

City of Madison, Alabama

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**Fiscal Year Ended
September 30, 2005**

Prepared by:

Finance Department



**City of Madison, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2005**

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FINANCE DEPARTMENT CITY OF MADISON, ALABAMA

January 26, 2006

Honorable Mayor Arthur S. Kirkindall
Members of the City Council and
Citizens of the City of Madison, Alabama

The Comprehensive Annual Financial Report (CAFR) of the City of Madison, Alabama (the City) for the fiscal year ended September 30, 2005, is hereby submitted. Responsibility for both accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the information, as presented, is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Report

The CAFR is presented in three sections:

1. **Introductory Section** - includes this letter of transmittal, organizational chart, a list of the City's elected officials and a list of department heads.
2. **Financial Section** - includes the 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 as well as the independent auditor's report on the financial statements and 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.

This is the third year the City prepared the CAFR using the financial reporting requirements as prescribed by GASB Statement No 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. GASB Statement 34 requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). The MD&A should be read in conjunction with this letter of transmittal which can be found immediately following the Independent Auditor's Report.

3. **Statistical Section** - includes financial and demographic information, generally presented on a multi-year basis. The statistical section has not been audited.

Profile of the City

The City was incorporated in 1869, and 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 35,829.

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 done periodically when deemed appropriately by the governing council.

The City has operated under the Mayor-Council form of government since 1989. The City is governed by a City Council consisting of seven (7) members. Members of the Council serve on a part-time basis. The Mayor and 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 320 employees including eleven (11) 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	Senior Center
Planning, Engineering and Building	Legal
Court	

The City provides a full range of municipal services which include police, fire protection and suppression and emergency medical services, municipal court, land use planning, building permits and inspection activities, construction and maintenance of streets, sidewalks and other public facilities. The City also provides public library services, sanitation trash services, two 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 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 2005. 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.

In April, the City refunded the 1995 general obligation bonds. This transaction net \$1,250,000 of bond proceeds which was added to the resources of the Capital Improvements Program.

During the year, the City constructed \$26,084 of safety speed bumps in designated subdivisions to enhance traffic control.

Management consolidated the operations of the Community Development and Engineering Department and formed a new department Planning, Engineering and Building.

During the year, the City entered into a joint venture with Madison County and the City of Huntsville and constructed repairs to Slaughter Road. The use of the road is shared by the three (3) entities.

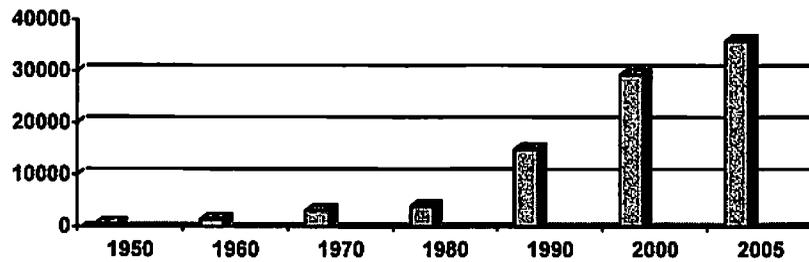
In conjunction with the downtown preservation project, guard rails for safety improvements were constructed on Martin Street and Garner Street.

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 of Madison's population grew by 3.76 percent from 34,529 in 2004 to 35,829 in 2005. The City's population grew 19.30 percent between 2000 and 2004. Madison is ranked 11th among Alabama cities.

City of Madison Population



Although mortgage rates are on the rise, new home sales in Madison continue to grow. Single family permits increased from 624 in 2004 to 697 in 2005. This represents an 11.70 percent increase. The average household size is 2.61. High-tech industries located within the corporate limits and within close proximity provide residents with some of the highest salaries in the Southeast. The average household income for 2005 was \$72,432.

A vast majority of the City's residents are employed in managerial and professional jobs. The unemployment rate was 3.40 percent in 2005. 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 they are expected to grow with more retail businesses, office buildings, light industrial companies and restaurants. These areas are prime growth areas of the City.

Long-term Financing Planning

At September 30, 2005, the City had \$4,078,118 reserved for capital improvements projects. During 2005, the City refunded its 1995 bonds. The City received proceeds in the amount of \$1,250,000 from this transaction. This amount is a portion of the capital reserve. The City Capital Improvements Program consists of three (3) categories which are building and facilities, parks and recreation, and infrastructure. The building and facilities project is for renovations to the municipal complex. The parks and recreation project is for improvements to greenway trail. The infrastructure improvements include sidewalks, streets and intersections and drainage. Funding of these projects was provided with bond proceeds, gas tax revenue and the City's share of the municipal government capital improvement fund.

