

City of Madison, Alabama



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
SEPTEMBER 30, 2008

100 Hughes Road
Madison, AL 35758
(256) 772-5600
www.madisonal.gov

City of Madison, Alabama

COMPREHENSIVE ANNUAL FINANCIAL REPORT Fiscal Year Ended September 30, 2008

**Prepared by:
City of Madison
Finance Department**

**100 Hughes Road
Madison, Alabama 35758**



**City of Madison, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2008**

Table of Contents

	Page No.
SECTION I - INTRODUCTORY	
Letter of Transmittal	iv
Organizational Chart	xii
List of Elected Officials, Appointed Officials and Department Heads	xiii
 SECTION II – FINANCIAL	
Independent Auditors' Report	3
A. Management's Discussion and Analysis	6
B. Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	18
Statement of Activities	19
Governmental Fund Financial Statements	
Balance Sheet	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	23
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Water Distribution and Storage Project Fund	24
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - School Bond Fund.....	25
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - 2006 Capital Improvement Fund	26
Notes to Financial Statements	27
C. Required Supplementary Information	
Schedule of Funding Progress - Employees' Retirement Systems of Alabama	65
D. Combining and Individual Fund Statements and Schedules	
Nonmajor Funds Governmental Funds	
Combining Balance Sheet	67

**City of Madison, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2008**

Table of Contents - continued

Page No.

D. Combining and Individual Fund Statements and Schedules - continued

Nonmajor Funds Governmental Funds – continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances	68
Description of Nonmajor Governmental Funds - Special Revenue	69
Combining Balance Sheet - Special Revenue Funds	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds.....	71
Schedule of Revenues, Expenditures and Changes in Fund Balance - Special Revenue Funds - Budget and Actual	
Gasoline Taxes and Inspection Fees Fund	72
TVA Tax Distribution Fund	73
Senior Center Donation Fund	74
Library Fund	75
Correctional Fund	76
Municipal Government Capital Improvement Fund	77
Cemetery Fund	78
Domestic Violence Fund	79
Description of Nonmajor Governmental Funds - Debt Service	80
Combining Balance Sheet - Debt Service Funds	81
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Debt Service Funds	82
Schedule of Revenues, Expenditures and Changes in Fund Balance - Debt Service Funds - Budget and Actual	
2005 Bond Fund	83
2006 Bond Fund	84
Description of Nonmajor Governmental Funds - Capital Projects Funds	85
Combining Balance Sheet - Capital Projects Funds	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Capital Projects Funds	87

**City of Madison, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2008**

Table of Contents - continued

Page No.

E. Capital Assets Used in the Operation of Governmental Funds

Schedule by Source	89
Schedule by Function and Activity	90
Schedule of Changes by Function and Activity	91

SECTION III - STATISTICAL

Net Assets by Activities	93
Changes in Net Assets	94
Fund Balances of Governmental Funds	96
Changes in Fund Balances of Governmental Funds	97
Governmental Activities Tax Resources by Source	99
Assessed Value of Taxable Property	100
Principal Property Tax Payers	101
Ratio of Outstanding Debt by Type	102
Ratio of General Bonded Debt Outstanding	103
Legal Debt Margin Information	104
Demographic and Economic Statistics	105
Principal Employers	106
Full-Time Equivalent Employees by Function/Program	107
Capital Assets Statistics by Function/Program	108
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 <i>Government Auditing Standards</i>	109
Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	111
Schedule of Expenditures of Federal Awards	113
Schedule of Findings and Questioned Costs	115



SECTION I - INTRODUCTORY





FINANCE DEPARTMENT CITY OF MADISON, ALABAMA

May 6, 2009

Honorable Mayor
Members of the City Council and
Citizens of the City of Madison, Alabama

The Finance Department is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Madison, Alabama (the City) for the fiscal year ended September 30, 2008.

This report issued to provide the Mayor, City Council, City staff, Citizens of Madison, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City of Madison. Responsibility for both accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with Management of the City of Madison. Management believes that the enclosed data is accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the City, on a Government-wide and Fund basis. All note disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included (see pages 28 through 63).

The Report

The CAFR is presented in three sections:

1. **Introductory Section** - includes this letter of transmittal, a list of City Officials and an organizational chart of the City.
2. **Financial Section** - includes the independent auditor's report on the financial statements and schedules, Management's Discussion and Analysis (MD&A), basic financial statements for the primary government and its separately presented component units, notes, supplementary schedules and other financial schedules. The financial statements contained herein are in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

The City prepared the Comprehensive Annual Financial Report (CAFR) using the financial reporting requirements as prescribed by Governmental Accounting Standards Board's (GASB) Statement No. 34. The MD&A introduces the basic financial statements and provides an analytical overview of the City's financial activities. Readers are advised to read the MD&A in conjunction with this letter of transmittal, which is presented immediately following the independent Auditor's Report.

3. **Statistical Section** - includes financial and demographic information, generally presented on a multi-year basis that is relevant to readers of the financial statements.

Profile of the City

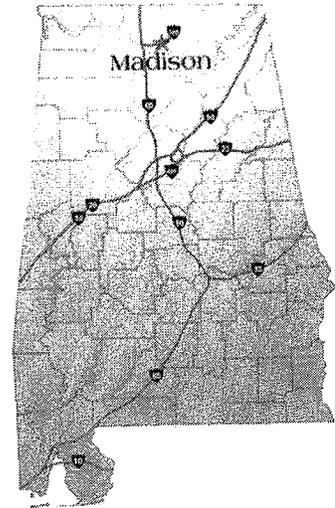
The City incorporated in 1869. Madison is located in the western part of Madison County in the state of Alabama. The City has a land area of 25 square miles and serves a population of approximately 40,900.

The City of Madison is empowered to levy taxes on real and personal property located within its boundaries. The City also has the power to extend its corporate limits by annexation, which is periodically enacted when deemed appropriate by the governing council.

The City operates under the Mayor-Council form of government. The Council consists of seven (7) members. Members of the Council serve on a part-time basis. The Mayor serves on a full-time basis. The Mayor and the City Council members are elected to four-year terms. The Mayor is elected at large and the seven (7) council members are elected from within their respective districts.

The City Council is responsible for adopting ordinances, resolutions, budgets, appointing committees and hiring the City Clerk-Treasurer, Police Chief and Fire Chief. The Mayor is responsible for hiring and managing the heads of city departments, affairs of the City and a staff of approximately 337 employees including twelve (12) department heads. The City's departments include:

- | | |
|------------------------|-----------------|
| General Administration | City Council |
| Police | Finance |
| Public Works | Human Resources |
| City Clerk | Mayor's Office |
| Recreation | Revenue |
| Fire | Engineering |
| Planning and Building | Senior Center |
| Court | Legal |



The City provides a full range of municipal services, which include police and fire protections, municipal court, land use planning, building permits and inspection activities, construction and maintenance of streets, sidewalks and other public facilities. The City also provides services and maintenance for the public library, sanitation trash collection, three cemeteries, parks and recreational facilities, and general administrative services.

Madison City Board of Education provides elementary and secondary educational services within the City. Madison City Board of Education is a component unit of the City and the financial activities of Madison City Board of Education are reported separately within the City's financial statements.

Major Initiatives

Progress Report. The City was successful in meeting many of its goals and objectives throughout fiscal year 2008. There were no cuts in programs or services to the citizens. Individual and departmental successes have improved City services and enhanced growth in our community.

During the year, construction of intersection improvements for Sullivan Street and Palmer Road project completed for \$87,784 for this reporting period.

During the year, construction of a traffic signal at Eastview Drive and Slaughter Road project completed for \$55,000.

During the year, construction of a traffic signal at County Line and Crownridge project completed for \$135,400.

During the year, construction of a traffic signal at Zierdt and Mountain Brook project completed for \$53,500.

During the year, construction of improvements for Balch Road Widening project completed for \$435,839.

During the year, the City expended \$725,265 for projects under construction as of September 30, 2008.

During the year, the City purchased \$427,150 of land for the Gillespie Road Extension Project.

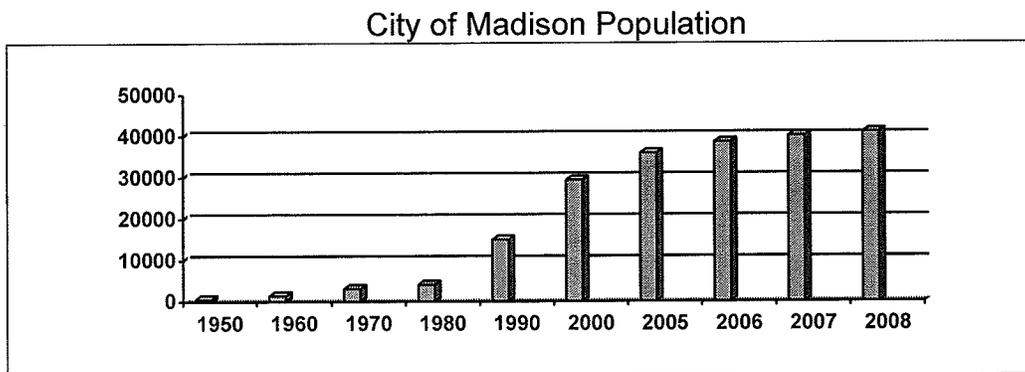
The City made one-time purchases for capital equipment totaling \$2,648,261.

These successes were accomplished with no increase in general taxation.

Factors Affecting Financial Condition

Local Economy and Outlook. The residential and commercial areas continue to grow within the City. The Madison Industrial Development Board actively recruits and promotes the local economy. Management continues to work with both the City of Madison Chamber of Commerce and the Huntsville/Madison County Chamber of Commerce to promote steady growth for Madison. Retail recruitment efforts will continue. New jobs in the commercial and manufacturing markets have contributed to the City's stability and have added to the growing industrial base of the region.

The City's population grew 2.10 percent from 2007 to 2008. The population is estimated at 40,900 for fiscal year 2008. Madison is ranked 10th among Alabama cities.



Although mortgage rates are on the rise, new home sales in Madison were steady in 2008. The City issued 550 permits for new single homes. The high-tech industries, which are located within the corporate limits and within close proximity, provide the residents of Madison with some of the highest salaries in the Southeast. The average household income for 2008 was \$105,000.

A vast majority of the City's residents holds managerial and professional jobs. The unemployment rate was 3.40 percent in 2008. The largest employers in the City are Intergraph Corporation, Madison City School System, Wal-Mart Super Center, Kroger Company and Lowe's Home Improvement Warehouse.

The City will continue to promote the development and redevelopment of Madison Boulevard and Highway 72. These corridors are gateways to the City and are expected to grow with more retail businesses, office buildings, light industrial companies, and restaurants. The City will continue to seek new development and redevelopment opportunities. We expect new business to start here in Madison and succeed and for businesses already here, we expect growth to continue.

Long-term Financing Planning

At September 30, 2008, the City had \$10,558,886 reserved for capital improvement projects. The City's Capital Improvements Program consists of three (3) categories, which are building and facilities, parks and recreation, and infrastructure. The building and facilities projects are for renovations to the municipal complex, expansion of the police department, rebuilding of fire station #1, and expansion of the Senior Center. The parks and recreation projects are for improvements to the greenway trail projects and soccer fields at Dublin Park. The infrastructure improvements include sidewalks, streets, intersections, and drainage. Funding for these projects is provided with bond proceeds and the City's share of the Municipal Government Capital Improvement fund.

The City identified other projects for consideration for the Capital Improvements Program (CIP) but funding sources are not finalized. Once the City finalizes the funding sources, the projects become a part of the City's funded CIP.

Many other sidewalks, streets and intersections improvements will be completed on a pay-as-you-go basis by utilizing the revenues from gasoline taxes, avoiding the issuance of additional debt.

Cash Management Policies and Practices

The fiscal policy of the City provides for the highest investment returns with the maximum security. Investments are in securities or other obligations authorized for municipal investment by Alabama Code 11-81-19 through 21. The policy provides for retaining sufficient cash on hand to meet the daily cash flow demands. The investment policy is very conservative and details specific collateral and safekeeping requirements. Investment earnings for the year for all governmental funds were \$724,089.

Risk Management

The City has included risk management in the Human Resources and the City Clerk Treasurer Departments. These departments administer all insurance programs of the City. The City is a member of Alabama Municipal Insurance Corporation. The City provided protection in the areas of comprehensive general liability, auto liability, law enforcement, and officials' liability coverage. The City paid the premiums based on coverage.

The City is an active participant in the Municipal Workers' Compensation Fund, Inc., (MWCF). MWCF provides medical and indemnity payments to workers injured while performing their duties for the City. The City paid premiums based on the City of Madison's past claims history.

Although insurance is used for risk financing, some loss exposures are retained by the City and were paid for out of the operating budget.

Financial Information

Accounting

The City's accounting records for general governmental operations is maintained on a modified accrual basis, with the revenues recorded when available and measurable, and expenditures recorded when the services or goods received and the liabilities incurred.

In developing and maintaining the City's accounting system, the City considers the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding: (1) safeguarding of assets against loss from unauthorized use or disposition, and (2) reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes: (1) the cost of internal controls should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the framework. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions. Key controls are tested and evaluated periodically by the Finance Department. These efforts are complemented by management support.

The accounting data is compiled to allow for the preparation of the financial statements in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and reporting.

This report includes Management's Discussion and Analysis (MD&A) which introduces the basic financial statements and provides an analytical overview of the City's financial activities. The MD&A can be found on pages 6 through 16.

Budget

Management of the City uses the annual budget as a policy document, financial plan, operational guide and a communication tool. The annual budget contains both the estimated revenues to receive during the year and the proposed expenses to incur to achieve stated objectives.

State law requires that the City Council appropriate the sums necessary for the operations of city departments and for the interest on the City's bonded and other indebtedness, not exceeding in the aggregate within ten percent (10%) of the City's estimated revenue.

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

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

The Mayor's Office and the Finance Department coordinate the budget preparation process. Heads of departments are responsible for preparing and submitting their appropriations requests according to the budget schedule.

The Revenue Department prepares revenue estimates based on historical data and other available information. The objectives of the City are to estimate revenues as accurately as possible to allow use of all available resources and to maintain the required level of reserves.

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

The budget requires continuous monitoring and occasional revisions that reflect changing operational developments. A revision that causes a net change in the overall budget requires approval of the City Council. A revision that redistributes appropriated funding within a department to different line items does not require the approval of the City Council.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget was adopted. For the major funds, (general fund, water distribution and storage fund, school bonds fund and 2006 capital improvement fund) the comparison is presented on pages 23 through 26 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, the comparisons are presented in the governmental fund subsection of this report.

Refer to Note 3 of the basic financial statements for further discussion of the City's budgetary information.

Other Information

The City is required by state law to obtain an annual audit by an independent firm of certified public accountants. The accounting firm of MDA Professional Group, P.C., selected by the Mayor, performed the City's annual audit for the fiscal year ended September 30, 2008.

Awards

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Madison for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2002. This was the third year the City received this prestigious award. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only.

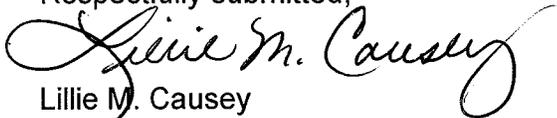
Acknowledgments

The preparation of this comprehensive report was made by the dedicated services of the staff of the Finance Department. Each member of the department has my sincere appreciation for the contributions made in the preparation of this report.

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

Acknowledgment is given to the representatives of MDA Professional Group, P.C., for their invaluable assistance in producing this financial report.

