Net changes	4,845,017	2,332,369	2,512,648
Balances at September 30, 2020	\$ 73,269,688	\$ 57,399,608	\$ 15,870,080

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

12. DEFINED BENEFITS PENSION PLAN – CONTINUED

Actuarial Assumptions

The total pension liability in the September 30, 2020 actuarial valuation was determined based on the actuarial funding valuation report prepared as of September 30, 2019. The key actuarial assumptions are summarized below:

Inflation	3.00%
Salary increases	3.25% - 5.00%
Investment rate of return*	7.70%

*Net of pension plan investment expense

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of an actuarial experience study for the period of October 1, 2010 – September 30, 2015.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

12. DEFINED BENEFITS PENSION PLAN – CONTINUED

Actuarial Assumptions – Continued

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	17.0%	4.4%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real Estate	10.0%	7.5%
Cash Equivalents	3.0%	1.5%
Total	100.0%	

*Includes assumed rate of inflation of 2.5%

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. 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 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.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

12. DEFINED BENEFITS PENSION PLAN – CONTINUED

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 7.70%, 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 one percentage point lower (6.70%) or one percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
	\$	\$	\$
City's net pension liability	24,799,146	15,870,080	8,336,291

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, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019. The auditors' report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer and in aggregate additional information needed to comply with GASB 68. The additional financial and actuarial information is available at www.rsa-al.gov.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

12. DEFINED BENEFITS PENSION PLAN – CONTINUED

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

For the year ended September 30, 2021, the City recognized pension expense of \$2,769,026. At September 30, 2021, the City 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	\$ 1,071,929	\$ 701,437
Changes of assumption	928,063	-
Net difference between projected and actual earnings on pension plan investments	1,786,298	-
Employer contributions subsequent to the measurement date	1,485,911	-
Total	\$ 5,272,201	\$ 701,437

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:	
2022	\$ 622,732
2023	1,061,801
2024	917,128
2025	295,962
2026	170,500
Thereafter	16,730
	\$ 3,084,853

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

12. DEFINED BENEFITS PENSION PLAN – CONTINUED

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.

Employees Covered by Benefit Terms

At September, 30, 2021, the following employees were covered by the benefit terms:

Retired members or their beneficiaries	
receiving benefits	23
Non-vested inactive members	17
Active members	<u>50</u>
 Total	 <u><u>90</u></u>

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute. Tier 2 covered members of the ERS contribute 7.25% 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 preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2021, the Board's active employee contribution rate was 8.67% percent of covered employee payroll, and the Board's average contribution rate to fund the normal and accrued liability costs was 8.25% percent of covered employee payroll.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

12. DEFINED BENEFITS PENSION PLAN – CONTINUED

Component Unit – The Water and Wastewater Board – Continued

Net Pension Liability

The Board's net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019, rolled forward to September 30, 2020, using standard roll-forward techniques as shown in the following table:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a)-(b)
Balances at September 30, 2019	\$ 11,056,442	\$ 7,737,286	\$ 3,319,156
Changes for the year:			
Service cost	205,257	-	205,257
Interest	828,011	-	828,011
Changes in benefit terms	105,792	-	105,792
Differences between expected and actual experience	19,380	-	19,380
Contributions - employer	-	253,928	(253,928)
Contributions - employee	-	209,356	(209,356)
Net investment income	-	440,183	(440,183)
Benefit payments, including refunds of employee contributions	(606,095)	(606,095)	-
Administrative expense	-	-	-
Transfers among employers	74,663	74,663	-
Net changes	627,008	372,035	254,973
Balances at September 30, 2020	\$ 11,683,450	\$ 8,109,321	\$ 3,574,129

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

12. DEFINED BENEFITS PENSION PLAN – CONTINUED

Component Unit – The Water and Wastewater Board – Continued

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

The following table presents the Board's net pension liability calculated using the discount rate of 7.70%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.70%) or one percentage point higher (8.70) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Company's net pension liability	\$ 4,893,854	\$ 3,319,156	\$ 2,455,818

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

For the year ended September 30, 2021, the Board recognized pension expense of \$447,963. At September 30, 2021, the Board 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	\$ 125,385	\$ 189,084
Changes of assumption	84,532	-
Net difference between projected and actual earnings on pension plan investments	247,238	-
Employer contributions subsequent to the measurement date	279,262	-
Total	<u>\$ 736,417</u>	<u>\$ 189,084</u>

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

12. DEFINED BENEFITS PENSION PLAN – CONTINUED

Component Unit – Madison City Board of Education

Plan Description

The Teacher's Retirement System of Alabama (TRS) and (the Plan), 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.

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 creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

12. DEFINED BENEFITS PENSION PLAN – CONTINUED

Component Unit – Madison City Board of Education – Continued

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, 2021, was 12.36% of annual pay for Tier 1 members and 11.22% 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 were \$8,206,928 for the year ended September 30, 2021.

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

At September 30, 2021, the System reported a liability of \$113,787,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019. 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, 2020, the System's proportion was 0.919887%, which was an increase of 0.024156% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the System recognized pension expense of \$14,987,000. At September 30, 2021, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

12. DEFINED BENEFITS PENSION PLAN – CONTINUED

Component Unit – Madison City Board of Education – Continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 5,631,000	\$ 1,973,000
Changes of assumption	1,183,000	-
Net difference between projected and actual earnings on pension plan investments	8,451,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,839,000	-
Employer contributions subsequent to the measurement date	8,206,829	-
Total	\$ 32,310,829	\$ 1,973,000

\$8,206,829 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2023	6,912,000
2024	6,823,000
2025	2,828,000
2026	-
Thereafter	-
	\$ 22,131,000

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

12. DEFINED BENEFITS PENSION PLAN – CONTINUED

Component Unit – Madison City Board of Education – Continued

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return*	7.70%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2019, 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, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females age 78 and older.

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	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stock	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
	<hr/>	
Total	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.50%

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

12. DEFINED BENEFITS PENSION PLAN – CONTINUED

Component Unit – Madison City Board of Education – Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.70%. 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 7.70%, 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 one percentage point lower (6.70%) or one percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Plan's net pension liability	\$ 151,815,000	\$ 113,787,000	\$ 81,610,000

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, 2020. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2020. The auditors’ report 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, 2020, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

13. OTHER POST-EMPLOYMENT BENEFITS

Primary Government

Plan Description

The City's OPEB is a single-employer defined benefit health care 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 retirement eligibility requirements are described in detail in preceding footnote. 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 of creditable service with the City, or 25 years of service with the City, regardless of age, the retiree pays 100% of the premium cost. The City allows the retiree to participate in the City's group plan until the retiree becomes eligible for Medicare. The City pays 50% of the premium cost for an employee who retires at age 60 with 25 years of creditable service with the City. The post-employment 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.

Plan Membership as of September 30, 2019:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive members entitled to but not yet receiving benefits	-
Active employees	339
Total membership	<u>343</u>

Benefits Provided

The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the City are eligible to receive post-employment health care benefits.