Other projects have been identified for consideration for the capital improvements program but the funding sources have not been finalized. Once the funding sources are finalized, the projects become a part of the City's funded Capital Improvements Program.

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 \$241,056.

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 is provided protection in the areas of comprehensive general liability, auto liability, law enforcement, and officials' liability coverage. Premiums are paid 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. Premiums are paid 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 paid for out of the operating budget.

Financial Information

Management of the City is responsible for establishing and maintaining an internal control structure design to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America.

The internal controls structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budget

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

State law requires that the City Council appropriates 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.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds for which a budget was adopted. 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 budget preparation is coordinated through the Mayor's Office and the Finance Department. Each department receives a budget preparation package that includes budget schedule, budgetary guidelines, forms, instructions and year-to-date budget reports.

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 Finance Department, Mayor and Department Heads, as required, to review the proposed budget.

The City Council Finance Committee makes recommended changes to the proposed budget. The Finance Department consolidates all changes in the budget report. 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 has been adopted. For the general fund, this comparison is presented on page 23 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, which starts on page 62.

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, 2005.

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. 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.

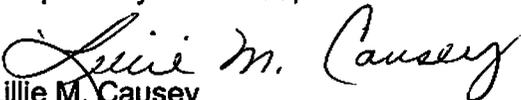
A Certificate of Achievement is valid for a period of one year only.

Acknowledgments

This report was prepared by the dedicated efforts of the City's finance department staff. Each member of the finance department has my sincere appreciation for the contributions made in the preparation of this report. I would like to express my gratitude to the Mayor and City Council for their interest and support in managing the financial affairs of the City in a responsible and progressive manner.

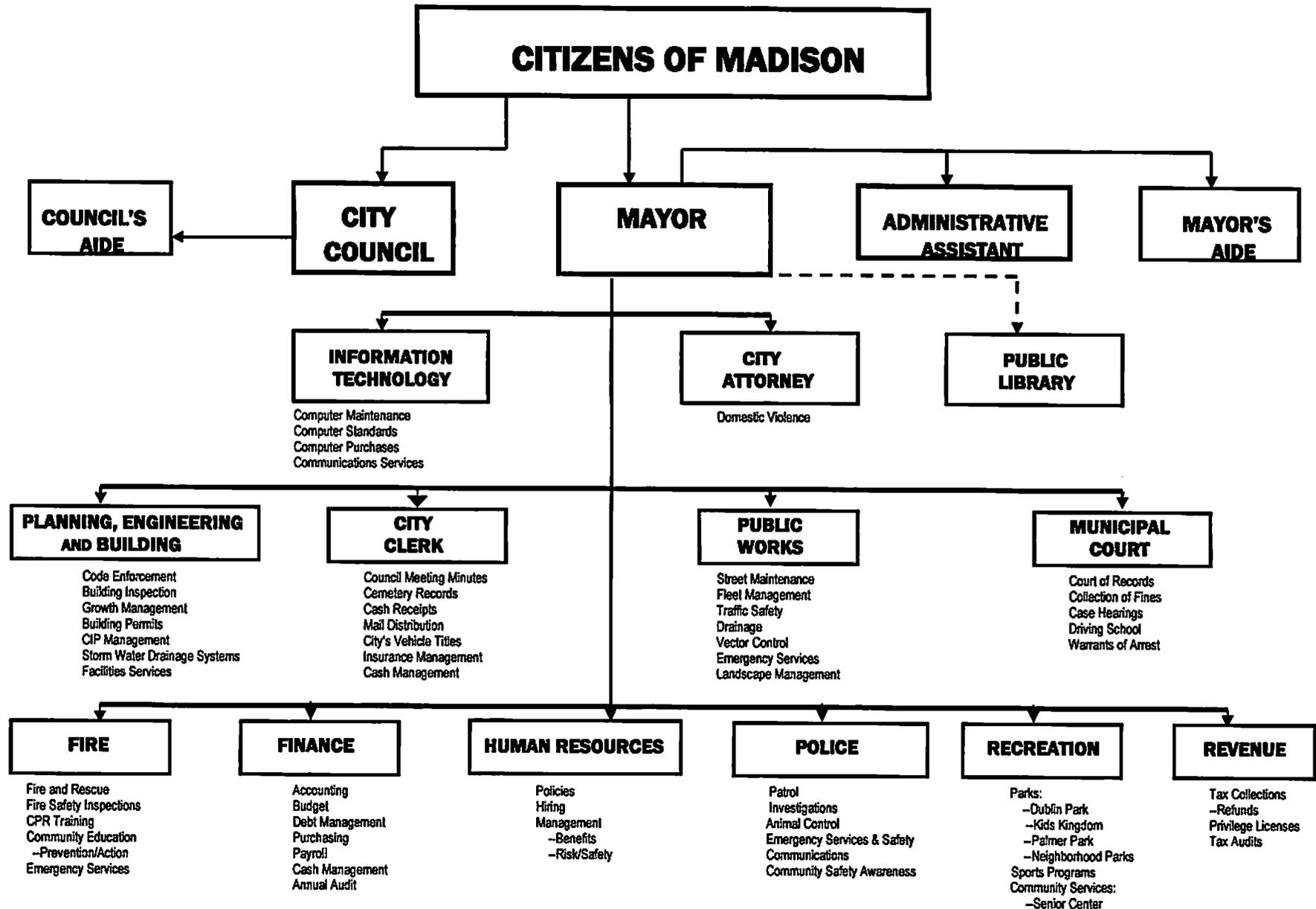
Acknowledgment is given to the representatives of MDA Professional Group, P.C., for their invaluable assistance in producing this financial report.