Respectfully submitted,



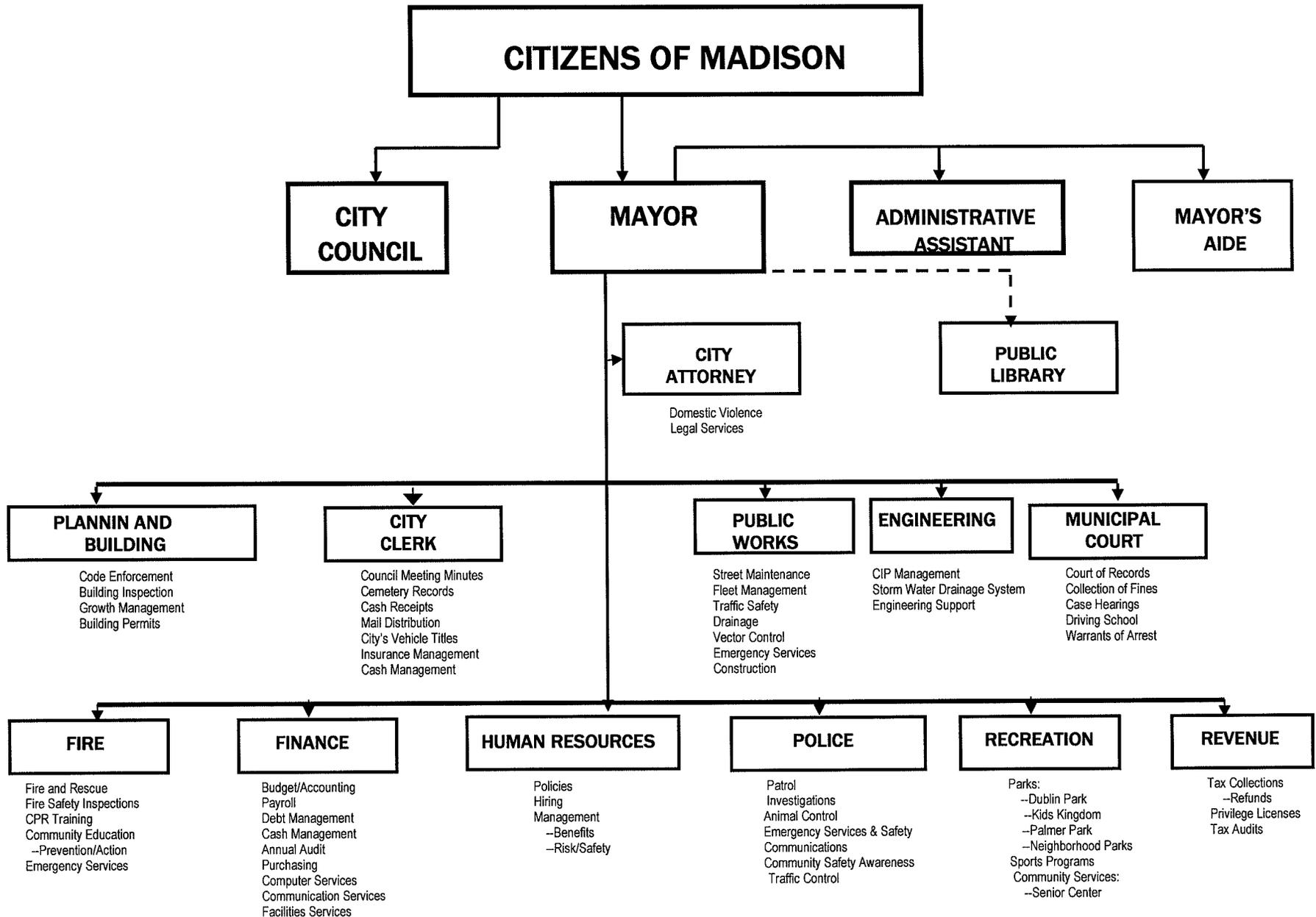
Lillie M. Causey
Director of Finance

CITY OF MADISON, ALABAMA
ORGANIZATIONAL CHART



CITY OF MADISON, ALABAMA

ORGANIZATIONAL CHART





CITY OF MADISON, ALABAMA
List of Elected Officials, Appointed Officials, and Department Heads
September 30, 2008

Elected Officials

Mayor	Arthur S. Kirkindall
Council Member - District One	Cynthia N. McCollum
Council Member - District Two	Steve Haraway
.....	President of Council
Council Member - District Three	Jerry Jennings
Council Member - District Four	Tim Cowles
.....	President Pro Tem
Council Member - District Five	Tommy Overcash
Council Member - District Six	Larry Vannoy
Council Member - District Seven	Bob Wagner

Appointed Officials

Mayor's Aide	Jessica Bradley
--------------------	-----------------

Department Heads

Police Chief.....	Daniel Busken
Public Works Director	Skip Adkins
City Clerk-Treasurer.....	Melanie Williard
Recreation Director	Mike Cassell
Fire Chief	Ralph Cobb
Planning and Building Director.....	Bob Atallo
Court Clerk.....	Rick Honea
Finance Director.....	Lillie Causey
Human Resources Director.....	Terri Towry
Engineering Director	Gary Chynoweth
Revenue Department Director	Cameron Grounds
City Attorney	Anne-Marie Lacy

SECTION II - FINANCIAL



INDEPENDENT AUDITORS' REPORT



MDA PROFESSIONAL GROUP, P.C.

Certified Public Accountants and Business Consultants

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

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Madison
Madison, Alabama

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Madison, Alabama as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Madison, Alabama's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Water and Wastewater Board of the City of Madison and the Madison Board of Education discretely presented component units, which represent 100 percent, respectively of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2008, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and City Council
City of Madison
Page two

In accordance with *Government Auditing Standards*, we have also issued a report dated May 6, 2009 on our consideration of the City of Madison's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Madison, Alabama's basic financial statements. The Combining Fund Statements and Other Supplementary Information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements of the City of Madison, Alabama. The Combining Fund Statements and Other Supplementary Information, and the Schedule of Expenditures or Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory Section and the Statistical Data section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

MDA Professional Group, P.C.

Huntsville, Alabama
May 6, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended September 30, 2008

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 general overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2008. Information in the MD&A is based on currently known facts, decisions and conditions. We encourage readers to consider the information presented here in conjunction with the letter of transmittal, the Basic Financial Statements and the accompanying Notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The City's assets totaled \$179,481,152 at September 30, 2008. This amount represents \$147,302,237 in capital assets, \$3,699,404 in unrestricted cash, \$28,479,511 in temporarily restricted cash and other assets. Total assets increased by \$7,162,776 or 4.16 percent in 2008. Net assets decreased \$3,575,763 or 6.46 percent in 2008.
- The City's liabilities totaled \$127,727,834 at September 30, 2008 consisting of \$123,616,436 in long-term debt and \$4,111,398 in accounts payable and other liabilities. Total liabilities increased \$10,738,539 over the prior year.
- Total assets of the City exceed total liabilities by \$51,753,318 at the close of the fiscal year.
- In the governmental activities, the City generated \$7,232,254 in charges for services and \$12,223,547 in grants and contributions. Expenses for the governmental activities were \$48,815,802 of which \$19,455,801 was funded by charges for services and contributions and the remaining \$29,360,001 was funded by general revenues. The City received \$30,123,755 in general revenues for fiscal year 2008, which consisted of \$7,841,325 in property taxes, \$12,505,291 in sales tax, \$934,719 in motor fuel taxes and \$8,842,420 in other revenues.
- Unreserved fund balance in the General Fund (the primary operating fund) was \$5,858,033 at September 30, 2008, which represents 3.37 percent or \$190,978 increase over the prior year.

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 Basic Financial Statements and Supplementary Information

Management's Discussion and Analysis - continued

are presented to provide information on both the City as a whole (government-wide and fund level). The City's Basic Financial Statements are comprised of three components:

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements and Required Supplementary Information

The Basic Financial Statements present financial information about the City as a whole and information about the City's activities. This report also contains other financial and statistical schedules in addition to the Basic Financial Statements.

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

Component units, which are other governmental units over which the City (the City Council, acting as a group) can exercise influence and/or may be obligated to provide financial subsidy, are presented as a separate column in the government-wide statements. Financial information on the component units is collectively referred to in the financial statements as Discretely Presented Component Units. This discussion and analysis focuses on the primary government. Refer to Note A regarding the availability of separately issued component unit financial statements.

The Statement of Activities presents information showing how the City's net assets changed during the 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.

The government-wide financial statements distinguish functions/programs of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions/programs that are intended to recover all or a significant portion of their costs through user fees or charges (business type activities).

Management's Discussion and Analysis - continued

The governmental activities reflect the City's basic services:

- General Government - includes centralized services such as general administration, city clerk, court clerk, city council, finance, human resources, mayor's office, revenue, information technology, and legal services.
- Public Safety - includes police, fire, planning, engineering and building services.
- Highways and Streets - includes the City's public works administration and support to trash collections, street maintenance and operations, street and local improvements and construction.
- Parks and Recreation - includes the operations and maintenance of city parks, sport programs, services for senior citizens and other recreational events.

The City of Madison has no functions that are classified as business-type activities. The government-wide financial statements can be found on pages 18 and 19 of this report.

2. Fund Financial Statements

A fund is a self-balancing set of accounts that is 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 the following type of 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. Governmental funds statements emphasize available financial resources rather than net income as the government-wide financial statements.

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 governmental 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 maintains twenty-one (20) individual governmental funds. The governmental fund statements present four (4) major funds separately: General Fund, Water Distribution and Storage Fund, School Bonds Fund, and 2006 Capital Improvement Fund. The other seventeen (16) non-major 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, which can be found beginning on page 67 of this report.

Management's Discussion and Analysis - continued

The City of Madison adopted an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 20 through 26 of this report.

3. Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements (the basic financial statements). Information such as significant accounting policies and detail of certain assets and liabilities are included in the notes, which should be read in conjunction with the basic financial statements. The notes to the financial statements can be found on pages 28 through 63 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 65 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This section discusses and analyzes significant changes from the prior year in the government-wide financials.

Analysis of Net Assets

The City's assets exceed total liabilities by \$51,753,318 at September 30, 2008. The largest portion of City's net assets \$135,040,184 reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress), less any related debt used to acquire assets still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets \$15,011,198 or 28.98% represents resources which are subject to external restrictions on how the resources may be used.

Management's Discussion and Analysis - continued

The following is a condensed statement of net assets and analysis of the change in the City's financial position from the prior year.

CITY OF MADISON'S NET ASSETS

	Governmental Activities		
	Septembers 30, 2008	September 30, 2007	Change
Current and other assets	\$ 32,178,915	\$ 32,574,599	\$ (395,684)
Capital assets	147,302,237	139,743,777	7,558,460
Total assets	179,481,152	172,318,376	7,162,776
Long term liability outstanding	123,616,436	112,856,344	10,760,092
Other liabilities	4,111,398	4,132,951	(21,553)
Total liabilities	127,727,834	116,989,295	10,738,539
Net assets:			
Invested in capital assets, net of related debt	135,040,184	127,888,947	7,151,237
Restricted	15,011,198	15,559,292	(548,094)
Unrestricted (deficit)	(98,298,064)	(88,119,158)	(10,178,906)
Total net assets (deficit)	\$ 51,753,318	\$ 55,329,081	\$ (3,575,763)

The City's total net assets decreased \$3,531,596 during the current fiscal year. This decrease reflects the change in accumulated depreciation of depreciable capital assets, which includes buildings, equipment and infrastructure assets and a portion is attributed to the increase in long-term liability.

Management's Discussion and Analysis - continued

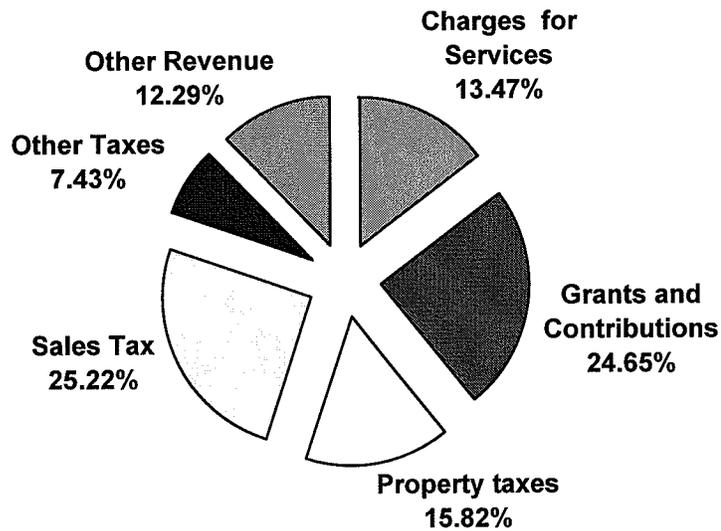
CITY OF MADISON'S CHANGES IN NET ASSETS

	Governmental Activities		
	Septembers 30, 2008	September 30, 2007	Change
Revenues:			
Program revenues:			
Charges for services	\$ 7,232,254	\$ 6,757,180	\$ 475,074
Operating grant and contribution	538,991	798,730	(259,739)
Capital grants and contribution	11,684,556	6,007,246	5,677,310
General revenue:			
Property taxes and payment in lieu of taxes	7,841,325	6,365,870	1,475,455
Other taxes	16,187,225	15,833,460	353,765
Other	6,095,205	19,383,727	(13,288,522)
Total revenues	49,579,556	55,146,213	(5,566,657)
Expenses:			
General Administration	13,864,248	2,243,804	11,620,444
Police	5,777,771	5,076,097	701,674
Public Works	7,542,282	6,512,629	1,029,653
City Clerk	716,232	600,855	115,377
Recreation	2,428,165	2,139,803	288,362
Fire	4,827,449	4,346,954	480,495
Planning and Building	1,044,590	950,345	94,245
Court	1,141,156	977,773	163,383
City Council	136,565	164,042	(27,477)
Finance	975,935	933,230	42,705
Human Resources	3,197,955	2,943,704	254,251
Mayor's Office	240,042	294,973	(54,931)
Revenue	267,950	271,231	(3,281)
Engineering	475,749	370,309	105,440
Senior Center	264,757	247,233	17,524
Legal	353,696	342,431	11,265
Interest on Long-term debt	5,561,260	5,325,401	235,859
Total expenses	48,815,802	33,740,814	15,074,988
Increase in net assets	763,754	21,405,399	(20,641,645)
Prior period adjustment	0	(4,339,517)	4,339,517
Net assets (deficit) beginning of year	50,989,564	33,923,682	17,065,882
Net assets (deficit) end of year	\$51,753,318	\$50,989,564	\$ 763,754

Governmental Activities

Governmental activities increased the City's net assets by \$763,754 with total revenues of \$49,579,556 and total expenses of \$48,815,802. Revenues consisted primarily of \$7,232,254 for charges for services, \$12,223,547 for grants and contributions, \$7,841,325 for property taxes, \$12,505,291 for sales taxes, \$3,681,934 for other taxes, and \$6,095,205 for other revenue.

Revenues by Source - Governmental Activities

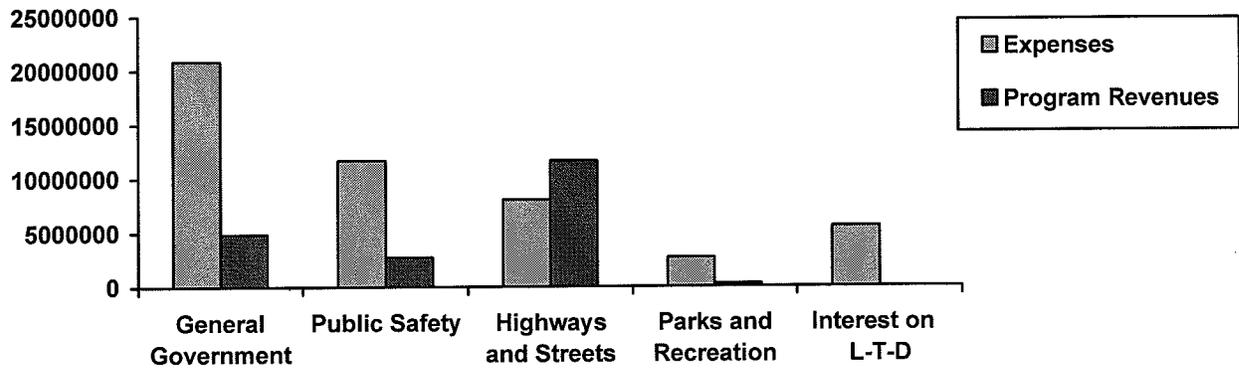


Charges or services increased by \$475,074 over the prior year with growth in privilege licenses, building permits and trade permits. Property taxes increased by \$1,475,455 from the prior year. Other taxes increased by \$353,765 from the prior year.

As discussed earlier, the City's governmental activities are categorized in the following programs: general government, public safety, highways, streets, parks and recreation. All governmental programs utilize general revenue to support their functions. The programs are serviced by various departments and the expenses for the services are allocated to each department.

Management's Discussion and Analysis - continued

Expenses and Program Revenues - Governmental Activities



FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As noted earlier, the City 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.

The combined fund balances of the City's governmental funds were \$21,639,834 at September 30, 2008, a decrease of \$1,215,868 or 5.32 percent from the prior fiscal year. Of the total combined fund balances, \$5,871,327 constitutes unreserved 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 retained. The remainder of the total fund balance, or \$15,768,507 is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders, pay debt service, or has generally been committed for other purposes.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2008, unreserved fund balance of the general fund totaled \$5,858,033. The total fund balance was \$7,109,228. Unreserved fund balance represents 20.54 percent of the total expenditures for the general fund.

Management's Discussion and Analysis - continued

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget are summarized as follows:

- \$186,600 increase for total revenues
- \$342,362 increase for total expenditures

The \$342,362 increase in expenditures is allocated as follows: \$160,000 for gasoline and the remaining \$182,362 to various departments for one-time expenditures. During the year, revenues exceeded budget by \$117,458 and expenditures were under budget by \$2,116,745.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for governmental activities as of September 30, 2008, totaled \$147,302,237 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress.

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

- Acquired land for \$427,150.
- One-time capital (Machinery and Equipment) purchases made for \$2,648,261.
- A variety of improvements to buildings and improvements other than buildings completed for total cost of \$268,612.
- A variety of improvements to streets, intersections and traffic signals completed for a total cost of \$832,731.
- Construction of various improvements to buildings, infrastructure and other improvements began for a total cost of \$759,054.

Management's Discussion and Analysis - continued

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

	Governmental Activities		
	September 30, 2008	September 30, 2007	Change
Land	\$ 24,732,935	\$ 21,479,874	\$3,253,061
Buildings	7,866,003	8,086,016	(220,013)
Building improvements	1,317,002	870,591	446,411
Improvements other than buildings	1,287,357	1,098,583	188,774
Vehicles and equipment	5,148,245	7,832,007	(2,683,762)
Infrastructure	103,882,344	96,062,855	7,819,489
Other	6,917	-0-	6,917
Construction in progress	3,061,434	4,313,851	(1,252,417)
	<u>\$147,302,237</u>	<u>\$139,743,777</u>	<u>\$7,558,460</u>

Additional information on the City's capital assets can be found in Note 4 on pages 44 through 48 of this report.

Long-Term Debt. As of September 30, 2008, the City has \$124,600,455 of long-term debt outstanding. Of this amount, \$122,285,000 is general obligation warrants backed by the full faith and credit of the City and \$2,315,455 comprised of capital lease obligations collateralized by certain vehicles and equipment.

Changes in debt outstanding are as follows:

	Governmental Activities		
	September 30, 2008	September 30, 2007	Change
Capital lease obligations	\$ 2,315,455	\$ 1,514,987	\$ 800,468
General obligation warrants	122,285,000	112,420,000	9,865,000
Less deferred amount for:			
Issuance discounts	(984,019)	(1,078,643)	94,624
	<u>\$123,616,436</u>	<u>\$112,856,344</u>	<u>\$10,760,092</u>

Management's Discussion and Analysis - continued

Long-Term Debt - continued

Other than debt paid from proprietary fund revenue sources (e.g. sewer debt and revenue bonds), the State of Alabama law limits the amount of general obligation debt cities can issue for purposes other than schools and drainage systems to twenty percent of the assessed value of real and personal property. Of the \$122,285,000 outstanding debt, the amount of \$66,720,000 is outstanding general obligation school warrants, which is not chargeable against the allowable debt limit. As of September 30, 2008, the City's allowable debt limit was \$102,190,556. The City complied with its debt limit at \$55,565,000.

Debt Limitation and Ratings

The City's general obligation bond rating by Moody's Investor Services, Inc. is A1 and Standards and Poor's is AA.