Contributions

Retirees participating in the group insurance plans offered by the City are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums.

Total OPEB Liability

At September 30, 2021, the City reported a total OPEB liability of \$504,871. The OPEB liability was measured as of September 30, 2020, and was determined by an actuarial valuation as of September 30, 2020, using a discount rate of 2.21%.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

13. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Primary Government – Continued

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions:

Inflation	2.75%
Real wage growth	0.25%
Wage inflation	3.00%
Salary increases, including wage inflation	3.25% - 5.00%
Municipal bond index rate	
Prior measurement date	2.66%
Measurement date	2.21%
Health care cost trends	
Pre-Medicare Medical and Prescription Drug	7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030
Medicare Medical and Prescription Drug	5.25% for 2020 decreasing to an ultimate rate of 4.50% by 2024

The discount rate used to measure the Total OPEB Liability (TOL) was based on the Municipal Bond Index Rate equal to the 20-Bond average General Obligation 20-year Municipal Bond Rate published at the end of the last week during the month of September by The Bond Buyer, and the discount rate used to measure the TOL is the Municipal Bond Index Rate as of the measurement date.

Mortality rates for active employees were based on the sex distinct RP-2000 Combined Mortality Table projected with Scale BB to 2020 with an adjustment factor of 70% for males and 50% for females. Post-retirement mortality rates on the sex distinct RP-2000 Blue Collar Mortality Table projected with Scale BB to 2020. An adjustment of 125% at all ages for males and 120% for females beginning at age 78 was made for service retirements and beneficiaries. An adjustment of 130% for females at all ages was made for disability retirements.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2020 valuation were based on the results of an actuarial experience study for the period October 1, 2010 – September 30, 2015, and were submitted to and adopted by the Board of the Employees' Retirement System of Alabama on September 29, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rate of plan election, etc.) used in the September 30, 2020 valuation were based on a review of recent plan experience done concurrently with the September 30, 2020 valuation.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

13. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Primary Government – Continued

Actuarial Assumptions – Continued

Change in total OPEB liability:

Total OPEB Liability as of September 30, 2019	\$	456,629
Changes for the year:		
Service cost at the end of the year*		28,534
Interest on TOL and cash flows		11,920
Change in benefit terms		(37,818)
Difference between expected and actual experience		20,906
Changes of assumptions or other inputs		41,858
Benefit payments		(17,158)
Other		-
		-
Net changes		48,242
Total OPEB Liability as of September 30, 2020	\$	504,871

* The service cost includes interest for the year.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

13. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Primary Government – Continued

Sensitivity of the TOL to changes in the health care cost trend rates:

	Health Care Cost Trend Rate Sensitivity		
	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 452,148	\$ 504,871	\$ 567,300

Sensitivity of the TOL to changes in the discount rate:

	Discount Rate Sensitivity		
	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 548,210	\$ 504,871	\$ 465,075

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2021, the City will recognize OPEB income of \$86,251. On September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,583	\$ 488,597
Changes of assumptions or other inputs	83,372	89,933
Total	\$ 101,955	\$ 578,530

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

Year ended September 30	
2020	\$ (88,887)
2021	(88,887)
2022	(88,887)
2023	(88,887)
2024	(78,959)
Thereafter	(42,068)
	\$ (476,575)

13. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Component Unit – Madison City Board of Education

The Alabama Retired Education Employees' Health Care Trust (the Trust), a cost-sharing multiple-employer defined benefit post-employment health care plan that administers health care benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (Board) to create an irrevocable trust to fund post-employment health care benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Plan (PEEHIP). In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Comprehensive Annual Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the Code of Alabama 1975, Title 16, Chapter 25A (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14, and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees, and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the Board. The Board is a corporate body for purposes of management of the health insurance plan. The Code of Alabama 1975, Section 16-25A-4 provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

Benefits Provided

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

13. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Component Unit – Madison City Board of Education – Continued

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eye glasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP. The plan is fully insured and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Contributions

The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the Board with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the Board is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

13. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Component Unit – Madison City Board of Education – Continued

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% percent for each year of service over 25 subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2021, the Board reported a liability of \$62,411,628 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The Board proportion of the net OPEB liability was based on a projection of the Board long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2020, the Board's proportion was 0.961679%, which was an decrease of 0.049052% from its proportion measured as of September 30, 2019.

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

13. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the System recognized OPEB revenue of \$161,573, with no special funding situations. At September 30, 2021, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,582,715	\$ 22,438,475
Changes in assumptions	21,799,893	11,589,269
Net difference between projected and actual earnings on OPEB plan investments	-	2,632
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,503,695	3,980,122
Employer contributions subsequent to the measurement date	1,702,990	-
Total	\$ 32,589,293	\$ 38,010,498

\$1,702,990 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30	
2022	\$ (3,381,410)
2023	(3,286,337)
2024	(1,921,515)
2025	(2,516,421)
2026	2,211,806
Thereafter	1,769,682
	\$ (7,124,195)

CITY OF MADISON, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020

13. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – Continued

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increases*	3.25%-5.00%
Long-term investment rate of return**	7.25%
Municipal bond index rate at the measurement date	2.25%
Municipal bond index rate at the prior measurement date	3.00%
Projected year for fiduciary net position (FNP) to be depleted	2040
Single equivalent interest rate at the measurement date	3.05%
Single Equivalent interest rate at the prior measurement date	5.50%
Healthcare cost trend rate	
Pre-Medicare eligible	7%
Medicare eligible	***
Ultimate trend rate	
Pre-Medicare eligible	4.75% in 2027
Medicare eligible	4.75% in 2024

*Includes 3.00% wage inflation

**compounded annually, net of investment expense, and includes inflation

***Initial Medicare claims are based on scheduled increases through plan year 2022

Mortality rates for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2019 valuation.

CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

13. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – Continued

Actuarial Assumptions – Continued

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers’ Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be 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 then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Fixed Income	30.0%	4.4%
U.S. Large Stocks	38.0%	8.0%
U.S. Mid Stocks	8.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stock	15.0%	9.5%
Cash	5.0%	1.5%
Total	<u>100.0%</u>	

* Geometric mean, includes 2.5% inflation

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

13. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability at September 30, 2020, was 3.05%. The discount rate used to measure the total OPEB liability at the prior measurement date was 5.50%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 14.802% of the employer contributions were used to assist in funding retiree benefit payments in 2020 and it is assumed that the amount will increase by 1.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2118. The long-term rate of return is used until the assets are expected to be depleted in 2040, after which the municipal bond rate is used.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the health care cost trend rates.

The following table presents the Board's proportionate share of the net OPEB liability of the Trust calculated using the current health care trend rate, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	Health Care Cost Trend Rate Sensitivity		
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 49,336,595	\$ 62,411,628	\$ 79,490,878

The following table presents the Board's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 3.05%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	Discount Rate Sensitivity		
	<u>1% Decrease</u> <u>(2.05%)</u>	<u>Current Rate</u> <u>(3.05%)</u>	<u>1% Increase</u> <u>(4.05%)</u>
Total OPEB Liability	\$ 76,551,100	\$ 62,411,628	\$ 51,181,825

**CITY OF MADISON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

13. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2020. Additional financial and actuarial information is available at www.rsa-al.gov.