Respectfully submitted,


Lillie M. Causey
Director of Finance



CITY OF MADISON, ALABAMA ORGANIZATIONAL CHART





CITY OF MADISON, ALABAMA
List of Elected Officials, Appointed Officials, and Department Heads
September 30, 2005

Elected Officials

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

Appointed Officials

Mayor's Aide	Lydia Chipman
City Council Aide	Andrea Garrett

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, Engineering and Building Director	Bob Atallo
Court Clerk	Rick Honea
Finance Director	Lillie Causey
Human Resources Director	Terri Towry
Revenue Department Director	Cameron Grounds
Information Technology Director	David Costley
City Attorney	Anne-Marie Lacy



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT



MDA PROFESSIONAL GROUP, P.C.

Certified Public Accountants and Business Consultants

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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, 2005, 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 basic 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Madison, Alabama as of September 30, 2005, 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 January 26, 2006 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. Such information has 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 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 it.

MDA Professional Group, P.C.

Huntsville, Alabama
January 26, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended September 30, 2005

Management of the City of Madison (the City) offers readers of the City's financial statements this Management's Discussion and Analysis (MD&A) which provides a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2005. 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 \$58,228,576 at September 30, 2005. This amount represents \$41,428,677 in capital assets, \$896,100 in unrestricted cash, \$15,903,799 in temporarily restricted cash and other assets. Total assets increased by \$5,676,718 in fiscal year 2005.
- The City's liabilities totaled \$107,824,280 at September 30, 2005 consisting of \$104,800,047 in long-term debt and \$3,024,233 in accounts payable and other liabilities. Total liabilities decreased by \$3,610,922 from the prior year.
- Total assets of the City are less than total liabilities by \$49,595,704 (deficit) at the close of fiscal year 2005. This deficit is due to \$60,110,000 of long-term debt for general obligation school warrants which the assets less the related debt are reported in the financial statements of the Madison City Board of Education, a discretely presented component unit of the City.
- For the governmental activities, the City generated \$4,857,562 in charges for services and \$6,390,373 in grants and contributions. Expenses for the governmental activities were \$26,235,408 of which \$11,247,935 was funded by charges for services and contributions and the remaining \$14,987,473 funded by general revenues. The City received \$24,275,113 in general revenues for fiscal year 2005, which consisted of \$4,977,999 in property taxes, \$10,262,568 in sales tax, \$901,617 in motor fuel taxes and \$8,132,929 in other revenues.
- Unreserved fund balance in the general fund was \$2,190,712 at September 30, 2005, which represents 40.83 percent or \$635,221 increase over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's Basic Financial Statements. The Basic Financial Statements and Supplementary Information are

Management's Discussion and Analysis - continued

presented using the integrated approach as prescribed by GASB Statement No. 34. 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 (including long-term debt), 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 health is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. The focus of the Statement of Activities is to present the major program costs with the major matching resources. If the program costs are not recovered by grants and direct charges, the costs are paid from general taxes and other general revenues. This Statement summarizes and simplifies the user's analysis to make a determination to which programs are self-supporting and/or subsidized by general revenues.