Additional information on the City's long-term debt is in Note 4 on pages 51 through 53 of this report.

Additional Information

The Mayor and City Council considered many factors when developing the 2009 annual operating budget including the state of the surrounding local economies. In this manner, the City conservatively approved a General Fund budget anticipating a slow growth, which consists of \$24,826,304 for revenues, \$3,112,569 for other financing sources and \$1,654,080 of beginning resources. Expenses were approved for \$29,283,206 and \$309,747 for other financing uses.

The fund balance of the General Fund is projected to decrease \$1,654,080. Although the fund balance of the General Fund is projected to decrease, the projected fund balance is more than 10 percent of the estimated revenues, which is the requirement of the City's fiscal policy.

Request for Information

This financial report is designed to provide a general overview of the City's finances and to demonstrate accountability for the money it receives from taxpayers, customers, and creditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 100 Hughes Road, City of Madison, Alabama, 35758. The City's telephone number is (256) 772-5600. Updated financial information may be obtained on the City's website at www.madisonal.gov.



BASIC FINANCIAL STATEMENTS



CITY OF MADISON, ALABAMA
STATEMENT OF NET ASSETS
September 30, 2008

	Primary Government	Component Units	
	Governmental Activities	The Water and Wastewater Board	Madison City Board of Education
ASSETS			
Cash and cash equivalents	\$ 3,699,404	\$ 1,032,450	\$ 30,009,619
Investments	-	-	-
Receivables, net			
Tax and tax equivalents	8,530,462	-	-
Other	733,464	814,025	2,301,564
Inventory	-	306,975	95,793
Prepaid expenses	149,990	33,090	-
Other	-	-	-
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	15,872,247	-	-
Grants receivable	636,792	-	-
Other receivable	209,816	-	-
Total current assets	<u>29,832,175</u>	<u>2,186,540</u>	<u>32,406,976</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	618,495	-	-
Other assets	-	23,678,133	-
Bond issue cost, net	1,728,245	-	-
Capital assets not being depreciated	27,794,369	16,125,273	15,268,211
Capital assets net of accumulated depreciation	119,507,868	120,768,745	68,591,550
Total noncurrent assets	<u>149,648,977</u>	<u>160,572,151</u>	<u>83,859,761</u>
Total assets	<u>179,481,152</u>	<u>162,758,691</u>	<u>116,266,737</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	2,470,127	1,384,651	5,913,569
Interest payable	1,631,387	2,682,876	-
Deferred revenue	9,884	-	153,874
Total current liabilities	<u>4,111,398</u>	<u>4,067,527</u>	<u>6,067,443</u>
Noncurrent liabilities:			
Due within one year	3,812,780	196,355	511,060
Due in more than one year	119,803,656	79,352,163	8,874,557
Total long-term liabilities	<u>123,616,436</u>	<u>79,548,518</u>	<u>9,385,617</u>
Total liabilities	<u>127,727,834</u>	<u>83,616,045</u>	<u>15,453,060</u>
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	135,040,184	57,559,546	74,474,144
Restricted for:			
Highways and streets	158,830	-	-
Debt service	618,495	-	-
Capital Improvements	11,510,379	-	35,978
Water Distribution and Storage Project	1,488,149	-	-
Other purposes	1,235,345	19,563,679	-
Unrestricted	<u>(98,298,064)</u>	<u>2,019,421</u>	<u>26,303,555</u>
Total net assets	<u>\$ 51,753,318</u>	<u>\$ 79,142,646</u>	<u>\$ 100,813,677</u>

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

CITY OF MADISON, ALABAMA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Units	
						The Water and Wastewater Board	Madison City Board of Education
Functions/Programs							
Primary government:							
Governmental activities:							
General Administration	\$ 13,864,248	\$ 4,386,155	\$ 79,360	\$ 385,000	\$ (9,013,733)	\$ -	\$ -
Police Protection	5,777,771	1,431,594	108,873	589,049	(3,648,255)	-	-
Public Works	7,542,282	959,913	-	10,674,375	4,092,006	-	-
City Clerk	716,232	-	-	-	(716,232)	-	-
Recreation	2,428,165	211,911	16,835	36,132	(2,163,287)	-	-
Fire	4,827,449	195,696	333,923	-	(4,297,830)	-	-
Planning and Building	1,044,590	46,985	-	-	(997,605)	-	-
Court	1,141,156	-	-	-	(1,141,156)	-	-
City Council	136,565	-	-	-	(136,565)	-	-
Finance	975,935	-	-	-	(975,935)	-	-
Human Resources	3,197,955	-	-	-	(3,197,955)	-	-
Mayor's Office	240,042	-	-	-	(240,042)	-	-
Revenue	267,950	-	-	-	(267,950)	-	-
Engineering	475,749	-	-	-	(475,749)	-	-
Senior Center	264,757	-	-	-	(264,757)	-	-
Legal	353,696	-	-	-	(353,696)	-	-
Interest on long-term debt	5,561,260	-	-	-	(5,561,260)	-	-
Total governmental activities	<u>\$ 48,815,802</u>	<u>\$ 7,232,254</u>	<u>\$ 538,991</u>	<u>\$ 11,684,556</u>	<u>(29,360,001)</u>	<u>-</u>	<u>-</u>
Component units:							
The Water and Wastewater Board	\$ 10,686,103	\$ 10,374,486	\$ -	\$ 4,306,619	-	3,995,002	-
Madison City Board of Education	81,787,331	6,770,315	47,075,548	2,338,692	-	-	(25,602,776)
Total component units	<u>\$ 92,473,434</u>	<u>\$ 17,144,801</u>	<u>\$ 47,075,548</u>	<u>\$ 6,645,311</u>	<u>-</u>	<u>3,995,002</u>	<u>(25,602,776)</u>
General revenues:							
Property taxes and payments in lieu of taxes					7,841,325	-	13,448,425
Sales and use taxes					12,505,291	-	6,728,662
Franchise taxes					221,258	-	-
Motor fuel taxes					934,719	-	-
Alcoholic beverage taxes					839,850	-	-
Rental Taxes					452,728	-	-
Lodging Taxes					968,545	-	-
Other Taxes					264,834	-	102,015
Unrestricted investment earnings					724,089	371,230	768,091
Miscellaneous					5,355,535	-	20,489,195
Gain (loss) on Sale of capital assets					15,581	-	-
Total general revenues					<u>30,123,755</u>	<u>371,230</u>	<u>41,536,388</u>
Change in net assets					763,754	4,366,232	15,933,612
Net assets - beginning of year, restated					<u>50,989,564</u>	<u>74,776,414</u>	<u>84,880,065</u>
Net assets - end of year					<u>\$ 51,753,318</u>	<u>\$ 79,142,646</u>	<u>\$ 100,813,677</u>

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

**CITY OF MADISON, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2008**

	General	Water Distribution and Storage Project Fund	School Bonds Fund	2006 Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 3,703,846	\$ 3,564,787	\$ -	\$ 10,892,919	\$ 1,390,099	\$ 19,551,651
Cash with fiscal agent	-	-	109,949	-	508,546	618,495
Receivables, net						
Tax and tax equivalents	4,939,134	3,308,046	-	-	283,282	8,530,462
Grants	-	-	-	-	3,680	3,680
Other	584,254	-	-	-	131,656	715,910
Prepaid items	149,361	629	-	-	-	149,990
Restricted assets:						
Cash and cash equivalents	20,000	-	-	-	-	20,000
Grants receivable	633,112	-	-	-	-	633,112
Due from other funds	2,600,590	-	-	5,232	540,252	3,146,074
Total Assets	\$ 12,630,297	\$ 6,873,462	\$ 109,949	\$ 10,898,151	\$ 2,857,515	\$ 33,369,374
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 405,258	\$ -	\$ -	\$ 183,327	\$ 229,450	\$ 818,035
Accrued compensation and benefits	620,115	-	-	-	-	620,115
Due to other funds	498,353	2,533,111	-	41,898	72,712	3,146,074
Retainage payable	-	-	-	26,806	-	26,806
Deferred revenue	3,684,884	2,860,200	-	-	260,967	6,806,051
Other liabilities	312,459	-	-	-	-	312,459
Total Liabilities	5,521,069	5,393,311	-	252,031	563,129	11,729,540
Fund balances:						
Reserved for:						
Encumbrances	448,722	-	-	126,055	74,749	649,526
Prepaid expenditures	149,361	-	-	-	-	149,361
Restricted assets	653,112	1,480,151	-	-	1,658,976	3,792,239
Debt Service	-	-	109,949	-	508,546	618,495
Capital projects	-	-	-	10,520,065	38,821	10,558,886
Unreserved, reported in:						
General fund	5,858,033	-	-	-	-	5,858,033
Special revenue funds	-	-	-	-	13,294	13,294
Total fund balances	7,109,228	1,480,151	109,949	10,646,120	2,294,386	21,639,834
Total Liabilities and Fund Balances	\$ 12,630,297	\$ 6,873,462	\$ 109,949	\$ 10,898,151	\$ 2,857,515	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	147,302,237
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	7,023,536
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(124,212,289)
Net assets of governmental activities	\$ 51,753,318

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

CITY OF MADISON, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2008

	General	Water Distribution and Storage Project Fund	School Bonds Fund	2006 Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property and payment in lieu of taxes	\$ 3,914,228	\$ 2,946,396	\$ -	\$ -	\$ 268,074	\$ 7,128,698
Sales and use	9,937,109	2,568,182	-	-	-	12,505,291
Franchise	221,258	-	-	-	-	221,258
Alcoholic beverage	839,850	-	-	-	-	839,850
Rental	452,728	-	-	-	-	452,728
Lodging	968,545	-	-	-	-	968,545
Other	255,534	-	-	-	-	255,534
Licenses and permits	4,386,155	-	-	-	-	4,386,155
Intergovernmental	1,004,716	-	-	-	881,464	1,886,180
Charges for services	1,382,856	-	-	-	46,971	1,429,827
Fines	1,034,691	-	-	-	381,581	1,416,272
Investment earnings	210,288	74,688	41,607	344,282	53,224	724,089
Contributions and donations	24,058	-	-	-	-	24,058
Other revenues	587,229	-	4,765,566	2,337	362,740	5,717,872
Total revenues	25,219,245	5,589,266	4,807,173	346,619	1,994,054	37,956,357
EXPENDITURES						
Current:						
General Administration	991,757	6,981	78	699	580,742	1,580,257
Police Protection	5,443,191	-	-	-	33,850	5,477,041
Public Works	3,273,983	-	-	8,044	1,441,639	4,723,666
City Clerk	711,846	-	-	-	-	711,846
Recreation	2,177,594	-	-	-	-	2,177,594
Fire	4,458,942	-	-	-	1,135	4,460,077
Planning and Building	1,015,373	-	-	-	-	1,015,373
Court	1,136,203	-	-	-	-	1,136,203
City Council	127,562	-	-	-	-	127,562
Finance	964,909	-	-	-	-	964,909
Human Resources	3,195,076	-	-	-	-	3,195,076
Mayor's Office	234,878	-	-	-	-	234,878
Revenue	265,641	-	-	-	-	265,641
Engineering	466,412	-	-	-	-	466,412
Senior Center	255,041	-	-	-	-	255,041
Legal	353,696	-	-	-	-	353,696
Debt service:						
Principal	569,880	-	1,945,000	-	425,000	2,939,880
Interest	75,887	-	2,827,616	-	2,641,919	5,545,422
Bond issue costs	-	-	264,695	-	-	264,695
Capital outlay	2,797,770	-	-	2,104,055	33,983	4,935,808
Total expenditures	28,515,641	6,981	5,037,389	2,112,798	5,158,268	40,831,077
Excess (deficiency) of revenues over (under) expenditures	(3,296,396)	5,582,285	(230,216)	(1,766,179)	(3,164,214)	(2,874,720)
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	2,300,097	-	-	-	3,318,341	5,618,438
Transfers to other funds	(263,428)	(5,088,543)	-	-	(266,467)	(5,618,438)
Sales of capital assets	23,809	-	-	-	-	23,809
Capital leases	1,370,348	-	-	-	-	1,370,348
2008 Bond proceeds	-	-	12,235,000	-	-	12,235,000
Premium on debt issued	-	-	31,784	-	-	31,784
2008 Bond proceeds - to School System	-	-	(12,002,089)	-	-	(12,002,089)
Total other financing sources (uses)	3,430,826	(5,088,543)	264,695	-	3,051,874	1,658,852
Net change in fund balances	134,430	493,742	34,479	(1,766,179)	(112,340)	(1,215,868)
Fund balances - beginning of year	6,974,798	986,409	75,470	12,412,299	2,406,726	22,855,702
Fund balances - end of year	\$ 7,109,228	\$ 1,480,151	\$ 109,949	\$ 10,646,120	\$ 2,294,386	\$ 21,639,834

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

**CITY OF MADISON, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended September 30, 2008**

Amounts reported for governmental activities in the statement of activities (page 19) are different because:

Net change in fund balances - total governmental funds (page 21)	\$ (1,215,868)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	1,020,513
Donations of capital assets increase net assets in the statement of activities, but but do not appear in the governmental funds because they are not financial resources:	
Donations from outside parties	10,885,691
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(8,228)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	738,915
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(10,432,557)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(224,712)</u>
Change in net assets of governmental activities (page 19)	<u>\$ 763,754</u>

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

**CITY OF MADISON, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property and payments in lieu of taxes	\$ 3,367,513	\$ 3,615,473	\$ 3,914,228	\$ 298,755
Sales and use	10,320,000	10,005,000	9,937,109	(67,891)
Franchise	268,830	281,000	221,258	(59,742)
Alcoholic beverage	813,456	818,456	839,850	21,394
Rental	405,000	445,000	452,728	7,728
Lodging	940,000	948,000	968,545	20,545
Other	323,626	329,118	255,534	(73,584)
Licenses and permits	4,321,318	4,480,000	4,386,155	(93,845)
Intergovernmental	1,135,990	1,135,990	1,004,716	(131,274)
Charges for services	1,350,730	1,326,382	1,382,856	56,474
Fines	963,050	979,428	1,034,691	55,263
Investment earnings	190,000	190,000	210,288	20,288
Contribution and donations	10,313	5,842	24,058	18,216
Other revenues	505,361	542,098	587,229	45,131
Total revenues	24,915,187	25,101,787	25,219,245	117,458
EXPENDITURES				
Current:				
General Administration	865,453	1,025,453	991,757	33,696
Police Protection	6,317,029	6,357,102	5,443,191	913,911
Public Works	3,045,950	3,068,623	3,273,983	(205,360)
City Clerk	743,637	758,224	711,846	46,378
Recreation	2,575,556	2,608,370	2,177,594	430,776
Fire	4,685,808	4,733,233	4,458,942	274,291
Planning and Building	1,119,835	1,124,374	1,015,373	109,001
Court	1,025,090	1,039,814	1,136,203	(96,389)
City Council	209,264	209,264	127,562	81,702
Finance	1,077,991	1,056,649	964,909	91,740
Human Resources	3,449,258	3,452,887	3,195,076	257,811
Mayor's Office	410,716	368,121	234,878	133,243
Revenue	293,005	290,899	265,641	25,258
Engineering	447,094	450,554	466,412	(15,858)
Senior Center	273,741	284,154	255,041	29,113
Legal	342,369	346,107	353,696	(7,589)
Debt service:				
Principal	729,272	720,658	569,880	150,778
Interest	108,686	107,501	75,887	31,614
Capital outlay	2,526,103	2,586,232	2,797,770	(211,538)
Total expenditures	30,245,857	30,588,219	28,515,641	2,072,578
Excess (deficiency) of revenues over (under) expenditures	(5,330,670)	(5,486,432)	(3,296,396)	2,190,036
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	2,083,108	2,294,908	2,300,097	5,189
Transfers to other funds	(289,747)	(289,747)	(263,428)	26,319
Capital leases	1,519,078	1,489,360	1,370,348	(119,012)
Sale of capital assets	5,000	14,250	23,809	9,559
Total other financing sources (uses)	3,317,439	3,508,771	3,430,826	(77,945)
Net change in fund balance	(2,013,231)	(1,977,661)	134,430	2,112,091
Fund balance - beginning of year	6,974,798	6,974,798	6,974,798	-
Fund balance - end of year	\$ 4,961,567	\$ 4,997,137	\$ 7,109,228	\$ 2,112,091

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

CITY OF MADISON, ALABAMA
WATER DISTRIBUTION AND STORAGE PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental:				
Property tax and payment in lieu	\$ 2,550,000	\$ 2,735,000	\$ 2,946,396	\$ 211,396
Sales and use taxes	2,570,000	2,590,000	2,568,182	(21,818)
Investment earnings	51,000	45,000	74,688	29,688
Total revenues	5,171,000	5,370,000	5,589,266	219,266
EXPENDITURES				
Current:				
General Administration	6,000	6,000	6,981	(981)
Total expenditures	6,000	6,000	6,981	(981)
Excess of revenues over expenditures	5,165,000	5,364,000	5,582,285	218,285
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(5,061,169)	(5,100,550)	(5,088,543)	12,007
Total other financing sources (uses)	(5,061,169)	(5,100,550)	(5,088,543)	12,007
Net change in fund balance	103,831	263,450	493,742	230,292
Fund balance - beginning of year	986,409	986,409	986,409	-
Fund balance - end of year	\$ 1,090,240	\$ 1,249,859	\$ 1,480,151	\$ 230,292

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

CITY OF MADISON, ALABAMA
SCHOOL BOND FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ 265	\$ 265	\$ 41,607	\$ 41,342
Other revenues	4,591,983	4,591,983	4,765,566	173,583
Total revenues	4,592,248	4,592,248	4,807,173	214,925
EXPENDITURES				
Current:				
General Administration	-	-	78	(78)
Debt service:				
Principal	1,945,000	1,945,000	1,945,000	-
Interest	2,646,983	2,646,983	2,827,616	(180,633)
Bond issue costs	-	-	264,695	(264,695)
Total expenditures	4,591,983	4,591,983	5,037,389	(445,406)
Excess (deficiency) of revenues over (under) expenditures	265	265	(230,216)	(230,481)
OTHER FINANCING SOURCES (USES)				
2008 Bond proceeds	-	-	12,235,000	12,235,000
Premium on debt issued	-	-	31,784	31,784
Bond proceeds to school system	-	-	(12,002,089)	(12,002,089)
Total other financing sources (uses)	-	-	264,695	264,695
Net change in fund balance	265	265	34,479	34,214
Fund balance - beginning of year	75,470	75,470	75,470	-
Fund balance - end of year	<u>\$ 75,735</u>	<u>\$ 75,735</u>	<u>\$ 109,949</u>	<u>\$ 34,214</u>

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

CITY OF MADISON, ALABAMA
2006 CAPITAL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ -	\$ 50,000	\$ 344,282	\$ 294,282
Other revenues	-	-	2,337	2,337
Total revenues	-	50,000	346,619	296,619
EXPENDITURES				
Current:				
General Administration	-	-	699	(699)
Public Works	-	-	8,044	(8,044)
Capital Outlay	5,975,166	5,975,166	2,104,055	3,871,111
Total expenditures	5,975,166	5,975,166	2,112,798	3,862,368
Excess (deficiency) of revenues over (under) expenditures	(5,975,166)	(5,925,166)	(1,766,179)	4,158,987
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	300,000	-	(300,000)
Total other financing sources (uses)	-	300,000	-	(300,000)
Net change in fund balance	(5,975,166)	(5,625,166)	(1,766,179)	3,858,987
Fund balance - beginning of year	12,412,299	12,412,299	12,412,299	-
Fund balance - end of year	<u>\$ 6,437,133</u>	<u>\$ 6,787,133</u>	<u>\$ 10,646,120</u>	<u>\$ 3,858,987</u>

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



NOTES TO FINANCIAL STATEMENTS

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Madison (the City) was incorporated in 1869. The City operates under an elected Mayor-Council form of government.