14. TAX ABATEMENTS

At times the City may negotiate with developers or retailers to abate portions of sales taxes for a variety of economic development purposes, including business relocation, retention, and expansion. The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not subject to any tax abatement agreements entered into by other governmental entities. The City has chosen to disclose information about its significant tax abatement agreements individually. For the year ended September 30, 2021, the City had the following amounts abated:

- A 71% abatement of the 3.5% of sales tax due the City for the grocery store chain to open a store in the City limits. The abatement amounts to \$278,938 for 2021.
- A 57% abatement of the 3.5% of sales tax due the City for the grocery store chain to open a store in the City limits. The abatement amounts to \$381,410 for 2021.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MADISON, ALABAMA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BY ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property and payments in lieu of taxes	\$ 5,737,473	\$ 5,722,473	\$ 6,699,836	\$ 977,363
Sales and use	15,430,000	17,705,000	19,972,303	2,267,303
Franchise	2,415,284	2,417,474	2,695,001	277,527
Alcoholic beverages	1,379,000	1,448,000	1,627,820	179,820
Rental	600,000	610,000	675,466	65,466
Lodging	1,290,000	1,545,000	1,616,308	71,308
Other	174,379	428,128	673,629	245,501
Licenses and permits	5,637,163	5,716,250	6,440,024	723,774
Intergovernmental	239,665	239,665	287,168	47,503
Charges for services	1,664,830	1,667,347	2,112,571	445,224
Fines	800,000	800,000	705,711	(94,289)
Interest income	170,000	105,000	115,044	10,044
Contributions and donations	28,000	93,837	183,929	90,092
Other revenues	700,000	700,027	705,010	4,983
Total revenues	<u>36,265,794</u>	<u>39,198,201</u>	<u>44,509,820</u>	<u>5,311,619</u>
EXPENDITURES				
Current:				
General Services	3,558,305	3,687,305	3,602,027	85,278
Police	8,738,965	8,759,742	7,273,729	1,486,013
Public Works	3,466,955	3,711,455	3,126,360	585,095
City Clerk	444,468	422,090	376,161	45,929
Parks and Recreation	2,802,135	3,002,135	2,435,955	566,180
Fire	6,025,492	6,069,077	6,022,459	46,618
Planning and Economic Development	781,365	781,365	581,050	200,315
Municipal Court	1,454,668	1,454,668	1,143,381	311,287
City Council	278,792	278,792	142,145	136,647
Finance	587,796	602,546	587,484	15,062
Human Resources	6,476,877	6,510,877	5,180,884	1,329,993
Mayor's Office	387,841	387,841	762,161	(374,320)
Revenue	305,032	311,532	281,186	30,346
Engineering	2,448,249	2,485,249	1,486,059	999,190
Senior Center	298,476	302,476	292,030	10,446
Information Technology	734,839	743,803	661,517	82,286
Legal	448,077	474,077	472,354	1,723
Building	1,184,443	1,184,443	914,709	269,734
Debt service				
Principal	300,000	254,000	-	254,000
Interest	-	46,000	-	46,000
Capital Outlay	820,474	1,238,860	1,926,351	(687,491)
Total expenditures	<u>41,543,249</u>	<u>42,708,333</u>	<u>37,268,002</u>	<u>5,440,331</u>
Excess (deficiency) of revenues over expenditures	<u>(5,277,455)</u>	<u>(3,510,132)</u>	<u>7,241,818</u>	<u>10,751,950</u>
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	5,500	5,500	69,207	63,707
Transfers from other funds	2,506,500	1,006,500	980,809	(25,691)
Transfers to other funds	(620,000)	(985,000)	(620,000)	365,000
Total other financing sources (uses), net	<u>1,892,000</u>	<u>27,000</u>	<u>430,016</u>	<u>403,016</u>
NET CHANGE IN FUND BALANCE	<u>(3,385,455)</u>	<u>(3,483,132)</u>	<u>7,671,834</u>	<u>11,154,966</u>
Fund balance (deficit), beginning	<u>19,665,636</u>	<u>19,665,636</u>	<u>19,665,636</u>	<u>-</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ 16,280,181</u>	<u>\$ 16,182,504</u>	<u>\$ 27,337,470</u>	<u>\$ 11,154,966</u>

**CITY OF MADISON, ALABAMA
GENERAL OBLIGATION BOND COLLECTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BY ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property and payments in lieu of taxes	\$ -	\$ -	\$ 4,579,659	\$ 4,579,659
Sales and use	-	-	9,359,059	9,359,059
Interest income	-	-	25,499	25,499
Interest income	-	-	10	10
Total revenues	-	-	13,964,227	13,964,227
EXPENDITURES				
Current:				
General Services	5,501,931	5,501,931	10,180	5,491,751
Total expenditures	5,501,931	5,501,931	10,180	5,491,751
Excess (deficiency) of revenues over expenditures	(5,501,931)	(5,501,931)	13,954,047	8,472,476
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	5,501,931	5,501,931	-	(5,501,931)
Transfers to other funds	-	-	(10,211,278)	(10,211,278)
Total other financing sources (uses), net	5,501,931	5,501,931	(10,211,278)	(15,713,209)
NET CHANGE IN FUND BALANCE	-	-	3,742,769	(7,240,733)
Fund balance, beginning	12,633,641	12,633,641	12,633,641	-
FUND BALANCE, ENDING	\$ 12,633,641	\$ 12,633,641	\$ 16,376,410	\$ (7,240,733)