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).

The governmental activities of the City are as follows:

- 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.

Management's Discussion and Analysis - continued

- 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.

As described in the notes to the financial statements, other entities' activities are included in the government-wide financial statements because of the relationship of these legally separate entities to the City. Financial information of the Water and Wastewater Board and the Madison City Board of Education are 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 government-wide financial statements can be found on pages 18 and 19 of this report.

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City 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 fund:

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.

Management's Discussion and Analysis - continued

The City maintains twenty-nine (29) individual governmental funds. The governmental fund statements present three (3) major funds separately: General Fund, Water Distribution Storage Fund and 2001 Capital Improvement Fund. The other twenty-six (26) nonmajor funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements, which can be found beginning on page 62 of this report.

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 24 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 25 through 59 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 61 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 net assets 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 those assets that is 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.

Management's Discussion and Analysis - continued

The City's assets are less than total liabilities by \$49,595,704 (deficit) at September 30, 2005. As noted earlier, this deficit is due to \$60,110,000 of long-term debt for general obligation warrants for which the net assets are reported in the financial statements of the Madison City Board of Education, a discretely presented component unit of the City. 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, 2005	September 30, 2004	Change
Current and other assets	\$16,799,899	\$ 17,915,254	\$(1,115,355)
Capital assets	41,428,677	34,636,604	6,792,073
Total assets	58,228,576	52,551,858	5,676,718
Long term liability outstanding	104,800,047	106,785,846	(1,985,799)
Other liabilities	3,024,233	4,649,356	(1,625,123)
Total liabilities	107,824,280	111,435,202	(3,610,922)
Net assets:			
Invested in capital assets, net of related debt	29,627,406	22,619,851	7,007,555
Restricted	8,734,990	8,912,225	(177,235)
Unrestricted (deficit)	(87,958,100)	(90,415,420)	2,457,320
Total net assets (deficit)	\$(49,595,704)	\$(58,883,344)	\$9,287,640

Management's Discussion and Analysis - continued

CITY OF MADISON'S CHANGES IN NET ASSETS

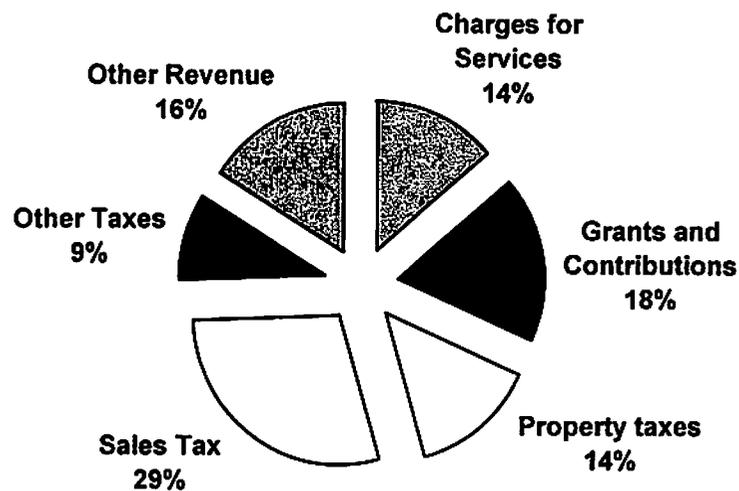
	Governmental Activities		
	<u>Septembers 30, 2005</u>	<u>September 30, 2004</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 4,857,562	\$ 3,867,795	\$ 989,767
Operating grant and contribution	571,702	462,353	109,349
Capital grants and contribution	5,818,671	7,551,944	(1,733,273)
General revenue:			
Property taxes and payment in lieu of taxes	4,977,999	4,363,486	614,513
Other taxes	13,600,790	12,682,821	917,969
Other	5,696,324	4,653,334	1,042,990
Total revenues	35,523,048	33,581,733	1,941,315
Expenses:			
General Administration	1,843,331	1,498,013	345,318
Police	4,224,855	3,792,077	432,778
Public Works	3,519,441	3,195,581	323,860
City Clerk	514,980	497,313	17,667
Recreation	1,735,813	1,722,553	13,260
Fire	3,415,526	3,083,500	332,026
Planning, Engineering & Bldg.	1,113,999	670,844	443,155
Court	728,975	782,283	(53,308)
City Council	166,347	148,081	18,266
Finance	412,043	325,728	86,315
Human Resources	2,334,041	2,001,359	332,682
Mayor's Office	205,702	221,062	(15,360)
Revenue	177,909	172,564	5,345
Senior Center	221,414	205,440	15,974
Engineering	0	508,776	(508,776)
Information Technology	195,542	264,432	(68,890)
Legal	238,394	331,916	(93,522)
Interest on Long-term debt	5,187,096	5,339,585	(152,489)
Total expenses	26,235,408	24,761,107	1,474,301
Increase in net assets	9,287,640	8,820,626	467,014
Net assets (deficit) beginning of year	(58,883,344)	(67,703,970)	8,820,626
Net assets (deficit) end of year	\$(49,595,704)	\$(58,883,344)	\$9,287,640