The accounting and reporting policies of the City conform to generally accepted accounting principles in the United States of America (GAAP) applicable to state and local governments. The generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Madison (the primary government) and its component units, entities for which the City is financially accountable. Each component unit of the City is discretely presented in a separate column in the basic financial statements to emphasize the fact that it is legally separate from the City. Each discretely presented component unit has a September 30 year-end.

DISCRETELY PRESENTED COMPONENT UNITS

Madison Water and Wastewater Board

The Madison Water and Wastewater Board (the Board) of the City of Madison is a public corporation organized under Alabama Code Sections 11-50-310 through 324. The Board provides water and wastewater services to the residents and businesses in the City. The Board consists of five members who manage all property and business of this corporation. City Council of the City of Madison appoints members to the Board. Members of the Board serve staggered six-year terms. Members of the City Council may serve on the board of Directors during their term in office. The City issued general obligation warrants, which the Board used for water and wastewater purposes. The financial statements of the Board are reported in a separate column to emphasize that they are legally separate from the City. The Board is reported as a proprietary fund type.

Madison City Board of Education

The Board of Education consists of five members appointed by the City Council. The Board of Education is vested with all powers necessary and proper, as authorized by the state law or regulation of the Alabama State Board of Education, for the administration and management of free public schools in the City. The City issued general obligation warrants, which Madison Board City Board of Education used for school purposes. The financial statements of Madison City Board of Education are reported in a separate column to emphasize that they are legally separate from the City. Madison City Board of Education is reported as a governmental fund type.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. REPORTING ENTITY - Continued -

DISCRETELY PRESENTED COMPONENT UNITS - continued

Complete financial statements of Madison Water and Wastewater Board and Madison City Board of Education discretely presented component units are available at the administrative office of the entity.

Madison Water and Wastewater Board
101 Ray Sanderson Drive
Madison, Alabama 35758

Madison City Board Education
211 Celtic Drive
Madison, Alabama 35758

B. BASIS OF PRESENTATION

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

GASB Statement 34 sets minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental) for the determination of major funds. The non-major governmental funds combined in a single column in the fund financial statements are detailed in the combining section.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus. The statements report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. BASIS OF PRESENTATION - continued -

When both restricted and unrestricted resources are available for use, it is the City's policy to use unrestricted resources first, then restricted resources as they are needed, except in the case of grant monies which are used for their required purpose.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds:

Governmental Funds are reported using the current financial resources measurement focus. The following is a description of the Governmental Funds and the major funds of the City:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to be accounted for in some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvements costs not paid through other funds are paid from the General Fund.

Special Revenue Funds

The Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from government resources.

Capital Projects Funds

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Major Funds:

General Fund

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

Water Distribution and Storage Project Fund

The Water Distribution and Storage Project Fund is used to account for the ½ cent sales tax and the 5 ½ mill property tax.

School Bonds Fund

The School Bonds Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related cost on general obligation school warrants.

2006 Capital Improvement Fund

The 2006 Capital Improvement Fund is used to account for the construction of capital improvement projects in the City consisting of public safety, recreation, streets, drainage and other improvements. Financing was provided by the sale of general obligation warrants and dedicated revenue.

C. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statement and the Proprietary, Fiduciary, and Component Unit Fund Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the fund financial statements are presented on a modified accrual basis.

Accrual Basis

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards (GASB).

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. BASIS OF ACCOUNTING - continued -

Modified Accrual Basis

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the City considers revenues available if they are collected within forty-five (45) days of the end of the fiscal period. Property taxes, sales and use taxes, alcoholic beverage taxes, franchise taxes, licenses, and interest associated with the current fiscal period are susceptible to accrual. All other governmental fund revenues are recognized when received.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences, and claims and judgments, are recorded only when payment is due.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, State of Alabama, Alabama counties, or the general obligations of Alabama municipalities.

Investments for the City, as well as for its component units, are stated at fair market value.

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 uncollectibles.

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 taxes are collected by the Madison County Tax Collector and remitted to the City.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY - continued -

Inventories

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

Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

Restricted Assets

Certain proceeds of general obligation warrants, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet and statement of net assets because their use is limited by applicable warrant indentures. In addition, cash accounts and other assets restricted for specific purposes are classified as restricted assets on the balance sheet and statement of net assets.

Capital Assets

Capital assets of the City, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. 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. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY – continued -

Capital Assets - continued

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and infrastructure	40-60
Building improvements	15-40
Machinery, equipment, and other	3-25

Compensated Absences - Annual Leave and Sick Leave

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. Any accumulated annual leave that exceeds this amount at the end of the leave year will be forfeited. Upon separation from City service, an employee will be paid for all accrued annual leave. Annual leave that is expected to be liquidated 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 and is considered a current liability. There is no liability for unpaid accumulated sick leave. No sick leave is paid upon separation from the City's services.

The Madison Water and Wastewater Board permits unclassified service employees to earn annual leave with pay based upon a progressive schedule of completed years of continuous service. Normally, employees are expected to take annual leave in the leave year earned. However, a total of 30 days of unused leave may be carried forward from one leave year to the next. Any leave that exceeds 30 days of unused leave year will be forfeited by the employee. Employees may elect, in writing to donate annual leave to another employee due to serious illness or disability. There is no liability for unpaid accumulated sick leave. No sick leave is paid upon separation from the City's services.

The compensated absences policy for Madison Board of Education states that professional and support personnel are provided 2-5 days of personal leave per year with pay depending on years of service.

The State provides funding, at the substitute rate, for up to 2 days of personal leave per employee per year. Professional employees are paid, at the Board's substitute rate, for up to 2 days of unused personal leave. Professional and support personnel may convert unused, un-reimbursed personal leave to sick leave at the end of the scholastic year. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is reported in the financial statements.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY – continued -

Compensated Absences - Annual Leave and Sick Leave Continued

Employees with 10 years or less in service with Madison City Schools are allowed 10 working days. Employees with 11 years or greater in service with Madison City Schools are allowed 15 working days. Unused vacation leave can be carried over to succeeding years to a maximum of 2 years of accrued leave as of June 30 of each year.

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

Long-Term Obligations

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

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY - continued -

Fund Equity

Government-wide statements - Equity is classified as net assets, and displayed in three components:

- a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and outstanding balances of any bonds, mortgages, notes or other debt attributable to the acquisition, construction or improvement of those assets.
- b) Restricted net assets - Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Governmental fund equity is classified as fund balances. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates in the Preparation of Financial Statements

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of the reconciliation explains, "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds payable	\$ 122,285,000
Less: Deferred charge for issuance costs (to be amortized as interest expense)	(1,728,245)
Less: Issuance discount (to be amortized as interest expense)	(984,019)
Accrued interest payable	1,631,387
Capital lease payable	2,315,455
Compensated absences	<u>692,711</u>
Net adjustment to reduce fund balance total governmental funds to arrive at net assets governmental activities	<u>\$ 124,212,289</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net change in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense."

The details of this difference are as follows:

Capital outlay	\$ 4,935,808
Depreciation expense	<u>(3,915,295)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,020,513</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008**

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

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

Another element of that reconciliation states "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is a decrease to net assets." The decrease of this \$8,228 difference is as follows:

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.

\$ (8,228)

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

The details of this difference are as follows:

Debt issued or incurred:	
Capital leases financing	\$ 1,370,348
General obligation bonds	12,235,000
Premium	31,784
Bond issuance expense	(264,695)
Principal repayments	
General obligation debt	(2,370,000)
Payments on capital leases	<u>(569,880)</u>

Net adjustment to increase net change in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$10,432,557</u>
---	---------------------

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$224,712 difference are as follows:

Compensated absences	\$ (62,458)
Accrued interest	(15,838)
Amortization of issuance costs	(83,577)
Amortization of bond discounts	<u>(62,839)</u>
Net adjustment to net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$(224,712)</u></u>

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGET INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Federal Forfeiture Fund, the Police Block Grant Fund and the Fire CPR Fund of the special revenue funds, and the capital projects funds. The capital projects funds are budgeted over the life of the respective project and not on an annual basis. All annual appropriations lapse at fiscal year end.

The budget preparation is coordinated through the Mayor's Office and the Finance Department. Each head of the City departments is responsible for preparing and submitting their appropriation requests according to the budget schedule. The Mayor submits the proposed budget to the City Council Finance Committee. The City Council Finance Committee holds meetings to review and make recommended changes to the proposed budget. After the City Council Finance Committee completes a final review of the proposed budget, the proposed budget document is submitted to the City Council for work sessions. After all scheduled work sessions have been conducted, the proposed budget is presented to the City Council at a regular scheduled council meeting for a public hearing and consideration for adoption before October 1.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

A. BUDGETARY INFORMATION - continued -

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

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments have not been fulfilled in the current year and will be re-appropriated and honored during the subsequent year.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

<u>Fund</u>	<u>Department</u>	<u>Amount</u>
General	Public Works	\$ 205,360
	Court	\$ 96,389
	Engineering	\$ 15,858
	Legal	\$ 7,589
	Capital outlay	\$ 211,538

C. DEFICIT FUND BALANCE

There were no funds with a deficit fund balance as of September 30, 2008.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008**

NOTE 4. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

At year-end, the City's carrying amount of deposits and bank balance were covered by federal depository insurance or by collateral held as part of the State of Alabama's SAFE Program. The program insures all accounts specified as public funds for the majority of banks located within the State of Alabama.

At September 30, 2008, the City had the following investments held by a trustee:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Money Market Mutual Funds comprised of U.S. Treasury Bills	<u>\$618,495</u>	36 - 41

Interest rate risk - In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

Credit risk - State statutes limit the City's investments to U.S. Treasury obligations, State of Alabama and Alabama County obligations, and general obligations of Alabama municipalities. At September 30, 2008, the City's investments consisted of Goldman Sachs Treasury Instrument Funds and Dreyfus Treasury Prime Cash Management Funds. Both funds are comprised of U.S. Treasury Bills. The Goldman Sachs Treasury Instrument Fund is Aaa rated by Standard & Poor's Ratings Group. The Dreyfus Treasury Prime Cash Management Fund is not rated.

Custodial credit risk - This is the risk that in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy limits its investments to no more than 50% may be invested with a single financial institution with the exception of cash, certificates of deposit, U.S. Treasury securities, and authorized pools. At September 30, 2008, the City's investments consisted solely of U.S. Treasury Bills held by one financial institution.

At year-end, all cash and cash equivalents of Madison Water and Wastewater Board, a discretely presented component unit, are entirely insured or collateralized as provided by the Security of Alabama Funds Enhancement Act (SAFE) as prescribed in section 41-14A of the Code of the state of Alabama with a Qualified Public Fund Depository. Funds held for the benefit of Madison Water and Wastewater Board by the depository banks' trust departments or agents are invested in U. S. government securities or are secured by U.S. government securities.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

A. DEPOSITS AND INVESTMENTS - continued -

At September 30, 2008, unrestricted deposits on hand at banks and in certificates of deposit of the Madison City Board of Education, a discretely presented component unit, were fully collateralized by banks qualifying under the Security for Alabama Funds Enhancement Act (SAFE) as qualified public depositories. Funds held by the banks' trust departments or agents are invested in U.S. government securities or are secured by U.S. government securities.

B. DEFERRED REVENUES AND RECEIVABLES

Deferred Revenue

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

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (general fund)	\$ 3,675,000	\$ -
Property taxes receivable (special revenue fund)	3,121,167	-
General Fund - Property Rental	<u>-</u>	<u>9,884</u>
 Total deferred/unearned revenue for governmental funds	 <u>\$ 6,796,167</u>	 <u>\$ 9,884</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

B. DEFERRED REVENUES AND RECEIVABLES - continued -

Receivables

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

	<u>General</u>	<u>Water Distribution and Storage Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables:				
Taxes	\$ 4,939,134	\$3,308,046	\$ 283,282	\$ 8,530,462
Grants	-	-	3,680	3,680
Other	584,254	-	131,656	715,910
Grant-restricted	<u>633,112</u>	<u>-</u>	<u>-</u>	<u>633,112</u>
 Total receivables	 <u>\$ 6,156,500</u>	 <u>\$3,308,046</u>	 <u>\$ 418,618</u>	 <u>\$ 9,883,164</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008, was as follows:

Primary Government

	Balance October 1, 2007	Increase	Decrease	Balance September 30, 2008
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 21,479,874	\$ 3,253,061	\$ -	\$ 24,732,935
Construction in progress	<u>4,313,851</u>	<u>759,054</u>	<u>(2,011,471)</u>	<u>3,061,434</u>
Total capital assets, not being depreciated	25,793,725	4,012,115	(2,011,471)	27,794,369
Capital assets, being depreciated:				
Buildings	10,929,076	4,009	-	10,933,085
Improvements to buildings	1,030,037	525,665	-	1,555,702
Improvements other than buildings	1,594,828	275,965	(504)	1,870,289
Vehicles and equipment	12,140,743	2,650,261	(266,222)	14,524,782
Infrastructure	121,841,556	10,357,956	-	132,199,512
Other	<u>-</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Total capital assets, being depreciated	147,536,240	13,820,856	(266,726)	161,090,370
Less accumulated depreciation for:				
Buildings	(2,846,907)	(220,175)	-	(3,067,082)
Improvements to buildings	(162,737)	(75,963)	-	(238,700)
Improvements other than buildings	(502,067)	(81,325)	460	(582,932)
Vehicles and equipment	(8,652,283)	(982,292)	258,038	(9,376,537)
Infrastructure	(25,761,711)	(2,555,457)	-	(28,317,168)
Other	<u>-</u>	<u>(83)</u>	<u>-</u>	<u>(83)</u>
Total accumulated depreciation	<u>(37,925,705)</u>	<u>(3,915,295)</u>	<u>258,498</u>	<u>(41,582,502)</u>
Total capital assets, being depreciated, net	<u>109,610,535</u>	<u>9,905,561</u>	<u>(8,228)</u>	<u>119,507,868</u>
Governmental activities, capital assets, net	<u>\$ 135,404,260</u>	<u>\$ 13,917,676</u>	<u>\$ (2,019,699)</u>	<u>\$ 147,302,237</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

C. CAPTIAL ASSETS - continued -

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

General Administration	\$ 135,487
Police	302,103
Public Works	2,803,001
City Clerk	4,386
Recreation	234,957
Fire	351,757
Planning and Building	29,217
Court Clerk	4,953
City Council	9,003
Finance	11,026
Human Resources	2,879
Mayor's Office	5,164
Revenue	2,309
Engineering	9,337
Senior Center	9,716
Legal	<u>-</u>
Current period depreciation expense	<u>\$ 3,915,295</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

C. CAPITAL ASSETS - continued -

Discretely presented components units

The following is a summary of changes in the Madison Water and Wastewater Board, a discretely presented component unit, capital assets during the fiscal year:

	Balance October 1, 2007	Increase	Decrease	Balance September 30, 2008
Water system	\$ 66,896,191	\$ 8,240,812	\$ -	\$ 75,137,003
Sewer system	74,717,653	3,741,042	14,119	78,444,576
General plant	5,805,542	317,368	84,751	6,038,159
Construction in progress	<u>5,256,288</u>	<u>10,868,985</u>		<u>16,125,273</u>
 Total capital assets, being depreciated	 152,675,674	 23,168,207	 98,870	 175,745,011
 Less accumulated depreciation for:				
Water system	13,856,881	1,708,125	-	15,565,006
Sewer system	16,928,521	1,880,252	14,119	18,794,654
General plant	<u>4,334,543</u>	<u>324,220</u>	<u>167,430</u>	<u>4,491,333</u>
Total accumulated depreciation	<u>35,119,945</u>	<u>3,912,597</u>	<u>181,549</u>	<u>38,850,993</u>
 Madison Water and Wastewater Board capital assets, net	 <u>\$ 117,555,729</u>	 <u>\$19,255,610</u>	 <u>\$ (82,679)</u>	 <u>\$136,894,018</u>

Depreciation expense charged as follows:

Expense	\$3,700,683
Other Accounts	<u>211,914</u>
	<u>\$3,912,597</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

C. CAPITAL ASSETS - continued -

Discretely presented components units - continued -

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

	<u>Balance October 1, 2007</u>	<u>Additions</u>	<u>Retirements and Reclassifications</u>	<u>Balance September 30, 2008</u>
Governmental Activities:				
Land	\$ 7,410,334	\$ -	\$ -	\$ 7,410,334
Land improvements	7,790,161	2,527	-	7,792,688
Buildings	81,483,126	-	-	81,483,126
Equipment	2,512,760	144,739	148,258	2,509,240
Construction in progress	77,100	7,780,777	-	7,857,877
Vehicles	<u>5,148,766</u>	<u>440,576</u>	<u>-</u>	<u>5,589,343</u>
Total at historic cost	104,422,247	8,368,619	148,258	112,342,608
Less accumulated depreciation for:				
Land improvements	3,166,182	358,248	-	3,524,430
Buildings	18,451,859	1,682,516	-	20,134,375
Equipment	1,469,963	197,327	124,927	1,542,363
Vehicles	<u>3,175,199</u>	<u>406,480</u>	<u>-</u>	<u>3,581,679</u>
Total accumulated depreciation	<u>26,263,203</u>	<u>2,644,571</u>	<u>124,927</u>	<u>28,782,847</u>
Governmental Activities Capital Assets, Net	<u>\$78,159,044</u>	<u>\$ 5,724,048</u>	<u>\$ 23,331</u>	<u>\$ 83,859,761</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

C. CAPITAL ASSETS - continued -

Discretely presented components units - continued -

Depreciation expense charged to governmental functions as follows:

Instructional services	\$1,740,393
Instructional support services	301,745
Operational and maintenance services	46,280
Student transportation services	323,960
Food services	232,193
Total governmental activities depreciation expense	<u>\$2,644,571</u>

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2008, is as follows:

Due to/from other funds (Primary Government):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Distribution and Storage Project Fund	\$ 2,533,111
	Gasoline Taxes Fund	158
	Domestic Violence Fund	3,680
	TVA Tax Distribution Fund	55,462
	Library Fund	8,180
Gasoline Taxes and Inspection Fees Fund	General	145
Domestic Violence Fund	General	2,385
Correctional Fund	General	433,426
TVA Tax Distribution Fund	General	6,409
Cemetery Fund	General	55,850
2001 Capital Improvement Fund	General	138
	2006 Capital Improvement Fund	6,609
Forward Purchase Bond Fund	2006 Capital Improvement Fund	35,289
2006 Capital Improvement Fund	Gasoline Taxes Fund	<u>5,232</u>
	Total	<u>\$ 3,146,074</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - continued -

Interfund transfers:

<u>Transfer From</u>	<u>Transfer To</u>	
General Fund	Nonmajor governmental funds	\$ 263,428
Nonmajor governmental funds	General Fund	266,467
Water Distribution and Storage Project Fund	General Fund	2,033,631
Water Distribution and Storage Project Fund	Nonmajor governmental funds	<u>3,054,912</u>
	Total	<u>\$ 5,618,438</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (2) move receipts restricted to debt services from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, including capital projects, in accordance with budgetary operations.