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability							
Service cost	\$ 1,518,941	\$ 1,505,466	\$ 1,393,569	\$ 1,406,435	\$ 1,322,826	\$ 1,313,993	\$ 1,293,881
Interest	5,161,036	4,835,958	4,655,465	4,368,227	4,083,921	3,830,353	3,588,378
Changes of benefit terms	1,021,881	-	-	-	-	-	-
Differences between expected and actual experience	518,558	738,336	(1,241,002)	77,278	252,221	26,523	-
Changes of assumptions	-	-	355,341	-	2,379,994	-	-
Benefit payments, including refunds of employee contributions	(2,796,456)	(2,532,881)	(2,280,594)	(2,209,797)	(2,104,335)	(1,898,212)	(1,816,933)
Transfers among employers	(578,943)	(193,298)	(22,503)	99,557	(566,687)	-	-
Net change in total pension liability	<u>4,845,017</u>	<u>4,353,581</u>	<u>2,860,276</u>	<u>3,741,700</u>	<u>5,367,940</u>	<u>3,272,657</u>	<u>3,065,326</u>
Total pension liability - beginning	<u>68,424,671</u>	<u>64,071,090</u>	<u>61,210,814</u>	<u>57,469,114</u>	<u>52,101,174</u>	<u>48,828,517</u>	<u>45,763,191</u>
Total pension liability - ending (a)	<u>\$ 73,269,688</u>	<u>\$ 68,424,671</u>	<u>\$ 64,071,090</u>	<u>\$ 61,210,814</u>	<u>\$ 57,469,114</u>	<u>\$ 52,101,174</u>	<u>\$ 48,828,517</u>
Plan fiduciary net position							
Contributions - employer	\$ 1,412,150	\$ 1,429,630	\$ 1,265,229	\$ 1,246,799	\$ 1,231,311	\$ 1,241,889	\$ 1,187,884
Contributions - member	1,171,540	1,053,766	1,048,075	908,271	909,104	842,647	821,163
Net investment income	3,124,078	1,381,660	4,567,719	5,599,086	4,064,241	469,958	4,224,470
Benefit payments, including refunds of employee contributions	(2,796,456)	(2,532,881)	(2,280,594)	(2,209,797)	(2,104,335)	(1,898,212)	(1,816,933)
Transfers among employers	(578,943)	(193,298)	(22,503)	99,557	(566,687)	(6,255)	(11,338)
Net change in plan fiduciary net position	<u>2,332,369</u>	<u>1,138,877</u>	<u>4,577,926</u>	<u>5,643,916</u>	<u>3,533,634</u>	<u>650,027</u>	<u>4,405,246</u>
Plan net position - beginning	<u>55,067,239</u>	<u>53,928,362</u>	<u>49,350,436</u>	<u>43,706,520</u>	<u>40,172,886</u>	<u>39,522,859</u>	<u>35,117,613</u>
Plan net position - ending (b)	<u>\$ 57,399,608</u>	<u>\$ 55,067,239</u>	<u>\$ 53,928,362</u>	<u>\$ 49,350,436</u>	<u>\$ 43,706,520</u>	<u>\$ 40,172,886</u>	<u>\$ 39,522,859</u>
Net pension liability (asset) - ending (a)-(b)	\$ 15,870,080	\$ 13,357,432	\$ 10,142,728	\$ 11,860,378	\$ 13,762,594	\$ 11,928,288	\$ 9,305,658
Plan fiduciary net position as a percentage of the total pension liability	78.34%	80.48%	84.17%	80.62%	76.05%	77.11%	80.94%
Covered-employee payroll	\$ 17,327,258	\$ 16,003,642	\$ 16,130,677	\$ 15,858,229	\$ 15,649,404	\$ 14,894,040	\$ 14,894,040
Net pension liability (asset) as a percentage of covered-employee payroll	91.59%	83.46%	62.88%	74.79%	87.94%	80.09%	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

Measurement period for covered payroll in FY21 is October 1, 2019 through September 30, 2020.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution *	\$ 1,485,911	\$ 1,429,630	\$ 1,265,229	\$ 1,358,904	\$ 1,246,799	\$ 1,325,320	\$ 1,195,974
Contributions in relation to the actuarially determined contribution *	<u>(1,485,911)</u>	<u>(1,429,630)</u>	<u>(1,265,229)</u>	<u>(1,358,904)</u>	<u>(1,246,799)</u>	<u>(1,325,320)</u>	<u>(1,195,974)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll **	\$ 17,327,258	\$ 17,123,931	\$ 16,003,642	\$ 16,130,677	\$ 15,858,229	\$ 15,649,404	\$ 14,894,040
Contribution as percentage of covered employee-payroll	8.58%	8.35%	7.91%	8.42%	7.86%	8.47%	8.03%

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2021 were based on the September 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2020 to September 30, 2021:

<i>Actuarial cost method</i>	<i>Entry age</i>
<i>Amortization method</i>	<i>Level percent closed</i>
<i>Remaining amortization period</i>	<i>21.2 years</i>
<i>Asset valuation method</i>	<i>Five-year smoothed market</i>
<i>Inflation</i>	<i>2.75%</i>
<i>Salary increases</i>	<i>3.25 - 5.00%, including inflation</i>
<i>Investment rate of return</i>	<i>7.70%, net of pension plan investment expense, including inflation</i>

* The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statements.

**Employer's covered payroll for each fiscal year is the total covered payroll for the 12 month period of the underlying financial statements.

NOTE: 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 for which information is available.

CITY OF MADISON, ALABAMA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30

	Measurement Period Ending			
	2020	2019	2018	2017
Total OPEB Liability				
Service cost at end of year	\$ 28,534	\$ 19,814	\$ 46,972	\$ 51,958
Interest	11,920	15,200	38,703	32,188
Changes of benefit terms	(37,818)	-	-	-
Difference between expected and actual experience	20,906	(1,726)	(723,244)	(19,795)
Changes of assumptions or other inputs	41,858	59,703	(82,918)	(69,574)
Benefit payments	(17,158)	-	-	(18,279)
Net change in Total OPEB Liability	48,242	92,991	(720,487)	(23,502)
Total OPEB Liability - beginning	456,629	363,638	1,084,125	1,107,627
Total OPEB Liability - ending	<u>\$ 504,871</u>	<u>\$ 456,629</u>	<u>\$ 363,638</u>	<u>\$ 1,084,125</u>
Covered-employee payroll	\$ 17,376,923	\$ 17,616,531	\$ 17,616,531	\$ 12,984,985
Total OPEB Liability as a percentage of covered-employee payroll	2.91%	2.59%	2.06%	8.35%

This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be added in the future.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

The City does not have a special funding situation.

The reported Covered Employee Payroll during the measurement period is the payroll upon which contributions were based.

Changes of assumptions and other inputs reflect a change in the discount rate from 4.18% to 2.66% due to a change in the municipal bond rate.