Management's Discussion and Analysis - continued

Governmental Activities

Governmental activities increased the City's net assets by \$9,287,640 with total revenues of \$35,523,048 and total expenses of \$26,235,408. Revenues consisted primarily of \$4,857,562 for charges for services, \$6,390,373 for grants and contributions, \$4,977,999 for property taxes, \$10,262,568 for sales taxes, \$3,338,222 for other taxes, and \$5,696,324 for other revenue.

Revenues by Source - Governmental Activities

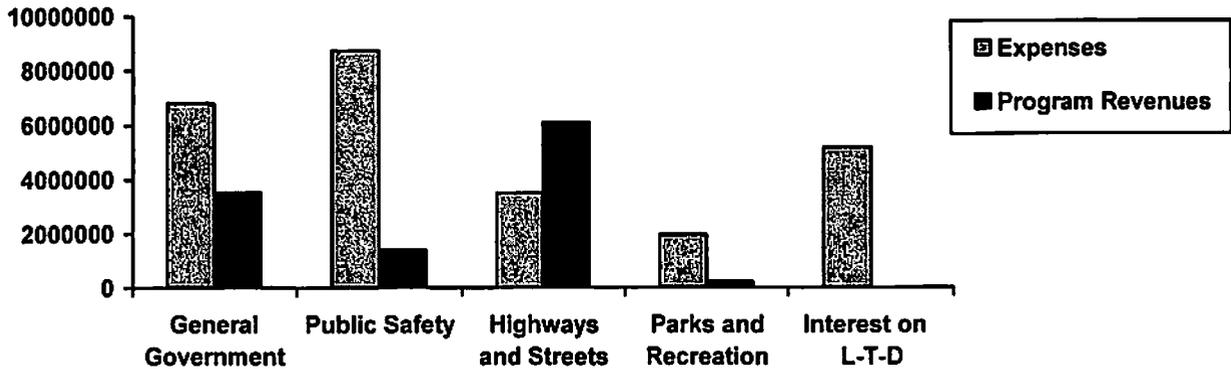


Charges or services increased by \$989,767 over the prior year with growth in privilege licenses, building permits and trade permits. Property taxes increased by \$614,513 from the prior year. Other taxes increased by \$917,969 over the prior year due mainly to growth in sales tax.

As discussed earlier, the City's governmental activities are categorized in the following programs: general government, public safety, highways and streets and parks and recreation. All governmental programs utilize general revenue to support their functions. 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 resources that are available for spending. 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 \$8,827,335 at September 30, 2005, a decrease of \$57,515 (.65%) from the prior fiscal year. Of the total combined fund balances, \$2,391,567 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 are retained. The remainder of the total fund balance, or \$6,435,768, 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 2005, unreserved fund balance of the general fund totaled \$2,190,712. The total fund balance was \$3,012,115. Unreserved fund balance represents 8.98 percent of the total general fund expenditures.