E. CAPITAL LEASES

The government entered into a lease agreement as lessee for financing the acquisition of a city-wide communication system, police vehicles, computers, fire trucks and other equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore; are recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset:	<u>Governmental Activities</u>
Vehicles and equipment	\$3,709,932
Less: Accumulated depreciation	<u>1,310,290</u>
Total	<u>\$2,399,642</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

E. CAPITAL LEASES - continued -

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008, are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2009	\$ 745,823
2010	524,456
2011	403,212
2012	270,683
2013	270,683
2014	81,419
2015	81,419
2016	81,419
2017	81,419
2018	<u>61,064</u>
Total minimum lease payments	2,601,597
Less: amount representing interest	<u>(286,142)</u>
Present value of minimum lease payments	<u><u>\$2,315,455</u></u>

The Madison Water and Wastewater Board, a discretely presented component unit, entered into a master lease agreement with a financial institution to purchase equipment. The lease agreement qualifies as a capital lease for accounting purposes. At the inception of the lease obligation, the aggregate cost of the equipment was \$736,837.

The maturities of these lease payments as of September 30, 2008, are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2009	\$181,077
2010	188,359
2011	162,959
2012	20,845
Thereafter	<u>-</u>
Total	553,240
Less: current maturities	<u>(181,077)</u>
Long term portion of obligations	<u><u>\$ 372,163</u></u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

F. LONG-TERM DEBT

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

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

General obligation warrants currently outstanding as of September 30, 2008, are as follows:

	<u>Range of Interest Rates</u>	<u>Amount</u>
<u>General Obligation Warrants</u>		
Series 2005	4.70%-5.75%	\$ 17,585,000
Series 2006-A	3.50%-4.54%	37,980,000
 <u>General Obligation School Warrants</u>		
Series 1998-A	4.95%-5.20%	5,655,000
Series 1998-B	4.10%-5.00%	9,675,000
Series 1999	3.70%-5.00%	10,595,000
Series 2000	4.80%-5.70%	2,510,000
Series 2001-A	2.15%-5.125%	6,950,000
Series 2002	1.65%-5.125%	19,100,000
Series 2008-A	2.40%-4.750%	12,235,000
		\$122,285,000

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

F. LONG-TERM DEBT - continued -

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 2,550,000	\$ 5,726,234
2010	3,025,000	5,602,248
2011	3,155,000	5,475,464
2012	3,290,000	5,339,643
2013	3,485,000	5,207,216
2014-2018	21,165,000	23,232,143
2018-2023	30,120,000	17,129,756
2024-2028	25,530,000	9,603,273
2029-2033	17,510,000	4,919,150
2034-2037	<u>12,455,000</u>	<u>1,218,494</u>
	<u>\$122,285,000</u>	<u>\$83,453,621</u>

Changes in long-term liabilities

During the year ended September 30, 2008, the following changes occurred in the City's long-term liabilities:

	<u>Balance October 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2008</u>
Capital lease obligations	\$ 1,514,987	\$ 1,370,348	\$ 569,880	\$ 2,315,455
General obligation warrants payable	112,420,000	12,235,000	2,370,000	122,285,000
Less deferred amounts for:				
Issuance discounts and premiums	<u>(1,078,643)</u>	<u>(31,784)</u>	<u>(126,408)</u>	<u>(984,019)</u>
Long-term liabilities	<u>\$112,856,344</u>	<u>\$13,573,564</u>	<u>\$ 2,813,472</u>	<u>\$ 123,616,436</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

F. LONG-TERM DEBT - continued -

Revenue bonds

The Madison Water and Wastewater Board, a discretely presented component unit, issues bonds where the Board pledges income derived from the acquired or constructed assets to pay debt service.

Revenue bonds outstanding at September 30, 2008, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,825,000	\$ 3,278,677
2010	1,895,000	3,212,344
2011	1,960,000	3,143,761
2012	2,030,000	3,072,736
2013	2,105,000	2,999,061
2014-2018	11,760,000	13,760,667
2019-2023	13,530,000	11,425,131
2024-2028	16,695,000	8,244,524
2029-2033	20,765,000	4,163,484
2034-2035	8,240,000	323,850
	<u>\$80,805,000</u>	<u>\$53,624,235</u>

Changes in long-term liabilities

During the year ended September 30, 2008, the following changes in the bonds payable reported for the Madison Water and Wastewater Board, a discretely presented component unit:

	<u>Balance October 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2008</u>
Revenue bonds	<u>\$ 69,765,000</u>	<u>\$12,765,000</u>	<u>\$ 1,725,000</u>	<u>\$ 80,805,000</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

G. RESTRICTED ASSETS

The statement of net assets shows certain amounts as restricted net assets. These amounts restricted, in their uses, by parties outside the City such as creditors, grantors, or contributors, or restricted by law or regulation.

Components of restricted net assets include:

<u>Activity</u>	<u>Restricted By</u>	
Highways and streets	Law	\$ 158,830
Debt service	General Obligation Warrants	618,495
Senior Center	Law	4,668
Library	Law	17,926
Capital Improvement	Law	11,510,379
Federal Forfeiture	Law	50,267
Domestic Violence	Grantor	2,385
Grants	Grantor	633,112
Water Distribution	Law	1,488,149
Nonmajor special revenue funds	Law	<u>526,987</u>
Total restricted assets		<u>\$15,011,198</u>

The balance sheet - governmental funds shows reserved fund balances for the following:

The reserve for restricted assets in the general fund (\$802,473 at September 30, 2008) is designated to be available for special purposes.

The reserve for encumbrances (\$448,722) is reserved for the payment of encumbered goods and services.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 5. OTHER INFORMATION

A. RISK MANAGEMENT

The City exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from the past three fiscal years have not exceeded commercial insurance coverage.

The Madison Board of Education, a discretely presented component unit, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. The Madison Board of Education has insurance for its buildings and contents through the State Insurance Fund (SIF), Alabama Department of Finance, Division of Risk Management, a public entity risk pool, which operates as a common risk management and insurance program for state-owned properties and boards of education. The SIF is self-insured up to \$2 million per occurrence. The SIF purchases commercial insurance for claims that in the aggregate exceed \$2 million. Errors and omissions insurance is purchased from the Alabama School Boards Insurance Trust (ASBIT), a public entity risk pool. The ASBIT collects the premiums and purchases commercial insurance for coverage requested by pool participants. The Madison Board of Education purchases commercial insurance for fidelity bonds and automobile coverage. Settled claims in the past three years have not exceeded the commercial insurance coverage.

Employee health insurance for Madison Board of Education is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board. The plan established to provide a uniform plan of health insurance for current and retired employees of state education institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are set annually based on the amounts necessary to fund coverage. The Board contributes the specified amount monthly to the PEEHIF for each employee.

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 5. OTHER INFORMATION - Continued

B. RELATED PARTY TRANSACTION

On September 23, 1991, the City and the Madison Water and Wastewater Board, a discretely presented component unit, entered into a franchise agreement for the operation of certain utility systems from the City. This franchise agreement was granted for confirming and clarifying the holder of ownership interest in and to water and sewer improvements and fire hydrants previously dedicated to the City, which were transferred to the Board by the City. The Water and Wastewater Board pays the City, no later than September 1 of each year, a sum of money equal to three percent of its gross revenues from sales of utility services for the preceding fiscal year (exclusive of impact, administrative and tap fees) whether such sales occur within or outside the corporate limits of the City. The City received \$164,591 from the Water and Wastewater Board for the year ended September 30, 2008.

The North Alabama Gas District is governed by a Board of Directors composed of five members, two of whom are members of the City Council. The City received distributions based on the District's annual income. The City has no significant influence over the management, budget or policies of the District. During the fiscal year ended September 30, 2008, the City received \$249,388 from the North Alabama Gas District.

C. RELATED ORGANIZATIONS

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

D. SUBSEQUENTS EVENTS

On October 13, 2008, the City of Madison contracted for construction of a Fire Safety House in the amount of \$79,164.

On November 10, 2008, the City of Madison contract for funding a Heavy Rescue Team in the amount of \$25,200.

On December 8, 2008, the City of Madison accepted donation of a van for value of \$20,000.

On December 22, 2008, the City of Madison contracted for construction of improvements at the intersection of Boulton Court and Bellwood Drive in the amount of \$44,638.

On December 22, 2008, the City of Madison contracted for construction of improvements for Mill Road in the amount of \$631,781.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 5. OTHER INFORMATION - Continued

D. SUBSEQUENT EVENTS - continued -

On January 12, 2009, the City of Madison accepted a Firefighter Assistance Grant in the amount of \$42,500.

On February 9, 2009, the City of Madison accepted a donation for \$1,000 to assist with the maintenance for the baseball fields at Palmer Park.

On February 23, 2009, the City of Madison contracted to pave Intergraph Way in the amount of \$49,000.

On February 23, 2009, the City of Madison accepted a donation of capital equipment in the amount of \$25,400.

On March 9, 2009, the City of Madison approved purchase of streetlights for Balch Road in the amount of \$6,138.

On March 23, 2009, the City of Madison approved to contract for redesign of the City's webpage for an amount not to exceed \$40,625.

On March 23, 2009, the City of Madison approved the purchase of land for the Eastview Extension Project in the amount of \$201,850.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 5. OTHER INFORMATION - Continued

E. COMMITMENTS AND CONTINGENCIES

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

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

F. DEFINED BENEFITS PENSION PLAN

Primary Government:

Plan Description

The City contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments.

Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the City. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing 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 general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008**

NOTE 5. OTHER INFORMATION - Continued

F. DEFINED BENEFITS PENSION PLAN - continued -

Plan Description - continued

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150.

Funding Policy

The System members are required to contribute five percent (5%) of their annual covered salary. Effective January 1, 2001, the member contribution rate for correctional officers, certified full-time firefighters and certified full-time law enforcement officers increased to 6% of employees' compensation. The City is required to contribute at an actuarially determined rate. The current rate is 9.07% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the Retirement Systems of Alabama.

Annual Pension Cost

For fiscal year September 30, 2008, the City's annual pension cost of \$1,875,850 was equal to the City's required annual contributions. The required contribution was determined as part of the September 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, and (b) projected salary increases of 4.61% to 7.75% per year. There are no cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.50%. The actuarial valuation of System assets was determined using 5-year smoothed market values. The System's un-funded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at September 30, 2007 was 20 years.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/05	\$784,835	100%	\$0
9/30/06	\$843,107	100%	\$0
9/30/07	\$982,017	100%	\$0

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 5. OTHER INFORMATION - Continued

F. DEFINED BENEFITS PENSION PLAN - continued -

Discretely Presented Component Unit

Water and Wastewater Board

Plan Description

The Water and Wastewater Board contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments.

Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the Water and Wastewater Board. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing 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 general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008**

NOTE 5. OTHER INFORMATION - Continued

F. DEFINED BENEFITS PENSION PLAN - continued -

Water and Wastewater Board - continued

Funding Policy

The System members are required to contribute five percent (5%) of their annual covered salary. The Water and Wastewater Board is required to contribute at an actuarially determined rate. Beginning October 1, 2009, the Board will be required to contribute 7.34% of annual covered payroll. The contribution requirements of plan members and the Water and Wastewater Board are established and may be amended by the Retirement Systems of Alabama.

Annual Pension Cost

The Water and Wastewater Board Funding Progress in the schedule below are equal to the Board's required and actual contributions. The required contribution was determined as part of the September 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administration expenses), (b) projected salary increases of 4.61% to 7.75% per year and (c) 0% per year cost of living adjustment. Both (a) and (b) included an inflation component of 4.50%. The actuarial valuation of Madison Water and Wastewater Board assets was determined using techniques that smooth the effects of short-term volatility in the market value of investment over 5-year market period. The Board's un-funded actuarial liability amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at September 30, 2007 was 20 years.

The following is the Board's schedule of funding progress for the three most recently available actuarial valuations:

Actuarial Valuation Date	Value of Assets (\$) (a)	Actuarial Accrued Liability (AAL) Entry Age (\$) (b)	Unfunded AAL (UAAL) (\$) (b-a)	Funded Ratio (a/b)	Covered Payroll (\$) (c)	UAAL as % of Covered Payroll ((b-a)/c)
9/30/2005	\$3,194,583	\$3,817,812	\$623,228	83.7%	\$2,009,355	31.0%
9/30/2006	\$3,886,646	\$4,851,816	\$965,170	80.1%	\$2,063,329	46.8%
9/30/2007	\$4,257,166	\$5,314,271	\$1,057,105	80.1%	\$2,116,047	50.0%

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 5. OTHER INFORMATION - Continued

F. Defined Benefits Pension Plan - continued -

Discretely Presented Component Unit

Madison City Board of Education

The Madison City Board of Education contributed to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system of the various state-supported education agencies and institutions. This plan administered by the Retirement Systems of Alabama.

Substantially all employees of the Madison City Board of Education are members of the Teachers' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of Madison City Board of Education. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 30 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Teachers' Retirement System was established October 1, 1941, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by the state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently 14 members). Benefits provisions are established by the Code of Alabama 1975, 16-25-1 through 16-25-113, as amended, and 36-27B-1 through 36-27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. The report may be obtained by writing The Teachers' Retirement System of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008**

NOTE 5. OTHER INFORMATION - Continued

F. DEFINED BENEFITS PENSION PLAN - continued -

Madison City Board of Education - Continued -

Funding Policy

Employees of the Madison City Board of Education are required to contribute 5 percent of their salary to the Teachers' Retirement System. The Madison City Board of Education is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Alabama Legislature the contribution rate for the following fiscal year, with the legislature setting this rate in the annual appropriation bill.

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

Fiscal Year Ended September 30	<u>2008</u>	<u>2007</u>
<u>Contributions:</u>		
Percentage contribution by the Board	11.75%	9.36%
Percentage contribution by employees	5.00%	5.00%
Amount contributed by the Board	\$4,618,622	\$3,273,463
Amount contributed by employees	<u>1,965,375</u>	<u>1,748,646</u>
Total contributions	<u>\$6,583,997</u>	<u>\$5,022,109</u>

NOTE 6. PRIOR PERIOD ADJUSTMENT

Net assets, as of the beginning of the year, in the Statement of Activities was restated in the amount of \$4,339,517, to reflect adjustments related to the accumulated depreciation balances of depreciable capital assets of the City.