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

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ 205,257	\$ 212,301	\$ 208,625	\$ 203,474	\$ 198,517	\$ 192,834	\$ 196,052
Interest	828,011	809,496	801,934	758,751	737,798	660,435	635,366
Changes of benefit terms	105,792	-	-	-	-	-	-
Differences between expected and actual experience	19,380	(172,889)	(106,708)	159,360	(16,155)	640,212	-
Changes of assumptions	-	-	60,817	-	174,219	-	-
Benefit payments, including refunds of employee contributions	(606,095)	(609,150)	(561,404)	(568,872)	(514,371)	(538,506)	(497,602)
Transfers among employers	74,663	(820)	(213,996)	751	15,103	-	-
Net change in total pension liability	<u>627,008</u>	<u>238,938</u>	<u>189,268</u>	<u>553,464</u>	<u>595,111</u>	<u>954,975</u>	<u>333,816</u>
Total pension liability - beginning	<u>11,056,442</u>	<u>10,817,504</u>	<u>10,628,236</u>	<u>10,074,772</u>	<u>9,479,661</u>	<u>8,524,686</u>	<u>8,190,870</u>
Total pension liability - ending (a)	<u>\$ 11,683,450</u>	<u>\$ 11,056,442</u>	<u>\$ 10,817,504</u>	<u>\$ 10,628,236</u>	<u>\$ 10,074,772</u>	<u>\$ 9,479,661</u>	<u>\$ 8,524,686</u>
Plan fiduciary net position							
Contributions - employer	\$ 253,928	\$ 247,183	\$ 251,130	\$ 238,044	\$ 212,258	\$ 162,502	\$ 140,634
Contributions - member	209,356	197,385	207,367	185,615	187,684	168,654	160,406
Net investment income	440,183	195,774	666,257	843,334	620,041	73,145	680,589
Benefit payments, including refunds of employee contributions	(606,095)	(609,150)	(561,404)	(568,872)	(514,371)	(538,506)	(497,602)
Transfers among employers	74,663	(820)	(213,996)	751	15,103	6,216	22,826
Net change in plan fiduciary net position	<u>372,035</u>	<u>30,372</u>	<u>349,354</u>	<u>698,872</u>	<u>520,715</u>	<u>(127,989)</u>	<u>506,853</u>
Plan net position - beginning	<u>7,737,286</u>	<u>7,706,914</u>	<u>7,357,560</u>	<u>6,658,688</u>	<u>6,137,973</u>	<u>6,265,962</u>	<u>5,759,109</u>
Plan net position - ending (b)	<u>\$ 8,109,321</u>	<u>\$ 7,737,286</u>	<u>\$ 7,706,914</u>	<u>\$ 7,357,560</u>	<u>\$ 6,658,688</u>	<u>\$ 6,137,973</u>	<u>\$ 265,962</u>
Net pension liability (asset) - ending (a)-(b)	\$ 3,574,129	\$ 3,319,156	\$ 3,110,590	\$ 3,270,676	\$ 3,416,084	\$ 3,341,688	\$ 2,258,724
Plan fiduciary net position as a percentage of the total pension liability	69.41%	69.98%	71.24%	69.23%	66.09%	64.75%	73.50%
Covered-employee payroll	\$ 2,890,089	\$ 2,630,537	\$ 2,630,028	\$ 2,599,836	\$ 2,500,548	\$ 2,316,239	\$ 2,220,870
Net pension liability (asset) as a percentage of covered-employee payroll	123.67%	126.18%	118.27%	125.80%	136.61%	144.27%	101.70%

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**

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 253,928	\$ 247,183	\$ 251,130	\$ 238,044	\$ 212,258	\$ 162,502	\$ 140,634
Contributions in relation to the actuarially determined contribution	<u>(253,928)</u>	<u>(247,183)</u>	<u>(251,130)</u>	<u>(238,044)</u>	<u>(212,258)</u>	<u>(162,502)</u>	<u>(140,634)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,890,089	\$ 2,630,537	\$ 2,630,028	\$ 2,599,836	\$ 2,500,548	\$ 2,316,239	\$ 2,220,870
Contribution as percentage of covered payroll	8.79%	9.40%	9.55%	9.15%	8.48%	7.01%	6.33%

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, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 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>25.9 years</i>
<i>Asset valuation method</i>	<i>Five-year smoothed market</i>
<i>Inflation</i>	<i>2.75%</i>
<i>Salary increases</i>	<i>3.25 - 5.00%, including inflation</i>
<i>Investment rate of return</i>	<i>7.70%, 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**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
System's proportion of the collective net pension liability	0.919887%	0.895731%	0.803231%	0.788579%	0.773230%	0.750150%	0.726877%
System's proportionate share of the net pension liability	\$ 113,787,000	\$ 99,040,000	\$ 79,862,000	\$ 77,505,000	\$ 84,153,000	\$ 78,508,000	\$ 66,034,000
System's covered-employee payroll	\$ 65,696,023	\$ 58,921,284	\$ 53,919,820	\$ 52,331,783	\$ 49,443,833	\$ 47,523,599	\$ 46,123,000
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.74%	59.49%	67.52%	67.52%	58.75%	60.53%	69.85%
Plan fiduciary net position as a percentage of the total pension liability	67.72%	69.85%	72.29%	71.50%	67.93%	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**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 8,206,928	\$ 7,923,798	\$ 7,134,717	\$ 6,450,833	\$ 6,172,727	\$ 5,828,327	\$ 5,529,834
Contributions in relation to the contractually required contribution	<u>(8,206,928)</u>	<u>(7,923,798)</u>	<u>(7,134,717)</u>	<u>(6,450,833)</u>	<u>(6,172,727)</u>	<u>(5,828,327)</u>	<u>(5,529,834)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
System's covered-employee payroll	\$ 68,800,349	\$ 65,696,023	\$ 58,921,284	\$ 53,919,820	\$ 52,331,783	\$ 49,443,833	\$ 47,523,599
Contributions as a percentage of covered-employee payroll	11.93%	12.06%	12.11%	11.96%	11.80%	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

**CITY OF MADISON, ALABAMA
MADISON CITY BOARD OF EDUCATION
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
FISCAL YEARS ENDING SEPTEMBER 30**

Schedule of Health Care Trust Contributions

<u>Alabama Retired Education Employees' Health Care Trust</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 1,702,990	\$ 1,932,292	\$ 2,840,033	\$ 2,236,782
Contributions in relation to the contractually required contributions	<u>(1,702,990)</u>	<u>(1,932,292)</u>	<u>(2,840,033)</u>	<u>(2,236,782)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
System's covered-employee payroll	68,800,349	64,361,291	57,913,913	52,926,183
Contributions as a percentage of covered-employee payroll	2.48%	3.00%	4.90%	4.23%

Schedule of Proportionate Share of the Net OPEB Liability

<u>Alabama Retired Education Employees' Health Care Trust</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer's proportion of the Net OPEB liability	0.961679%	1.010731%	0.903016%	0.872196%
Employer's proportionate share of the net OPEB liability	\$ 62,411,628	\$ 38,132,534	\$ 74,216,414	\$ 64,781,737
Employer's covered-employee payroll	\$ 65,696,023	\$ 57,913,913	\$ 52,926,183	\$ 51,487,439
Employer's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	95.00%	151.88%	71.31%	49.48%
Plan fiduciary net position as a percentage of the total OPEB liability	19.80%	28.14%	14.81%	15.37%