Management's Discussion and Analysis - continued

General Fund Budgetary Highlights

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

- \$601,170 increase for total revenues
- \$686,178 increase for total expenditures

Of the \$686,178 increase in expenditures, \$173,585 was allocated for capital outlay. During the year, revenues exceeded budget by \$594,419 and expenditures exceeded budget by \$4,832,643 of which \$5,283,826 was donated assets that is recorded as capital outlay expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for governmental activities as of September 30, 2005, totaled \$41,428,677 (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:

- Completed construction of Countyline Road; a total cost of \$775,561.
- Completed construction of Eastview Drive Extension; a total cost of \$361,306.
- Completed construction of Hardiman Place Subdivision Improvements; a total cost of \$147,750.
- Completed construction of Madison Blvd. at the Park Improvements; a total cost of \$59,126.
- A variety of street and drainage projects for existing streets, sidewalks and drainage systems began; construction in progress as of the close of the fiscal year had reached \$1,335,109.
- A variety of construction projects for drainages were completed for a total cost of \$93,977.
- Completed construction of sidewalks in Bradford Farms; a total cost of \$23,158.

Management's Discussion and Analysis - continued

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

	Governmental Activities		
	September 30, 2005	September 30, 2004	Change
Land	\$ 6,429,050	\$ 5,415,852	\$ 1,013,198
Buildings	8,461,565	8,519,015	(57,450)
Building improvements	930,759	278,238	652,521
Improvements other than buildings	1,007,397	936,358	71,039
Vehicles and equipment	7,131,013	7,143,875	(12,862)
Infrastructure	16,133,609	9,805,966	6,327,643
Other	175	875	(700)
Construction in progress	1,335,109	2,536,425	(1,201,316)
	<u>\$41,428,677</u>	<u>\$34,636,604</u>	<u>\$ 6,792,073</u>

Additional information on the City's capital assets can be found in Note 4 on pages 40 and 41 of this report.

Long-Term Debt. As of September 30, 2005, the City has \$106,013,423 of long-term debt outstanding. Of this amount, \$104,650,000 is general obligation warrants backed by the full faith and credit of the City and \$1,363,423 comprised of capital lease obligations collateralized by certain vehicles and equipment.

Changes in debt outstanding are as follows:

	Governmental Activities		
	September 30, 2005	September 30, 2004	Change
Capital lease obligations	\$ 1,363,423	\$ 1,685,557	\$ (322,134)
General obligation warrants	104,650,000	105,785,000	(1,135,000)
Less deferred amount for:			
Issuance discounts	(1,213,376)	(684,711)	(528,665)
	<u>\$104,800,047</u>	<u>\$106,785,846</u>	<u>\$ (1,985,799)</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), 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 \$104,800,047 outstanding debt, the amount of \$60,110,000 is outstanding general obligation school warrants, which is not charged against the allowable debt limit. As of September 30, 2005, the City's allowable debt limit was \$81,034,496. The City was in compliance with its debt limit at \$35,280,755.

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 can be found in Note 4 on pages 46 through 49 of this report.

Additional Information

The Mayor and City Council considered many factors when developing the 2006 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 to moderate growth which consists of \$19,104,519 for revenues and \$1,622,929 for other financing sources. Expenses were approved for \$21,108,478 and \$259,047 for other financing uses.

The fund balance of the general fund projected to decrease \$640,077. Although the fund balance of the general fund was projected to decrease, the projected fund balance is more than 10 percent of the estimated revenues which is required by the City's fiscal policy.

Request for Information

This financial report is designed as 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.madison.al.gov.