Adjustments affecting the beginning balance of net assets are listed below:

Buildings	\$ 4,359
Improvements to buildings	3,291
Improvements other than buildings	5,823
Machinery and Equipment	4,343,035
Infrastructure	<u>(16,991)</u>
	<u>\$ 4,339,517</u>



REQUIRED SUPPLEMENTARY INFORMATION



CITY OF MADISON, ALABAMA
SCHEDULE OF FUNDING PROGRESS - EMPLOYEES' RETIREMENT
SYSTEMS OF ALABAMA
September 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/02**	\$12,263,619	\$14,649,335	\$2,385,716	83.7%	\$ 8,578,763	27.8%
9/30/03***	\$13,411,765	\$16,711,791	\$3,300,026	80.3%	\$ 9,469,986	34.8%
9/30/04****	\$15,065,617	\$18,645,556	\$3,579,938	80.8%	\$10,763,008	33.3%
9/30/05	\$17,063,082	\$21,641,106	\$4,578,024	78.8%	\$11,030,637	41.5%
9/30/06*****	\$19,217,250	\$25,715,396	\$6,498,146	74.7%	\$11,844,287	54.9%
9/30/07	\$21,965,631	\$29,197,548	\$7,231,917	75.2%	\$13,225,948	54.7%

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

** Reflects effect of DROP if unit elected to enroll prior to June 20, 2003

*** Reflects effect of DROP if unit elected to enroll prior to May 18, 2004

**** Reflects effect of DROP if unit elected to enroll prior to August 4, 2005

***** Reflects changes in actuarial assumptions



**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

**CITY OF MADISON, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,384,354	\$ -	\$ 5,745	\$ 1,390,099
Cash with fiscal agent	-	508,546	-	508,546
Receivables, net				
Taxes and tax equivalent	283,282	-	-	283,282
Grants	3,680	-	-	3,680
Other	131,656	-	-	131,656
Due from other funds	498,215	-	42,037	540,252
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 2,301,187</u></u>	<u><u>\$ 508,546</u></u>	<u><u>\$ 47,782</u></u>	<u><u>\$ 2,857,515</u></u>
LIABILITIES				
Accounts payable	\$ 229,450	\$ -	\$ -	\$ 229,450
Due to other funds	72,712	-	-	72,712
Deferred revenue	260,967	-	-	260,967
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	563,129	-	-	563,129
FUND BALANCES				
Reserved for:				
Encumbrances	60,603	-	-	60,603
Restricted assets	1,664,161	-	-	1,664,161
Debt Service	-	508,546	-	508,546
Capital projects	-	-	47,782	47,782
Unreserved	13,294	-	-	13,294
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,738,058</u>	<u>508,546</u>	<u>47,782</u>	<u>2,294,386</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u><u>\$ 2,301,187</u></u>	<u><u>\$ 508,546</u></u>	<u><u>\$ 47,782</u></u>	<u><u>\$ 2,857,515</u></u>

CITY OF MADISON, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Taxes:				
Property and payment in lieu of taxes	\$ 268,074	\$ -	\$ -	\$ 268,074
Intergovernmental	1,033,544	-	-	1,033,544
Fines	381,581	-	-	381,581
Charges for services	46,971	-	-	46,971
Investment earnings	45,205	5,904	2,115	53,224
Other revenues	210,258	-	402	210,660
	<u>1,985,633</u>	<u>5,904</u>	<u>2,517</u>	<u>1,994,054</u>
Total revenues				
EXPENDITURES				
General Administration	580,413	329	-	580,742
Police Protection	33,850	-	-	33,850
Public Works	1,441,639	-	-	1,441,639
Fire	1,135	-	-	1,135
Debt Service:				
Principal	-	425,000	-	425,000
Interest	-	2,641,919	-	2,641,919
Capital outlay	33,088	-	895	33,983
	<u>2,090,125</u>	<u>3,067,248</u>	<u>895</u>	<u>5,158,268</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	(104,492)	(3,061,344)	1,622	(3,164,214)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	263,428	3,054,913	-	3,318,341
Transfers to other funds	(266,467)	-	-	(266,467)
	<u>(3,039)</u>	<u>3,054,913</u>	<u>-</u>	<u>3,051,874</u>
Total other financing sources (uses)				
Net change in fund balances	(107,531)	(6,431)	1,622	(112,340)
Fund balances - beginning of year	1,845,589	514,977	46,160	2,406,726
Fund balances - end of year	<u>\$ 1,738,058</u>	<u>\$ 508,546</u>	<u>\$ 47,782</u>	<u>\$ 2,294,386</u>



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Gasoline Taxes and Inspection Fee 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's 2-cent gasoline tax is used for the operation and maintenance of streets.

TVA Tax Distribution Fund - This fund is used to account for contributions to the school system.

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

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

Correctional Fund - This fund is used to account for correction fines restricted by the State to be used for the operation and maintenance of municipal jail services and court related purposes.

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

Federal Forfeiture Fund - This fund used to account for sharing funds received from the U.S. Department of Justice and the U.S. Department of the Treasury. There is no approved budget for this fund.

Cemetery Fund - This fund used to account for expenditures of revenues received from cemetery services.

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

Police Block Grant Fund - This fund used to account for funds received from the state solely for police protection. There is no approved budget for this fund.

Fire CPR Fund - This fund is used to account for expenditures of revenues received from CPR services. There is no approved budget for this fund.

CITY OF MADISON, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	Gasoline Taxes and Inspection Fees Fund	TVA Tax Distribution Fund	Senior Center Donation Fund	Library Fund	Correctional Fund	Municipal Government Capital Improvement Fund	Federal Forfeiture Fund	Cemetery Fund	Domestic Violence Fund	Police Block Grant Fund	Fire CPR Fund	Total Nonmajor Governmental Funds
ASSETS												
Cash and cash equivalents	\$ 230,641	\$ 150,075	\$ 4,668	\$ 5,009	\$ -	\$ 940,537	\$ 50,267	\$ -	\$ -	\$ 1	\$ 3,156	\$ 1,384,354
Receivables, net												
Tax and tax equivalents	-	-	-	283,282	-	-	-	-	-	-	-	283,282
Grants	-	-	-	-	-	-	-	-	3,680	-	-	3,680
Other	116,383	15,273	-	-	-	-	-	-	-	-	-	131,656
Due from other funds	145	6,409	-	-	433,426	-	-	55,850	2,385	-	-	498,215
Total assets	\$ 347,169	\$ 171,757	\$ 4,668	\$ 288,291	\$ 433,426	\$ 940,537	\$ 50,267	\$ 55,850	\$ 6,065	\$ 1	\$ 3,156	\$ 2,301,187
LIABILITIES												
Accounts payable	\$ 122,646	\$ 103,001	\$ -	\$ 1,218	\$ -	\$ 2,450	\$ -	\$ -	\$ -	\$ -	\$ 135	\$ 229,450
Due to other funds	5,390	55,462	-	8,180	-	-	-	-	3,680	-	-	72,712
Deferred revenue	-	-	-	260,967	-	-	-	-	-	-	-	260,967
Total liabilities	128,036	158,463	-	270,365	-	2,450	-	-	3,680	-	135	563,129
FUND BALANCES												
Reserved for:												
Encumbrances	60,303	-	-	-	-	-	-	300	-	-	-	60,603
Restricted assets	158,830	-	4,668	17,926	433,426	938,087	50,267	55,550	2,385	1	3,021	1,664,161
Unreserved	-	13,294	-	-	-	-	-	-	-	-	-	13,294
Total fund balances	219,133	13,294	4,668	17,926	433,426	938,087	50,267	55,850	2,385	1	3,021	1,738,058
Total liabilities and fund balances	\$ 347,169	\$ 171,757	\$ 4,668	\$ 288,291	\$ 433,426	\$ 940,537	\$ 50,267	\$ 55,850	\$ 6,065	\$ 1	\$ 3,156	\$ 2,301,187

CITY OF MADISON, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Gasoline Taxes and Inspection Fees Fund	TVA Tax Distribution Fund	Senior Center Donation Fund	Library Fund	Correctional Fund	Municipal Government Capital Improvement Fund	Federal Forfeiture Fund	Cemetery Fund	Domestic Violence Fund	Police Block Grant Fund	Fire CPR Fund	Total Nonmajor Governmental Funds
REVENUES												
Intergovernmental:												
Gasoline taxes	\$ 572,381	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 572,381
Local gasoline taxes	362,338	-	-	-	-	-	-	-	-	-	-	362,338
TVA tax proceeds	-	79,360	-	-	-	-	-	-	-	-	-	79,360
Property tax	-	-	-	268,074	-	-	-	-	-	-	-	268,074
Grant	-	-	-	-	-	-	-	-	19,465	-	-	19,465
Other revenues	-	-	-	-	-	209,817	441	-	-	-	-	210,258
Charges for services	-	-	-	-	-	-	-	44,275	-	-	2,696	46,971
Fines	-	-	-	-	381,581	-	-	-	-	-	-	381,581
Investment earnings	16,475	2,894	121	3,058	-	21,319	1,338	-	-	-	-	45,205
Total revenues	951,194	82,254	121	271,132	381,581	231,136	1,779	44,275	19,465	-	2,696	1,985,633
EXPENDITURES												
Current:												
General Administration	-	51,584	-	528,829	-	-	-	-	-	-	-	580,413
Police Protection	-	-	-	-	-	-	-	-	33,850	-	-	33,850
Public Works	1,408,477	-	-	-	-	-	-	33,162	-	-	-	1,441,639
Fire	-	-	-	-	-	-	-	-	-	-	1,135	1,135
Capital outlay	27,544	-	-	-	-	2,450	-	3,094	-	-	-	33,088
Total expenditures	1,436,021	51,584	-	528,829	-	2,450	-	36,256	33,850	-	1,135	2,090,125
Excess (deficiency) of revenues over (under) expenditures	(484,827)	30,670	121	(257,697)	381,581	228,686	1,779	8,019	(14,385)	-	1,561	(104,492)
OTHER FINANCING SOURCES (USES)												
Transfers from other funds	-	-	-	249,043	-	-	-	-	14,385	-	-	263,428
Transfers to other funds	-	(27,776)	-	-	(238,691)	-	-	-	-	-	-	(266,467)
Total other financing sources (uses)	-	(27,776)	-	249,043	(238,691)	-	-	-	14,385	-	-	(3,039)
Net change in fund balances	(484,827)	2,894	121	(8,654)	142,890	228,686	1,779	8,019	-	-	1,561	(107,531)
Fund balances - beginning of year	703,960	10,400	4,547	26,580	290,536	709,401	48,488	47,831	2,385	1	1,460	1,845,589
Fund balances - end of year	\$ 219,133	\$ 13,294	\$ 4,668	\$ 17,926	\$ 433,426	\$ 938,087	\$ 50,267	\$ 55,850	\$ 2,385	\$ 1	\$ 3,021	\$ 1,738,058

**CITY OF MADISON, ALABAMA
 GASOLINE TAXES AND INSPECTION FEES FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Intergovernmental:			
State gasoline taxes	\$ 594,250	\$ 572,381	\$ (21,869)
Local 2-cent gasoline taxes	335,000	362,338	27,338
Investment earnings	15,000	16,475	1,475
Total revenues	944,250	951,194	6,944
EXPENDITURES			
Current:			
Public Works	1,425,928	1,408,477	17,451
Capital Outlay	205,404	27,544	177,860
Debt Service:			
Principal	19,820	-	19,820
Interest	5,091	-	5,091
Total expenditures	1,656,243	1,436,021	220,222
Excess (deficiency) of revenues over (under) expenditures	(711,993)	(484,827)	227,166
OTHER FINANCING SOURCES			
Capital leases	120,000	-	(120,000)
Total other financing sources	120,000	-	(120,000)
Net change in fund balance	(591,993)	(484,827)	107,166
Fund balance - beginning of year	703,960	703,960	-
Fund balance - end of year	\$ 111,967	\$ 219,133	\$ 107,166

CITY OF MADISON, ALABAMA
TVA TAX DISTRIBUTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Intergovernmental:			
TVA tax proceeds	\$ 63,103	\$ 79,360	\$ 16,257
Investment earnings	1,638	2,894	1,256
	Total revenues	82,254	17,513
EXPENDITURES			
Current:			
General Administration	46,017	51,584	(5,567)
	Total expenditures	51,584	(5,567)
Excess of revenues over expenditures	18,724	30,670	11,946
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(22,586)	(27,776)	(5,190)
	Total other financing sources (uses)	(27,776)	(5,190)
Net change in fund balance	(3,862)	2,894	6,756
Fund balance - beginning of year	10,400	10,400	-
Fund balance - end of year	\$ 6,538	\$ 13,294	\$ 6,756

CITY OF MADISON, ALABAMA
 SENIOR CENTER DONATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Donations	\$ -	\$ -	\$ -
Investment earnings	80	121	41
Total revenues	<u>80</u>	<u>121</u>	<u>41</u>
Net change in fund balance	80	121	41
Fund balance - beginning of year	<u>4,547</u>	<u>4,547</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 4,627</u></u>	<u><u>\$ 4,668</u></u>	<u><u>\$ 41</u></u>

CITY OF MADISON, ALABAMA
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Intergovernmental:			
Property tax	\$ 248,540	\$ 268,074	\$ 19,534
Investment earnings	2,000	3,058	1,058
	<hr/>	<hr/>	<hr/>
Total revenues	250,540	271,132	20,592
EXPENDITURES			
Current:			
General Administration	524,561	528,829	(4,268)
	<hr/>	<hr/>	<hr/>
Total expenditures	524,561	528,829	(4,268)
Excess (deficiency) of revenues over (under) expenditures	(274,021)	(257,697)	16,324
OTHER FINANCING SOURCES			
Transfers from other funds	249,047	249,043	(4)
	<hr/>	<hr/>	<hr/>
Total other financing sources	249,047	249,043	(4)
Net change in fund balance	(24,974)	(8,654)	16,320
Fund balance - beginning of year	26,580	26,580	-
	<hr/>	<hr/>	<hr/>
Fund balance - end of year	\$ 1,606	\$ 17,926	\$ 16,320
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF MADISON, ALABAMA
CORRECTIONAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Fines	\$ 275,000	\$ 381,581	\$ 106,581
Total revenues	275,000	381,581	106,581
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(238,691)	(238,691)	-
Total other financing sources (uses)	(238,691)	(238,691)	-
Net change in fund balance	36,309	142,890	106,581
Fund balance - beginning of year	290,536	290,536	-
Fund balance - end of year	<u>\$ 326,845</u>	<u>\$ 433,426</u>	<u>\$ 106,581</u>

CITY OF MADISON, ALABAMA
MUNICIPAL GOVERNMENT CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Other revenues	\$ 209,816	\$ 209,817	\$ 1
Investment earnings	12,800	21,319	8,519
Total revenues	222,616	231,136	8,520
EXPENDITURES			
Capital Outlay	80,000	2,450	77,550
Total expenditures	80,000	2,450	77,550
Excess of revenues over expenditures	142,616	228,686	86,070
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(300,000)	-	300,000
Total other financing sources (uses)	(300,000)	-	300,000
Net change in fund balance	(157,384)	228,686	386,070
Fund balance - beginning of year	709,401	709,401	-
Fund balance - end of year	<u>\$ 552,017</u>	<u>\$ 938,087</u>	<u>\$ 386,070</u>

CITY OF MADISON, ALABAMA
CEMETERY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Charges for services	\$ 29,100	\$ 44,275	\$ 15,175
Total revenues	29,100	44,275	15,175
EXPENDITURES			
Current:			
Public Works	40,620	33,162	7,458
Capital Outlay	25,000	3,094	21,906
Total expenditures	65,620	36,256	29,364
Net change in fund balance	(36,520)	8,019	44,539
Fund balance - beginning of year	47,831	47,831	-
Fund balance - end of year	\$ 11,311	\$ 55,850	\$ 44,539

CITY OF MADISON, ALABAMA
DOMESTIC VIOLENCE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Intergovernmental:			
Grant	\$ 32,128	\$ 19,465	\$ (12,663)
Total revenues	32,128	19,465	(12,663)
EXPENDITURES			
Current:			
Police Protection	75,213	33,850	41,363
Total expenditures	75,213	33,850	41,363
Excess (deficiency) of revenues over (under) expenditures	(43,085)	(14,385)	28,700
OTHER FINANCING SOURCES			
Transfers from other funds	40,700	14,385	(26,315)
Total other financing sources (uses)	40,700	14,385	(26,315)
Net change in fund balance	(2,385)	-	2,385
Fund balance - beginning of year	2,385	2,385	-
Fund balance - end of year	\$ -	\$ 2,385	\$ 2,385



NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

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

1998-C Bond Fund - This fund is used to account for the accumulation of resources for the payment of the general obligation warrants dated September 1, 1998. The ½-cent sales tax and the 5½-mill property tax will provide 100% of the debt service requirements for the outstanding general obligation warrants.

2005 Bond Fund - This fund is used to account for the accumulation of resources for the payment of the general obligation school warrants dated April 1, 2005. The ½-cent sales tax and the 5½-mill property tax will provide 100% of the debt service requirements for the outstanding general obligation warrants.

2006 Bond Fund - This fund is used to account for the accumulation of resources for the payment of the general obligation school warrants dated December 1, 2006. The ½-cent sales tax and the 5½-mill property tax will provide 100% of the debt service requirements for the outstanding general obligation warrants.

**CITY OF MADISON, ALABAMA
DEBT SERVICE FUND
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

	1998-C Bond Fund	2005 Bond Fund	2006 Bond Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash with fiscal agent	\$ -	\$ 484,772	\$ 23,774	\$ 508,546
Total assets	<u>\$ -</u>	<u>\$ 484,772</u>	<u>\$ 23,774</u>	<u>\$ 508,546</u>
FUND BALANCES				
Reserved	\$ -	\$ 484,772	\$ 23,774	\$ 508,546
Total fund balances	<u>\$ -</u>	<u>\$ 484,772</u>	<u>\$ 23,774</u>	<u>\$ 508,546</u>

**CITY OF MADISON, ALABAMA
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	1998-C Bond Fund	2005 Bond Fund	2006 Bond Fund	Total Nonmajor Governmental Funds
REVENUES				
Investment earnings	\$ -	\$ 2,727	\$ 3,177	\$ 5,904
Total revenues	-	2,727	3,177	5,904
EXPENDITURES				
Current:				
General Administration	7	140	182	329
Debt service:				
Principal	-	425,000	-	425,000
Interest	-	933,000	1,708,919	2,641,919
Total expenditures	7	1,358,140	1,709,101	3,067,248
Excess (deficiency) of revenues over (under) expenditures	(7)	(1,355,413)	(1,705,924)	(3,061,344)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	1,345,994	1,708,919	3,054,913
Total other financing sources (uses)	-	1,345,994	1,708,919	3,054,913
Net changes in fund balances	(7)	(9,419)	2,995	(6,431)
Fund balances - beginning of year	7	494,191	20,779	514,977
Fund balances - end of year	\$ -	\$ 484,772	\$ 23,774	\$ 508,546

CITY OF MADISON, ALABAMA
2005 BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment earnings	\$ 1,600	\$ 2,727	\$ 1,127
Total revenues	1,600	2,727	1,127
EXPENDITURES			
Current:			
General Administration	200	140	60
Debt Service:			
Principal	425,000	425,000	-
Interest	933,000	933,000	-
Total expenditures	1,358,200	1,358,140	60
Excess (deficiency) of revenues over (under) expenditures	(1,356,600)	(1,355,413)	1,187
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	1,358,000	1,345,994	(12,006)
Total other financing sources (uses)	1,358,000	1,345,994	(12,006)
Net change in fund balance	1,400	(9,419)	(10,819)
Fund balance - beginning of year	494,191	494,191	-
Fund balance - end of year	<u>\$ 495,591</u>	<u>\$ 484,772</u>	<u>\$ (10,819)</u>

CITY OF MADISON, ALABAMA
2006 BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment earnings	\$ 2,500	\$ 3,177	\$ 677
Total revenues	2,500	3,177	677
EXPENDITURES			
Current:			
General Administration	50	182	(132)
Debt Service:			
Interest	1,709,020	1,708,919	101
Total expenditures	1,709,070	1,709,101	(31)
Excess (deficiency) of revenues over (under) expenditures	(1,706,570)	(1,705,924)	646
OTHER FINANCING SOURCES AND (USES)			
Transfers from other funds	1,708,920	1,708,919	(1)
Total other financing sources and (uses)	1,708,920	1,708,919	(1)
Net change in fund balance	2,350	2,995	645
Fund balance - beginning of year	20,779	20,779	-
Fund balance - end of year	\$ 23,129	\$ 23,774	\$ 645



NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

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

Forward Purchase Bond Account - This fund is used to account for the Forward Purchase contract fees for the series 1995 General Obligation Warrants.