SUPPLEMENTARY INFORMATION

**CITY OF MADISON, ALABAMA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2021**

	Gasoline Taxes and Inspection Fees Fund	TVA Tax Distribution Fund	Library Fund	Correctional Fund	Municipal Government Capital Improvement Fund	Federal Forfeiture Fund	Street Repairs and Maintenance Fund	Storm Water Users Fee Fund	Capital Replacement Fund	Infrastructure Repair Fund	Multi Use Venue Collection Fund	Town Madison Incentive Fund	Multi Use Venue Maintenance Fund	Total Nonmajor Governmental Special Rev. Funds
ASSETS														
Cash and cash equivalents	\$ 2,782,602	\$ 495	\$ 53,397	\$ 549,639	\$ 6,103,100	\$ 4,223	\$ 58,249	\$ 237,923	\$ 345,022	\$ 2,309,545	\$ 1,335,052	\$ 450,651	\$ 707,355	\$ 14,937,253
Receivables, (net of allowances):														
Taxes	-	-	253,210	-	-	-	-	-	210,176	210,173	-	-	-	673,559
Accounts	153,730	10,719	-	-	1,022	-	-	-	-	-	-	-	-	165,471
Due from other funds	19,469	-	-	18,675	-	-	-	-	5,927	-	-	-	-	44,071
Total assets	\$ 2,955,801	\$ 11,214	\$ 306,607	\$ 568,314	\$ 6,104,122	\$ 4,223	\$ 58,249	\$ 237,923	\$ 561,125	\$ 2,519,718	\$ 1,335,052	\$ 450,651	\$ 707,355	\$ 15,820,354
LIABILITIES														
Accounts payable	\$ 26,290	\$ 6,967	\$ 10,439	\$ -	\$ -	\$ -	\$ 329	\$ 30,224	\$ -	\$ -	\$ -	\$ 450,618	\$ -	\$ 524,867
Due to other funds	-	3,751	-	-	-	-	-	-	-	-	-	-	-	3,751
Total liabilities	26,290	10,718	10,439	-	-	-	329	30,224	-	-	-	450,618	-	528,618
FUND BALANCES														
Restricted:														
Capital improvements	-	-	-	-	6,104,122	-	-	-	561,125	2,519,718	1,335,052	-	707,355	11,227,372
Other	2,929,511	496	296,168	568,314	-	4,223	57,920	207,699	-	-	-	33	-	4,064,364
Total fund balance	2,929,511	496	296,168	568,314	6,104,122	4,223	57,920	207,699	561,125	2,519,718	1,335,052	33	707,355	15,291,736
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,955,801	\$ 11,214	\$ 306,607	\$ 568,314	\$ 6,104,122	\$ 4,223	\$ 58,249	\$ 237,923	\$ 561,125	\$ 2,519,718	\$ 1,335,052	\$ 450,651	\$ 707,355	\$ 15,820,354

**CITY OF MADISON, ALABAMA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Gasoline Taxes and Inspection Fees Fund	TVA Tax Distribution Fund	Library Fund	Correctional Fund	Municipal Government Capital Improvement Fund	Federal Forfeiture Fund	Street Repairs and Maintenance Fund	Storm Water Users Fee Fund	Capital Replacement Fund	Infrastructure Repair Fund	Multi Use Venue Collection Fund	Town Madison Incentive Fund	Multi Use Venue Maintenance Fund	Total Nonmajor Governmental Special Rev. Funds
REVENUES														
Taxes:														
Property and payments in lieu of taxes	\$ -	\$ -	\$ 465,643	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 465,643
Sales and use	-	-	-	-	-	-	-	326,396	1,241,279	1,241,280	244,847	-	-	3,053,802
Gas	566,167	-	-	-	-	-	-	-	-	-	-	-	-	566,167
Alcoholic beverages	-	-	-	-	-	-	-	-	-	-	28,135	-	-	28,135
Lodging	-	-	-	-	-	-	-	-	-	-	865,192	-	-	865,192
Licenses and permits	-	-	-	-	-	-	-	-	-	-	705,019	-	-	705,019
Intergovernmental	1,104,340	58,461	-	-	-	-	-	-	-	-	-	-	-	1,162,801
Fines	-	-	-	201,710	-	-	-	-	-	-	-	-	-	201,710
Contributions and donations	-	-	-	-	-	-	-	-	-	-	-	-	106,487	106,487
Other revenues	26,850	-	-	-	437,211	-	50,000	-	-	-	-	-	-	514,061
Interest income	5,877	9	1,046	1,280	18,270	-	185	775	842	4,450	1,171	33	573	34,511
Total revenues	1,703,234	58,470	466,689	202,990	455,481	-	50,185	327,171	1,242,121	1,245,730	1,844,364	33	107,060	7,703,528
EXPENDITURES														
Current:														
General Services	-	38,000	1,004,980	-	-	-	-	-	-	-	-	-	-	1,042,980
Public Works	1,119,088	-	-	-	-	-	55,467	276,892	-	-	-	-	-	1,451,447
Engineering	-	-	-	-	-	-	-	-	-	193,924	-	-	-	193,924
Capital Outlay	-	-	-	-	-	-	-	-	1,202,110	-	-	-	-	1,202,110
Total expenditures	1,119,088	38,000	1,004,980	-	-	-	55,467	276,892	1,202,110	193,924	-	-	-	3,890,461
Excess (deficiency) of revenues over expenditures	584,146	20,470	(538,291)	202,990	455,481	-	(5,282)	50,279	40,011	1,051,806	1,844,364	33	107,060	3,813,067
OTHER FINANCING SOURCES (USES)														
Transfers from other funds	150,000	-	620,000	-	-	-	-	-	-	-	2,300,000	-	500,000	3,570,000
Transfers to other funds	-	(20,461)	-	(175,347)	(285,000)	-	-	-	-	-	(3,263,943)	-	-	(3,744,751)
Total other financing sources (uses), net	150,000	(20,461)	620,000	(175,347)	(285,000)	-	-	-	-	-	(963,943)	-	500,000	(174,751)
NET CHANGE IN FUND BALANCE	734,146	9	81,709	27,643	170,481	-	(5,282)	50,279	40,011	1,051,806	880,421	33	607,060	3,638,316
Fund balance, beginning	2,195,365	487	214,459	540,671	5,933,641	4,223	63,202	157,420	521,114	1,467,912	454,631	-	100,295	11,653,420
FUND BALANCE, ENDING	\$ 2,929,511	\$ 496	\$ 296,168	\$ 568,314	\$ 6,104,122	\$ 4,223	\$ 57,920	\$ 207,699	\$ 561,125	\$ 2,519,718	\$ 1,335,052	\$ 33	\$ 707,355	\$ 15,291,736

**CITY OF MADISON, ALABAMA
DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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.

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.

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.

Storm Water Users Fee Fund – This fund is used to account for revenues and expenditures for the City storm water system.

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

Multi Use Venue Bond Collection Fund – This fund is used to account for revenues earmarked for payment on the Multi Use Venue (baseball stadium) and make the related debt payment.

Multi Use Venue Maintenance Fund – This fund is used to account for revenues earmarked for payment on the Multi Use Venue (baseball stadium) maintenance activities.