2001 Capital Improvement Fund - This fund used to account for a variety of public works projects and various capital improvements in the City consisting of public safety, recreation and other improvements. Financing was provided by the sale of general obligation warrants date June 1, 2001, \$10,890,000 (advance refunding of the general obligation warrants dated August 1, 1997).

CITY OF MADISON, ALABAMA
 CAPITAL PROJECTS FUNDS
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2008

	Forward Purchase Bond Fund	2001 Capital Improvement Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,487	\$ 4,258	\$ 5,745
Due from other funds	35,289	6,748	42,037
Total assets	\$ 36,776	\$ 11,006	\$ 47,782
 FUND BALANCES			
Reserved for:			
Encumbrances	\$ -	\$ -	\$ -
Capital projects	36,776	11,006	47,782
Total fund balances	\$ 36,776	\$ 11,006	\$ 47,782

CITY OF MADISON, ALABAMA
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Forward Purchase Bond Account	2001 Capital Improvement Fund	Total Nonmajor Governmental Funds
REVENUES			
Investment earnings	\$ 1,630	\$ 485	\$ 2,115
Other revenues	2	400	402
Total revenues	<u>1,632</u>	<u>885</u>	<u>2,517</u>
EXPENDITURES			
Capital outlay	895	-	895
Total expenditures	<u>895</u>	<u>-</u>	<u>895</u>
Net change in fund balances	737	885	1,622
FUND BALANCE AT BEGINNING OF YEAR	<u>36,039</u>	<u>10,121</u>	<u>46,160</u>
FUND BALANCE AT END OF YEAR	<u>\$ 36,776</u>	<u>\$ 11,006</u>	<u>\$ 47,782</u>



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

CITY OF MADISON, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
SEPTEMBER 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Governmental funds capital assets:		
Land	\$ 24,732,935	\$ 21,479,874
Buildings	10,933,085	10,929,076
Improvements to buildings	1,555,702	1,030,037
Improvements other than buildings	1,870,289	1,594,828
Machinery and equipment	14,524,782	12,140,743
Infrastructure	132,199,512	121,841,556
Other	7,000	-
Construction in progress	<u>3,061,434</u>	<u>4,343,851</u>
 Total governmental funds capital assets	 <u>\$ 188,884,739</u>	 <u>\$ 173,359,965</u>
 Investments in governmental funds capital assets by source:		
Current revenues	\$ 52,704,358	\$ 48,060,812
Federal and state grants	1,804,095	1,261,326
Donations	<u>134,376,286</u>	<u>124,037,827</u>
 Total investments in governmental funds capital assets	 <u>\$ 188,884,739</u>	 <u>\$ 173,359,965</u>

CITY OF MADISON, ALABAMA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 September 30, 2008

Function and Activity	Land	Buildings	Improvements to Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Other	Construction in Progress	Total
General Government:									
General Administration	\$ 1,642,270	\$ 3,275,439	\$ 1,297,098	\$ 22,552	\$ 521,138	\$ 3,694	\$ -	\$ 12,375	\$ 6,774,566
City Clerk	-	-	-	-	70,725	-	-	-	70,725
Court Clerk	-	-	-	-	62,297	-	-	-	62,297
City Council	-	-	-	-	68,592	-	-	-	68,592
Finance	-	2,175	-	22,707	190,290	-	-	-	215,172
Human Resources	-	-	-	-	36,631	-	-	-	36,631
Mayor's Office	-	-	-	-	39,240	-	-	-	39,240
Revenue	-	-	5,512	-	28,890	-	-	-	34,402
Information Technology	-	-	-	-	103,703	-	-	-	103,703
Legal	-	-	-	-	6,226	-	-	-	6,226
Total General Government	1,642,270	3,277,614	1,302,610	45,259	1,127,732	3,694	-	12,375	7,411,554
Public Safety:									
Police Protection	-	6,139	50,146	-	3,703,897	-	7,000	18,375	3,785,557
Fire	134,000	2,133,097	18,841	153,501	4,259,129	-	-	4,900	6,703,468
Planning and Building	-	-	-	-	220,316	-	-	-	220,316
Total Public Safety	134,000	2,139,236	68,987	153,501	8,183,342	-	7,000	23,275	10,709,341
Highways and Streets:									
Public Works	21,243,656	240,753	-	75,333	3,804,684	132,192,818	-	2,803,405	160,360,649
Engineering	-	-	-	-	118,607	-	-	-	118,607
Total Highways and Streets	21,243,656	240,753	-	75,333	3,923,291	132,192,818	-	2,803,405	160,479,256
Culture and Recreation									
Parks and Recreation	1,713,009	5,275,482	104,125	1,594,406	1,183,209	3,000	-	219,929	10,093,160
Senior Center	-	-	79,980	1,790	107,208	-	-	2,450	191,428
Total Culture and Recreation	1,713,009	5,275,482	184,105	1,596,196	1,290,417	3,000	-	222,379	10,284,588
Total Governmental Funds									
Capital Assets	\$ 24,732,935	\$ 10,933,085	\$ 1,555,702	\$ 1,870,289	\$ 14,524,782	\$ 132,199,512	\$ 7,000	\$ 3,061,434	\$ 188,884,739

CITY OF MADISON, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets Oct. 1, 2007</u>	<u>Additions</u>	<u>Transfers In (Out)</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets Sept. 30, 2008</u>
General Government:					
General Administration	\$ 6,360,348	\$ 414,218	\$ -	\$ -	\$ 6,774,566
City Clerk	70,645	-	949	(869)	70,725
Court Clerk	63,488	5,443	-	(6,634)	62,297
City Council	65,835	5,291	-	(2,534)	68,592
Finance	169,956	45,216	-	-	215,172
Human Resources	38,268	-	-	(1,637)	36,631
Mayor's Office	19,643	21,148	-	(1,551)	39,240
Revenue	30,246	7,097	-	(2,941)	34,402
Information Technology	102,188	2,000	-	(485)	103,703
Legal	6,226	-	-	-	6,226
Total General Government	6,926,843	500,413	949	(16,651)	7,411,554
Public Safety:					
Police Protection	2,983,918	917,974	-	(116,335)	3,785,557
Fire	5,832,975	896,358	(13,098)	(12,767)	6,703,468
Planning and Building	241,863	34,420	(42,817)	(13,150)	220,316
Total Public Safety	9,058,756	1,848,752	(55,915)	(142,252)	10,709,341
Highways and Streets:					
Public Works	147,508,965	12,879,724	22,334	(50,374)	160,360,649
Engineering	91,880	23,237	3,490	-	118,607
Total Highways and Streets	147,600,845	12,902,961	25,824	(50,374)	160,479,256
Culture and Recreation:					
Parks and Recreation	9,588,376	534,773	-	(29,989)	10,093,160
Senior Center	155,145	34,601	29,142	(27,460)	191,428
Total Culture and Recreation	9,743,521	569,374	29,142	(57,449)	10,284,588
Total Governmental Funds Capital Assets	\$ 173,329,965	\$ 15,821,500	\$ -	\$ (266,726)	\$ 188,884,739

STATISTICAL SECTION - PART III



Schedule 1
CITY OF MADISON, ALABAMA
Net Assets by Activities Type
Last Six Years

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Primary government						
Invested in capital assets, net of related debt	\$ 13,924,216	\$ 22,619,851	\$ 29,629,406	\$ 39,911,335	\$ 127,888,947	\$ 135,040,184
Restricted	11,321,571	8,912,225	8,734,990	9,054,091	15,559,292	15,011,198
Unrestricted	<u>(92,949,757)</u>	<u>(90,415,420)</u>	<u>(87,960,100)</u>	<u>(82,616,266)</u>	<u>(88,119,158)</u>	<u>(98,298,064)</u>
Total primary government net assets	<u>\$ (67,703,970)</u>	<u>\$ (58,883,344)</u>	<u>\$ (49,595,704)</u>	<u>\$ (33,650,840)</u>	<u>\$ 55,329,081</u>	<u>\$ 51,753,318</u>

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

Information prior to fiscal year 2003 is not available.

Schedule 2
CITY OF MADISON, ALABAMA
Changes in Net Assets
Last Six Years

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Primary government:						
Governmental activities:						
General Administration	\$ 1,394,540	\$ 1,498,013	\$ 1,843,331	\$ 1,637,763	\$ 2,243,804	\$ 13,864,248
Police Protection	3,597,210	3,792,077	4,224,855	4,492,227	5,076,097	5,777,771
Public Works	3,128,318	3,195,581	3,519,441	3,683,936	6,512,629	7,542,282
City Clerk	509,185	497,313	514,980	593,326	600,855	716,232
Recreation	1,648,624	1,722,553	1,735,813	1,807,848	2,139,803	2,428,165
Fire	2,535,675	3,083,500	3,415,526	3,794,817	4,346,954	4,827,449
Planning and Building	646,654	670,844	1,113,999	1,108,540	950,345	1,044,590
Court	733,894	782,283	728,975	820,348	977,773	1,141,156
City Council	194,887	148,081	166,347	166,233	164,042	136,565
Finance	336,586	325,728	412,043	676,174	933,230	975,935
Human Resources	1,668,221	2,001,359	2,334,041	2,607,912	2,943,704	3,197,955
Mayor's Office	215,210	221,062	205,702	222,821	294,973	240,042
Revenue	164,043	172,564	177,909	193,477	271,231	267,950
Engineering	317,077	508,776	-	-	370,309	475,749
Senior Center	192,828	205,440	221,414	240,054	247,233	264,757
Information Technology	165,658	264,432	195,542	-	-	-
Legal	321,162	331,916	238,394	270,325	342,431	353,696
Interest on long-term debt	5,242,670	5,339,585	5,187,096	5,052,733	5,325,401	5,561,260
Total primary government expenses	<u>\$ 23,012,442</u>	<u>\$ 24,761,107</u>	<u>\$ 26,235,408</u>	<u>\$ 27,368,534</u>	<u>\$ 33,740,814</u>	<u>\$ 48,815,802</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General Administration	\$ 2,276,788	\$ 2,527,571	\$ 3,291,409	\$ 3,883,220	\$ 4,309,020	\$ 4,386,155
Police Protection	815,943	775,629	726,247	929,819	1,301,002	1,431,594
Public Works	268,497	281,387	557,889	701,200	885,562	959,913
Recreation	203,199	213,074	212,315	199,431	196,753	211,911
Fire	-	-	876	1,820	1,750	195,696
Planning and Building	47,487	70,134	68,826	116,540	63,093	46,985
Operating grants and contributions	275,534	462,353	571,702	719,661	798,730	538,991
Capital grants and contributions	5,694,581	7,551,944	5,818,671	10,809,511	6,007,246	11,684,556
Total governmental activities program revenues	<u>9,582,029</u>	<u>11,882,092</u>	<u>11,247,935</u>	<u>17,361,202</u>	<u>13,563,156</u>	<u>19,455,801</u>

Schedule 2
CITY OF MADISON, ALABAMA
Changes in Net Assets
Last Six Years

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General Revenues and other Changes in Net Assets						
Property taxes and payments in lieu of taxes	4,038,035	4,363,486	4,977,999	5,840,049	6,365,870	7,841,325
Sales and use taxes	8,950,553	9,594,767	10,262,568	11,415,565	12,243,150	12,505,291
Franchise taxes	223,573	221,689	254,292	264,641	272,468	221,258
Motor fuel taxes	864,166	855,290	901,617	901,443	953,992	934,719
Alcoholic beverage taxes	749,075	683,839	714,943	769,249	828,045	839,850
Rental taxes	362,116	339,205	323,682	355,019	408,314	452,728
Lodging taxes	420,887	669,228	766,627	872,677	909,090	968,545
Other taxes	172,257	318,803	377,061	483,421	218,401	264,834
Unrestricted investment earnings	237,034	130,950	241,056	447,027	1,168,713	724,089
Miscellaneous	-	4,618,776	5,614,248	4,761,282	18,314,482	5,355,535
Gain (loss) on sale of fixed assets	(504)	(96,392)	(158,980)	(158,177)	(99,468)	15,581
Transfers	(17,076,132)	-	-	-	-	-
Total governmental activities	<u>(1,058,940)</u>	<u>21,699,641</u>	<u>24,275,113</u>	<u>25,952,196</u>	<u>41,583,057</u>	<u>30,123,755</u>
Total primary government	<u>\$ 8,523,089</u>	<u>\$ 33,581,733</u>	<u>\$ 35,523,048</u>	<u>\$ 43,313,398</u>	<u>\$ 55,146,213</u>	<u>\$ 49,579,556</u>
Changes in Net Assets						
Governmental activities	<u>\$(14,489,353)</u>	<u>\$ 8,820,626</u>	<u>\$ 9,287,640</u>	<u>\$ 15,944,864</u>	<u>\$ 21,405,399</u>	<u>\$ 763,754</u>
Total primary government	<u>\$(14,489,353)</u>	<u>\$ 8,820,626</u>	<u>\$ 9,287,640</u>	<u>\$ 15,944,864</u>	<u>\$ 21,405,399</u>	<u>\$ 763,754</u>

Source: Comprehensive annual financial reports beginning with fiscal year 2003 which was the implementation year for GASB Statement 34. Information prior to fiscal year 2003 is not available.



Schedule 3
CITY OF MADISON, ALABAMA
Fund Balances of Governmental Funds
Last Six Years

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General Fund						
Reserved	\$ 376,410	\$ 1,180,616	\$ 821,403	\$ 1,271,389	\$ 1,307,743	\$ 1,251,195
Unreserved	2,323,275	1,555,491	2,190,712	3,855,965	5,667,055	5,858,033
Total general fund	<u>\$ 2,699,685</u>	<u>\$ 2,736,107</u>	<u>\$ 3,012,115</u>	<u>\$ 5,127,354</u>	<u>\$ 6,974,798</u>	<u>\$ 7,109,228</u>
All Other Governmental Funds						
Reserved	\$ 8,394,699	\$ 5,944,429	\$ 5,614,365	\$ 6,082,274	\$ 15,870,504	\$ 14,517,312
Unreserved, reported in						
Special revenue funds	389,544	204,314	200,855	491,002	10,400	13,294
Debt service funds	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 8,784,243</u>	<u>\$ 6,148,743</u>	<u>\$ 5,815,220</u>	<u>\$ 6,573,276</u>	<u>\$ 15,880,904</u>	<u>\$ 14,530,606</u>
Total all governmental funds	<u>\$ 11,483,928</u>	<u>\$ 8,884,850</u>	<u>\$ 8,827,335</u>	<u>\$ 11,700,630</u>	<u>\$ 22,855,702</u>	<u>\$ 21,639,834</u>

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

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Revenues						
Taxes	\$ 13,968,476	\$ 15,230,729	\$ 16,324,294	\$ 19,085,131	\$ 20,733,461	\$ 22,371,904
Licenses and permits	2,162,875	2,299,540	2,950,878	3,752,459	4,157,453	4,386,155
Intergovernmental	1,910,436	2,448,784	2,289,579	1,906,605	1,947,433	1,886,180
Charges for services	585,407	636,908	918,152	1,083,486	1,312,147	1,429,827
Fines	785,322	752,292	708,177	913,974	1,287,580	1,416,272
Investment earnings	237,034	130,950	241,056	447,027	1,168,713	724,089
Contributions and donations	17,745	79,092	11,178	10,471	48,606	24,058
Other revenues	185,253	5,633,724	5,342,174	5,685,364	5,556,776	5,717,872
Total revenues	19,852,548	27,212,019	28,785,488	32,884,517	36,212,169	37,956,357
Expenditures						
General administration	1,179,019	1,342,417	1,175,864	1,360,195	1,250,802	1,580,257
Police	3,437,120	3,620,001	4,048,121	4,337,096	4,888,887	5,477,041
Public works	2,965,584	2,940,409	3,075,737	3,118,878	3,950,504	4,723,666
City clerk	504,695	492,853	510,793	589,262	596,897	711,846
Recreation	1,460,023	1,502,170	1,513,105	1,599,819	1,928,529	2,177,594
Fire	2,418,808	2,920,934	3,201,289	3,579,012	4,127,248	4,460,077
Planning and Building	636,677	660,742	1,096,434	1,088,186	935,285	1,015,373
Court	730,278	778,990	725,414	816,962	973,634	1,136,203
City council	193,299	146,493	164,692	163,735	161,141	127,562
Finance	327,814	316,854	403,115	658,035	914,484	964,909
Human resources	1,665,838	1,998,967	2,331,458	2,605,761	2,941,506	3,195,076
Mayor's office	213,934	219,818	204,634	221,642	293,795	234,878
Revenue	164,043	170,955	174,212	191,697	269,254	265,641
Engineering	312,273	502,861	-	-	365,580	466,412
Senior center	187,685	198,251	214,903	230,697	238,550	255,041
Information technology	159,160	256,366	186,124	-	-	-
Legal	321,014	331,768	238,057	269,951	342,057	353,696
Capital outlay	8,767,979	10,245,968	8,117,969	11,964,904	5,099,131	4,935,808
Debt service						
Interest	5,210,496	5,329,072	5,241,344	5,080,475	4,923,795	5,545,422
Principal	2,197,496	2,681,158	2,767,134	2,923,409	3,074,792	2,939,880
Bond issuance costs	260,316	-	206,213	-	559,525	264,695
Total expenditures	33,313,551	36,657,047	35,596,612	40,799,716	37,835,396	40,831,077
Excess of revenues over (under) expenditures	(13,461,003)	(9,445,028)	(6,811,124)	(7,915,199)	(1,623,227)	(2,874,720)

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Other Financing - Sources and Uses						
Transfers from other funds	4,185,594	4,640,911	5,076,988	5,085,410	17,698,428	5,618,438
Transfers in - component unit	3,988,552	-	-	-	-	-
Transfers to other funds	(4,185,594)	(4,640,911)	(5,076,988)	(5,085,410)	(17,698,428)	(5,618,438)
Donated assets	5,415,607	6,195,060	5,283,826	9,975,519	-	-
Sales of capital assets	60,740	40,890	13,270	36,014	35,059	23,809
Proceeds from borrowing	21,325,000	-	1,250,000	-	-	12,235,000
Refunding bond issued	-	-	18,775,000	-	37,980,000	-
Bond proceeds to refund	-	-	(18,568,787)	-	(25,707,746)	-
Bond proceeds transferred to component unit	(21,064,684)	-	-	-	-	(12,002,089)
Premium on debt issued	-	-	-	-	285,481	31,784
Capital leases	1,166,090	610,000	-	776,961	185,305	1,370,348
Other	-	-	300	-	200	-
Total other financing - sources and uses	10,891,305	6,845,950	6,753,609	10,788,494	12,778,299	1,658,852
Net change in fund balances	\$ (2,569,698)	\$ (2,599,078)	\$ (57,515)	\$ 2,873,295	\$ 11,155,072	\$ (1,215,868)
Debt service as a percentage of noncapital expenditures	30.18%	30.33%	29.14%	27.76%	24.66%	23.28%

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

Schedule 5
CITY OF MADISON, ALABAMA
GOVERNMENTAL ACTIVITIES TAX RESOURCES BY SOURCE
Last Six Year

Fiscal Year	Property Tax	Sales and Use Tax	Franchise Tax	(1)	Rental Tax	Lodging Tax	(2)	Total
				Alcoholic Beverage Tax			Other Taxes	
2003	\$ 3,796,378	\$ 8,898,555	\$ 223,573	\$ 191,026	\$ 362,116	\$ 416,387	\$ 80,441	\$ 13,968,476
2004	\$ 4,029,419	\$ 9,605,607	\$ 221,689	\$ 212,508	\$ 339,205	\$ 673,728	\$ 148,573	\$ 15,230,729
2005	\$ 4,299,572	\$ 10,278,865	\$ 254,292	\$ 212,516	\$ 323,682	\$ 766,627	\$ 188,740	\$ 16,324,294
2006	\$ 5,266,723	\$ 11,374,722	\$ 264,641	\$ 769,249	\$ 355,019	\$ 872,677	\$ 182,100	\$ 19,085,131
2007	\$ 5,813,150	\$ 12,283,993	\$ 272,468	\$ 828,045	\$ 408,314	\$ 909,090	\$ 218,401	\$ 20,733,461
2008	\$ 7,128,698	\$ 12,505,291	\$ 221,258	\$ 839,850	\$ 452,728	\$ 968,545	\$ 255,534	\$ 22,371,904

Source: Comprehensive annual financial reports beginning with fiscal year 2003.

(1) Wine tax, Liquor tax, ABC tax and Beer tax

(2) Cigarette tax, tobacco tax

Schedule 6
CITY OF MADISON, ALABAMA
Assessed Value of Taxable Property
Last Six Fiscal Years

<u>Fiscal Year Ended September 30</u>	<u>Assessed Valuation</u> <u>Amount</u>
2003	\$ 307,166,440
2004	\$ 324,910,320
2005	\$ 405,172,480
2006	\$ 434,744,620
2007	\$ 485,303,840
2008	\$ 510,952,780

Source: License Commissioner and Tax Assessor of Madison County

Schedule 7
CITY OF MADISON, ALABAMA
Principal Property Tax Payers
Current Year

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
Intergraph Corporation	Computer sales	\$ 10,938,600	1	2.14%
Colonial Realty Limited Partnership	Apartment rental	4,842,200	2	0.95%
Flagstone Investors Limited Partnership	Apartment rental	4,251,020	3	0.83%
Grand Reserve at Madison LLC	Apartment rental	3,422,320	4	0.67%
Lexington Apartments	Apartment rental	2,843,780	5	0.56%
MV Apartment LLC	Apartment rental	2,119,300	6	0.41%
Wal-Mart Stores East, #332	Department store	2,092,160	7	0.41%
Lowe's Homes Centers, Inc.	Home improvement store	1,845,320	8	0.36%
Madison Surgery Center, LLC	Medical Care	1,804,420	9	0.35%
BellSouth Telecommunications, Inc.	Telecommunications	1,683,600	10	0.33%
Total		<u>\$ 35,842,720</u>		<u>7.01%</u>

Assessed Valuation of City at September 30, 2008
\$ 510,952,780

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

Fiscal Year	General Obligation Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income*	Per Capita*
2003	\$ 108,155,000	\$ 1,386,715	\$ 109,541,715	9.11%	\$ 3,357.50
2004	\$ 105,785,000	\$ 1,685,557	\$ 107,470,557	6.97%	\$ 3,112.47
2005	\$ 104,650,000	\$ 1,363,423	\$ 106,013,423	6.35%	\$ 2,958.87
2006	\$ 102,045,000	\$ 1,821,975	\$ 103,866,975	5.71%	\$ 2,697.84
2007	\$ 112,420,000	\$ 1,514,987	\$ 113,934,987	0.00%	\$ 2,844.11
2008	\$ 122,285,000	\$ 2,315,455	\$ 124,600,455	0.00%	\$ 3,046.47

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* See Schedule 11 for personal income and population

Schedule 9
CITY OF MADISON, ALABAMA
Ratio of General Bonded Debt Outstanding
Last Six Fiscal Years

Fiscal Year	General Obligation Bonds	Total	Percentage of Actual Taxable Value of Property*	Per Capita**
2003	\$ 108,155,000	\$ 108,155,000	35.21%	\$ 3,314.99
2004	\$ 105,785,000	\$ 105,785,000	32.56%	\$ 3,063.66
2005	\$ 104,650,000	\$ 104,650,000	25.83%	\$ 2,920.82
2006	\$ 102,045,000	\$ 102,045,000	23.47%	\$ 2,650.52
2007	\$ 112,420,000	\$ 112,420,000	23.16%	\$ 2,806.29
2008	\$ 122,285,000	\$ 122,285,000	23.93%	\$ 2,989.85

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

*See Schedule 6 for property value data.

**Population data can be found in Schedule 11.

Schedule 10
CITY OF MADISON, ALABAMA
Legal Debt Margin Information
Last Ten Fiscal Years

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 42,282,880	\$ 46,944,118	\$ 55,022,504	\$ 59,002,296	\$ 61,433,288	\$ 64,982,064	\$ 81,034,496	\$ 86,948,924	\$ 97,060,768	\$ 102,190,556
Total net debt applicable to limit	<u>29,705,000</u>	<u>31,309,100</u>	<u>38,500,058</u>	<u>37,520,081</u>	<u>36,795,081</u>	<u>36,443,499</u>	<u>35,280,755</u>	<u>36,325,910</u>	<u>48,570,910</u>	<u>47,957,729</u>
Legal debt margin	<u>\$ 12,577,880</u>	<u>\$ 15,635,018</u>	<u>\$ 16,522,446</u>	<u>\$ 21,482,215</u>	<u>\$ 24,638,207</u>	<u>\$ 28,538,565</u>	<u>\$ 45,753,741</u>	<u>\$ 50,623,014</u>	<u>\$ 48,489,858</u>	<u>\$ 54,232,827</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>70.25%</u>	<u>66.69%</u>	<u>69.97%</u>	<u>63.59%</u>	<u>59.89%</u>	<u>56.08%</u>	<u>43.54%</u>	<u>41.78%</u>	<u>50.04%</u>	<u>46.93%</u>

Legal Debt Margin Calculation for Fiscal 2008:

Assessed Value	\$ 510,952,780
Debt limit (20% of total assessed value)	102,190,556
Debt Applicable to limit	
General obligation bonds	122,285,000
Less: Exempt Debt	<u>74,327,271</u>
Total net debt applicable to limit	<u>47,957,729</u>
Legal debt margin	<u>\$ 54,232,827</u>

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

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

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate*</u>
2003	32,626	\$ 1,202,355,000	\$ 36,853	4.40%
2004	34,529	\$ 1,542,555,000	\$ 44,674	3.40%
2005	35,829	\$ 1,670,025,000	\$ 46,611	2.80%
2006	38,500	\$ 1,818,180,000	\$ 47,225	2.70%
2007	40,060	-	-	4.50%
2008	40,900	-	-	2.50%

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

*Madison County

Schedule 12
CITY OF MADIISON, ALABAMA
Principal Employers
Current Year

Employer	Product	Employees	Rank	Percentage of Total City Employment
Intergraph Corporation	Computer sales	1,000	1	292.40%
Madison City School System	Education	800	2	233.92%
Wal-Mart Super Center	Department Store	430	3	125.73%
City of Madison	Municipal	342	4	100.00%
Kroger Company	Grocery Store	170	5	49.71%
Lowe's Home Improvement Warehouse	Home Improvement Store	160	6	46.78%
Winn-Dixie	Grocery Store	125	7	36.55%
Cracker Barrel	Restaurant	120	8	35.09%
Valleyview Nursing Home	Nursing Home	120	9	35.09%
Packaging Materials	Containers	115	10	33.63%
Ruby Tuesday's	Restaurant	110	11	32.16%
Bruno's	Grocery Store	100	12	29.24%
Holiday Inn	Hotel	90	13	26.32%
Halsey Grocery Company	Wholesale Food	90	14	26.32%
Madison Manor	Nursing Home	86	15	25.15%
Excellance Corporation	Ambulances	75	16	21.93%
Nextel	Electronic Equipment	74	17	21.64%
Applebee's	Restaurant	60	18	17.54%
Water and Wastewater Board	Water and Sewer Services	48	19	14.04%
SEA Wire & Cable Corporation	Computer Cable	45	20	13.16%
Label-Aid Corporation	Labels	40	21	11.70%
Total		4,200		1228.10%

Sources: City Planning Division and Finance Department
Total City Full Equivalent Employment: 342

Schedule 13
CITY OF MADISON, ALABAMA
Primary Government
Full-Time Equivalent Employees by Function/Program
Last Ten Fiscal Years

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government:										
City Clerk Department	4	4	4	4	4	4	5	5	5	5
Court Clerk Department	5	5	6	6	6	6	6	6	6	6
City Council	3	3	3	3	4	4	4	4	3	4
Finance Department	5	5	5	5	6	6	7	8	13	13
Human Resources Department	6	6	7	7	4	4	4	7	4	5
Mayor's Office	5	6	7	4	3	3	3	3	3	3
Revenue Department	3	3	3	3	3	3	3	3	4	4
Legal Department*	0	0	0	2	2	2	2	2	2	2
Public Safety:										
Police Department	65	70	75	80	80	84	92	98	106	107
Fire Department	38	39	42	42	51	51	52	58	70	70
Planning and Building Department	16	13	13	13	15	15	24	21	19	19
Streets and Highways										
Public Works Department	37	42	46	46	51	51	51	51	58	58
Engineering Department**	0	4	5	5	6	11	0	0	7	6
Parks and Recreation										
Recreation Department	37	40	37	19	32	32	32	32	33	33
Senior Center***	0	0	0	8	6	6	6	6	6	7
Total	<u>224</u>	<u>240</u>	<u>253</u>	<u>247</u>	<u>273</u>	<u>282</u>	<u>291</u>	<u>304</u>	<u>339</u>	<u>342</u>

Source: City Finance Department

*Employees are included in the Mayor's Office for 1999 thru 2001

**Employees are included in Planning and Building Department for 1999

***Employees are included in the Recreation Department for 1999 thru 2001

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

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-Station	1	1	1	1	1	0	0	0	0	0
Fire Stations	2	2	2	2	3	3	3	3	3	3
Parks and Recreation										
Recreation										
Swimming pools	2	3	3	3	3	3	3	3	3	3
Neighborhood parks	32	32	32	32	32	32	32	32	32	32
Tennis Courts	4	4	4	4	4	4	4	4	4	4
Ball fields	12	12	12	12	12	12	12	12	12	12
Soccer fields	6	6	6	6	6	6	6	6	6	6
Senior Center										
Community center (for seniors)	1	1	1	1	1	1	1	1	1	1

Source: Various city departments.



MDA PROFESSIONAL GROUP, P.C.

Certified Public Accountants and Business Consultants

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

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

Honorable Mayor and City Council
City of Madison
Madison, Alabama

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Madison (the City) as of and for the year ended September 30, 2008, which collectively comprise the City of Madison's basic financial statements and have issued our report thereon dated May 6, 2009. We did not audit the financial statements of the Water and Wastewater Board of the City of Madison and the Madison Board of Education. Those financial statements were audited by another auditor whose report has been furnished to us. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Internal Control over Financial Reporting - Continued -

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 08-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 08-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

MDA Professional Group, P.C.

MDA PROFESSIONAL GROUP, P.C.

Certified Public Accountants and Business Consultants

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Madison, Alabama with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The City of Madison, Alabama's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Madison, Alabama's management. Our responsibility is to express an opinion on the City of Madison, Alabama's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Madison, Alabama's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Madison, Alabama's compliance with those requirements.

In our opinion, the City of Madison, Alabama complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the City of Madison, Alabama is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Madison, Alabama's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Madison's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City of Madison's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Madison's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

MDA Professional Group, P.C.

Huntsville, Alabama
May 6, 2009

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF MADISON, ALABAMA

Year ended September 30, 2008

	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Bulletproof Vest Program (2006 and 2007)	16.607	-	\$ 3,990
Universal Hiring	16.710	-	59,914
Cops Technology Grant	16.710	-	54,194
Cops Technology Grant	16.710	-	534,855
<i>Passed through Alabama Department of Economic and Community Affairs:</i>			
Domestic Violence Program (Violence Against Women)	16.588	07-WF-LE-009	19,465
<i>TOTAL U.S. DEPARTMENT OF JUSTICE</i>			672,418
<u>Office of National Drug Control Policy</u>			
High Intensity Drug Trafficking Areas Program	7.999	-	9,127
<i>TOTAL OFFICE OF NATIONAL DRUG CONTROL POLICY</i>			9,127
<u>U.S. Department of Homeland Security</u>			
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.044	-	192,831
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.044	-	113,373
<i>Passed through City of Huntsville:</i>			
Mobile Data Terminals & Sustainment for Heavy Rescue Team	97.073	unknown	262
Personnel Training for Response to WMD Incidents	97.073	unknown	17,752
Personnel Training and Equipment for Response to WMD Incidents	97.073	unknown	538
<i>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</i>			324,756
<u>U.S. Department of Transportation</u>			
<i>Passed through North Alabama Highway Safety Office from Alabama Department of Economic and Community Affairs-Law Enforcement Traffic Safety Section</i>			
402 S.T.E.P. (Selective Traffic Enforcement Program) - State and Community Highway Safety	20.600	08-SP-PT-007	988
402 S.T.E.P. (Selective Traffic Enforcement Program) - State and Community Highway Safety	20.600	08-SP-PT-007	6,027
406 Seatbelt/Child Safety - Child Safety and Child Booster Seats Incentive Grants	20.613	07-HS-K4-002	2,090
410 D.U.I. - Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	06-HS-K8-012	665
<i>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</i>			9,770
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,016,071

The Accompanying Notes are an Integral Part of this Schedule

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued

CITY OF MADISON, ALABAMA

Year ended September 30, 2008

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance and federal cost-reimbursement contracts of the City of Madison. The City of Madison receives federal awards both directly from federal agencies and indirectly through pass-through entities. Federal program expenditures included in the accompanying schedule are presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

(2) Major Programs

Major programs are identified in the Summary of Auditors' Results section of the Schedule of Findings and Questioned Costs.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF MADISON, ALABAMA

Year ended September 30, 2008

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? Yes

Significant deficiencies identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Significant deficiencies identified that are not considered to be material weaknesses? None Reported

Type of auditors' report issued on compliance for major programs:

Universal Hiring	Unqualified
Cops Technology Grant	Unqualified
Cops Technology Grant	Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
16.710	Universal Hiring
16.710	Cops Technology Grant
16.710	Cops Technology Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

(continued)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF MADISON, ALABAMA

Year Ended September 30, 2008

Section II - Financial Statement Findings:

Finding 08-01: Adjustments to Unaudited Balances

Condition: Auditors made significant adjustments to the unaudited trial balance of the City. These adjustments were related to capital assets, donated capital assets, and the related depreciation at the government wide level.

Cause and Effect: During the year ended September 30, 2008, the City was required to identify and value donated capital assets and capital assets within the City consistent with the requirements of GASB Statement 34. This information was not complete when given to the auditors for review. In addition, the estimated useful lives within the depreciation system for certain capital assets had not been reviewed and were not within the City's capital asset policy resulting in a prior period adjustment related to depreciation.

Auditors' Recommendation: All data related to capital assets, donated assets, and depreciation should be reviewed and completed prior to the financial statement audit of this area.

Views of Responsible Officials and Planned Corrective Actions: This information is in the City's separate Correction Action Plan.

Response: All data compiled for the purpose of becoming a part of the financial data of the City will be properly reviewed by personnel in the Finance Department to ensure the data is correct prior to the audit of this area.

Section III - Federal Award Findings and Questioned Costs:

None.