**CITY OF MADISON, ALABAMA
 GASOLINE TAXES AND INSPECTION FEES FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—BUDGET
 AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 80,000	\$ 80,000	\$ 58,461	\$ (21,539)
Interest income	-	-	9	9
Total revenues	<u>80,000</u>	<u>80,000</u>	<u>58,470</u>	<u>(21,530)</u>
EXPENDITURES				
Current:				
General Services	<u>52,000</u>	<u>52,000</u>	<u>38,000</u>	<u>14,000</u>
Total expenditures	<u>52,000</u>	<u>52,000</u>	<u>38,000</u>	<u>14,000</u>
Excess (deficiency) of revenues over expenditures	<u>28,000</u>	<u>28,000</u>	<u>20,470</u>	<u>(7,530)</u>
OTHER FINANCING USES				
Transfers to other funds	<u>(28,000)</u>	<u>(28,000)</u>	<u>(20,461)</u>	<u>7,539</u>
Total other financing uses	<u>(28,000)</u>	<u>(28,000)</u>	<u>(20,461)</u>	<u>7,539</u>
NET CHANGE IN FUND BALANCE	-	-	9	9
Fund balance, beginning	<u>11,262</u>	<u>11,262</u>	<u>487</u>	<u>(10,775)</u>
FUND BALANCE, ENDING	<u><u>\$ 11,262</u></u>	<u><u>\$ 11,262</u></u>	<u><u>\$ 496</u></u>	<u><u>\$ (10,766)</u></u>

**CITY OF MADISON, ALABAMA
TVA TAX DISTRIBUTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—BUDGET
AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 80,000	\$ 80,000	\$ 58,461	\$ (21,539)
Interest income	-	-	9	9
Total revenues	<u>80,000</u>	<u>80,000</u>	<u>58,470</u>	<u>(21,530)</u>
EXPENDITURES				
Current:				
General Services	<u>52,000</u>	<u>52,000</u>	<u>38,000</u>	<u>14,000</u>
Total expenditures	<u>52,000</u>	<u>52,000</u>	<u>38,000</u>	<u>14,000</u>
Excess (deficiency) of revenues over expenditures	<u>28,000</u>	<u>28,000</u>	<u>20,470</u>	<u>(7,530)</u>
OTHER FINANCING USES				
Transfers to other funds	<u>(28,000)</u>	<u>(28,000)</u>	<u>(20,461)</u>	<u>7,539</u>
Total other financing uses	<u>(28,000)</u>	<u>(28,000)</u>	<u>(20,461)</u>	<u>7,539</u>
NET CHANGE IN FUND BALANCE	-	-	9	9
Fund balance, beginning	<u>11,262</u>	<u>11,262</u>	<u>487</u>	<u>(10,775)</u>
FUND BALANCE, ENDING	<u>\$ 11,262</u>	<u>\$ 11,262</u>	<u>\$ 496</u>	<u>\$ (10,766)</u>

**CITY OF MADISON, ALABAMA
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—BUDGET
AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property and payment in lieu of taxes	\$ 331,072	\$ 331,072	\$ 465,643	\$ 134,571
Interest income	-	-	1,046	1,046
Total revenues	<u>331,072</u>	<u>331,072</u>	<u>466,689</u>	<u>135,617</u>
EXPENDITURES				
Current:				
General Services	713,430	413,430	1,004,980	(591,550)
Total expenditures	<u>713,430</u>	<u>413,430</u>	<u>1,004,980</u>	<u>(591,550)</u>
Excess (deficiency) of revenues over expenditures	<u>(382,358)</u>	<u>(82,358)</u>	<u>(538,291)</u>	<u>(455,933)</u>
OTHER FINANCING SOURCES				
Transfers from other funds	400,000	400,000	620,000	220,000
Total other financing sources	<u>400,000</u>	<u>400,000</u>	<u>620,000</u>	<u>220,000</u>
NET CHANGE IN FUND BALANCE	17,642	317,642	81,709	(235,933)
Fund balance, beginning	<u>1,170</u>	<u>85,958</u>	<u>214,459</u>	<u>128,501</u>
FUND BALANCE, ENDING	<u>\$ 18,812</u>	<u>\$ 403,600</u>	<u>\$ 296,168</u>	<u>\$ (107,432)</u>

**CITY OF MADISON, ALABAMA
CORRECTIONAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—BUDGET
AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fines	\$ 191,400	\$ 191,400	\$ 201,710	\$ 10,310
Interest income	-	-	1,280	1,280
Total revenues	<u>191,400</u>	<u>191,400</u>	<u>202,990</u>	<u>11,590</u>
OTHER FINANCING USES				
Transfers to other funds	<u>(150,000)</u>	<u>(150,000)</u>	<u>(175,347)</u>	<u>(25,347)</u>
Total other financing uses	<u>(150,000)</u>	<u>(150,000)</u>	<u>(175,347)</u>	<u>(25,347)</u>
NET CHANGE IN FUND BALANCE	41,400	41,400	27,643	(13,757)
Fund balance, beginning	<u>377,978</u>	<u>386,700</u>	<u>540,671</u>	<u>153,971</u>
FUND BALANCE, ENDING	<u><u>\$ 419,378</u></u>	<u><u>\$ 428,100</u></u>	<u><u>\$ 568,314</u></u>	<u><u>\$ 140,214</u></u>

**CITY OF MADISON, ALABAMA
MUNICIPAL GOVERNMENT CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—BUDGET
AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other revenue	\$ 365,250	\$ 365,250	\$ 437,211	\$ 71,961
Interest income	-	-	18,270	18,270
Total revenues	365,250	365,250	455,481	90,231
Expenditures				
Current:				
Public Works	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	365,250	365,250	455,481	90,231
OTHER FINANCING USES				
Transfers to other funds	(1,250,000)	(1,250,000)	(285,000)	965,000
Total other financing uses	(1,250,000)	(1,250,000)	(285,000)	965,000
NET CHANGE IN FUND BALANCE	(884,750)	(884,750)	170,481	1,055,231
Fund balance, beginning	1,442,885	1,345,374	5,933,641	4,588,267
FUND BALANCE, ENDING	<u>\$ 558,135</u>	<u>\$ 460,624</u>	<u>\$ 6,104,122</u>	<u>\$ 5,643,498</u>

**CITY OF MADISON, ALABAMA
FEDERAL FORFEITURE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—BUDGET
AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other revenues	\$ 500	\$ 500	\$ -	\$ (500)
Total revenues	500	500	-	(500)
EXPENDITURES				
Current:				
Police	3,000	3,000	-	3,000
Total expenditures	3,000	3,000	-	3,000
Excess (deficiency) of revenues over expenditures	(2,500)	(2,500)	-	2,500
NET CHANGE IN FUND BALANCE	(2,500)	(2,500)	-	2,500
Fund balance (deficit), beginning	(3,700)	(3,096)	4,223	7,319
FUND BALANCE (DEFICIT), ENDING	<u>\$ (6,200)</u>	<u>\$ (5,596)</u>	<u>\$ 4,223</u>	<u>\$ 9,819</u>

**CITY OF MADISON, ALABAMA
STREET REPAIRS AND MAINTENANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE–BUDGET
AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other revenues	\$ -	\$ -	\$ 50,000	\$ 50,000
Interest income	-	-	185	185
Total revenues	<u>-</u>	<u>-</u>	<u>50,185</u>	<u>50,185</u>
EXPENDITURES				
Current:				
Public Works	<u>75,000</u>	<u>125,000</u>	<u>55,467</u>	<u>69,533</u>
Total expenditures	<u>75,000</u>	<u>125,000</u>	<u>55,467</u>	<u>69,533</u>
Excess (deficiency) of revenues over expenditures	<u>(75,000)</u>	<u>(125,000)</u>	<u>(5,282)</u>	<u>119,718</u>
OTHER FINANCING SOURCES				
Transfers from other funds	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Total other financing sources	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
NET CHANGE IN FUND BALANCE	(75,000)	(125,000)	(5,282)	119,718
Fund balance (deficit), beginning	<u>(23,825)</u>	<u>(136,048)</u>	<u>63,202</u>	<u>199,250</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ (98,825)</u>	<u>\$ (261,048)</u>	<u>\$ 57,920</u>	<u>\$ 318,968</u>

**CITY OF MADISON, ALABAMA
 STORM WATER USERS FEE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—BUDGET
 AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Sales and use taxes	\$ 302,000	\$ 302,000	\$ 326,396	\$ 24,396
Interest income	-	-	775	775
Total revenues	<u>302,000</u>	<u>302,000</u>	<u>327,171</u>	<u>25,171</u>
EXPENDITURES				
Current:				
Public Works	<u>302,000</u>	<u>302,000</u>	<u>276,892</u>	<u>25,108</u>
Total expenditures	<u>302,000</u>	<u>302,000</u>	<u>276,892</u>	<u>25,108</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>50,279</u>	<u>50,279</u>
NET CHANGE IN FUND BALANCE	-	-	50,279	50,279
Fund balance, beginning	<u>147,264</u>	<u>147,189</u>	<u>157,420</u>	<u>10,231</u>
FUND BALANCE, ENDING	<u>\$ 147,264</u>	<u>\$ 147,189</u>	<u>\$ 207,699</u>	<u>\$ 60,510</u>

**CITY OF MADISON, ALABAMA
CAPITAL REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—BUDGET
AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Sales and use	\$ 709,375	\$ 709,372	\$ 1,241,279	\$ 531,907
Contributions and donations	350	350	-	(350)
Interest income	-	-	842	842
Total revenues	<u>709,725</u>	<u>709,722</u>	<u>1,242,121</u>	<u>532,399</u>
EXPENDITURES				
Current:				
Capital Outlay	<u>2,133,857</u>	<u>3,049,110</u>	<u>1,202,110</u>	<u>1,847,000</u>
Total expenditures	<u>2,133,857</u>	<u>3,049,110</u>	<u>1,202,110</u>	<u>1,847,000</u>
Excess (deficiency) of revenues over expenditures	<u>(1,424,132)</u>	<u>(2,339,388)</u>	<u>40,011</u>	<u>2,379,399</u>
OTHER FINANCING SOURCES				
Transfers from other funds	<u>1,250,000</u>	<u>2,067,000</u>	<u>-</u>	<u>(2,067,000)</u>
Total other financing sources	<u>1,250,000</u>	<u>2,067,000</u>	<u>-</u>	<u>(2,067,000)</u>
NET CHANGE IN FUND BALANCE	(174,132)	(272,388)	40,011	2,379,399
Fund balance (deficit), beginning	<u>(1,154,747)</u>	<u>(80,102)</u>	<u>521,114</u>	<u>601,216</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ (1,328,879)</u>	<u>\$ (352,490)</u>	<u>\$ 561,125</u>	<u>\$ 913,615</u>

**CITY OF MADISON, ALABAMA
 INFRASTRUCTURE REPAIR FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—BUDGET
 AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Sales and use	\$ 709,375	\$ 709,375	\$ 1,241,280	\$ 531,905
Interest income	350	350	4,450	4,100
Total revenues	<u>709,725</u>	<u>709,725</u>	<u>1,245,730</u>	<u>536,005</u>
EXPENDITURES				
Current:				
Engineering	<u>600,000</u>	<u>600,000</u>	<u>193,924</u>	<u>406,076</u>
Total expenditures	<u>600,000</u>	<u>600,000</u>	<u>193,924</u>	<u>406,076</u>
Excess (deficiency) of revenues over expenditures	<u>109,725</u>	<u>109,725</u>	<u>1,051,806</u>	<u>942,081</u>
NET CHANGE IN FUND BALANCE	109,725	109,725	1,051,806	942,081
Fund balance, beginning	<u>1,064,653</u>	<u>545,677</u>	<u>1,467,912</u>	<u>922,235</u>
FUND BALANCE, ENDING	<u><u>\$ 1,174,378</u></u>	<u><u>\$ 655,402</u></u>	<u><u>\$ 2,519,718</u></u>	<u><u>\$ 1,864,316</u></u>

**CITY OF MADISON, ALABAMA
MULTI USE VENUE COLLECTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—BUDGET
AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Sales and use	\$ -	\$ -	\$ 244,847	\$ 244,847
Alcoholic beverages	-	-	28,135	28,135
Lodging	-	-	865,192	865,192
Licenses and permits	-	-	705,019	705,019
Interest income	-	-	1,171	1,171
Total revenues	-	-	1,844,364	1,844,364
EXPENDITURES				
Current:				
Engineering	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	1,844,364	1,844,364
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	2,300,000	2,300,000
Transfers to other funds	-	-	(3,263,943)	(3,263,943)
Total other financing sources (uses), net	-	-	(963,943)	(963,943)
NET CHANGE IN FUND BALANCE	-	-	880,421	880,421
Fund balance, beginning	925,701	625,701	454,631	(171,070)
FUND BALANCE, ENDING	\$ 925,701	\$ 625,701	\$ 1,335,052	\$ 709,351

**CITY OF MADISON, ALABAMA
SCHOOL BONDS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BY ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
Property and payments in lieu of taxes	\$ -	\$ -	\$ 5,532,159	\$ 5,532,159
Interest income	-	-	60	60
Total revenues	-	-	5,532,219	5,532,219
EXPENDITURES				
Debt service:				
Principal	4,965,000	4,965,000	2,730,000	2,235,000
Interest	5,356,146	5,356,146	2,802,157	2,553,989
Total expenditures	10,321,146	10,321,146	5,532,157	4,788,989
Excess (deficiency) of revenues over expenditures	(10,321,146)	(10,321,146)	62	10,321,208
OTHER FINANCING SOURCES				
Transfers from other funds	10,321,146	10,321,146	-	(10,321,146)
Total other financing sources	10,321,146	10,321,146	-	(10,321,146)
NET CHANGE IN FUND BALANCE	-	-	62	62
Fund balance, beginning	3,049	3,049	3,049	-
FUND BALANCE, ENDING	\$ 3,049	\$ 3,049	\$ 3,111	\$ 62

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

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 14, 2022. Our report includes reference to other auditors who audited the financial statements of The Water and Wastewater Board, and the Madison City Board of Education, which are component units 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) as a basis for designing 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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



Huntsville, Alabama
April 14, 2022

**CITY OF MADISON, ALABAMA
SCHEDULE OF FINDING AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Section I – Financial Statement Findings

None noted

**CITY OF MADISON, ALABAMA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Financial Statement Findings

None