BASIC FINANCIAL STATEMENTS



CITY OF MADISON, ALABAMA
STATEMENT OF NET ASSETS
September 30, 2005

	Primary Government	Component Units	
	Governmental Activities	The Water and Wastewater Board	Madison City Board of Education
ASSETS			
Cash and cash equivalents	\$ 896,100	\$ 4,549,793	\$ 20,775,167
Investments	-	-	212,180
Receivables, net			
Tax and tax equivalents	6,114,099	-	1,056,766
Other	877,299	1,122,646	678,482
Inventory	-	306,840	79,095
Prepaid expenditures	283,715	-	-
Other	-	25,138	-
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	6,825,296	3,100,608	-
Grants receivable	234,185	-	-
Intergovernmental receivable	-	-	-
Other receivable	-	1,617,470	-
Capital assets (net of accumulated depreciation):			
Land	6,429,050	-	5,904,116
Buildings	8,461,565	89,781,830	60,239,812
Building improvements	930,759	-	-
Improvements other than buildings	1,007,397	-	4,992,318
Machinery and equipment	7,131,013	-	1,238,702
Vehicles	-	-	1,352,985
Infrastructure	16,133,609	-	-
Other	175	-	-
Construction in progress	1,335,109	19,182,772	-
Bond issue costs, (net of accumulated amortization)	1,569,205	1,008,875	-
Total assets	58,228,576	120,695,972	96,529,623
LIABILITIES			
Accounts payable and other current liabilities	1,736,913	1,475,088	4,969,533
Interest payable	1,241,685	444,308	-
Retainage payable	5,000	-	-
Deferred revenue	40,635	-	117,014
Noncurrent liabilities:			
Due within one year	2,879,021	2,270,000	445,100
Due in more than one year	101,921,026	52,687,868	10,338,648
Total liabilities	107,824,280	56,877,264	15,870,295
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	29,629,406	54,006,734	62,944,185
Restricted for:			
Highways and streets	731,293	-	-
Debt service	590,110	2,517,881	-
Capital Improvements	4,078,118	1,230,246	5,670,597
Water Distribution and Storage Project	2,976,714	-	-
Other purposes	358,755	-	-
Unrestricted (deficit)	(87,960,100)	6,063,847	12,044,546
Total net assets (deficit)	\$ (49,595,704)	\$ 63,818,708	\$ 80,659,328

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

Government Wide

CITY OF MADISON, ALABAMA
STATEMENT OF ACTIVITIES
For the fiscal year ended September 30, 2005

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charge 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
Primary government:							
Governmental activities:							
General Administration	\$ 1,843,331	\$ 3,291,409	\$ 245,310	\$ -	\$ 1,693,388	\$ -	\$ -
Police	4,224,855	726,247	235,537	106,369	(3,156,702)	-	-
Public Works	3,519,441	557,889	-	5,540,478	2,578,926	-	-
City Clerk	514,980	-	-	-	(514,980)	-	-
Recreation	1,735,813	212,315	3,750	6,681	(1,513,067)	-	-
Fire	3,415,526	876	87,055	165,143	(3,162,452)	-	-
Planning, Engineering and Building	1,113,989	68,826	-	-	(1,045,173)	-	-
Court	728,975	-	-	-	(728,975)	-	-
City Council	166,347	-	-	-	(166,347)	-	-
Finance	412,043	-	-	-	(412,043)	-	-
Human Resources	2,334,041	-	-	-	(2,334,041)	-	-
Mayor's Office	205,702	-	-	-	(205,702)	-	-
Revenue	177,909	-	-	-	(177,909)	-	-
Senior Center	221,414	-	50	-	(221,364)	-	-
Information Technology	195,542	-	-	-	(195,542)	-	-
Legal	238,394	-	-	-	(238,394)	-	-
Interest on long-term debt	5,187,086	-	-	-	(5,187,086)	-	-
Total governmental activities	\$ 26,235,408	\$ 4,857,562	\$ 571,702	\$ 5,818,671	(14,987,473)	\$ -	\$ -
Component units:							
The Water and Wastewater Board	\$ 8,879,690	\$ 9,850,153	\$ -	\$ 2,739,409	-	\$ 3,709,872	\$ -
Madison City Board of Education	56,571,198	4,933,011	30,727,276	1,684,762	-	-	(19,226,149)
Total component units	\$ 65,450,888	\$ 14,783,164	\$ 30,727,276	\$ 4,424,171	-	3,709,872	\$(19,226,149)
General revenues:							
Property taxes and payment in lieu of taxes					4,977,989	-	8,710,734
Sales and use taxes					10,262,568	-	5,253,336
Franchise taxes					254,282	-	-
Motor fuel taxes					901,617	-	-
Alcoholic beverages taxes					714,943	-	-
Rental taxes					323,682	-	-
Lodging taxes					766,627	-	-
Other taxes					377,061	-	60,255
Unrestricted investment earnings					241,056	196,716	465,444
Miscellaneous					5,614,248	-	2,703,580
Loss on sale of fixed assets					(158,980)	-	-
Total general revenues					24,275,113	196,716	17,193,349
Changes in net assets					9,287,640	3,906,588	(2,032,800)
Net assets - beginning of year					(58,883,344)	59,912,120	82,692,128
Net assets - end of year					\$(49,595,704)	\$ 63,818,708	\$ 80,659,328

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

Government Wide

**CITY OF MADISON, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2006**

	General	Water Distribution and Storage Project Fund	2001 Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 896,100	\$ 837,729	\$ 2,540,655	\$ 2,666,444	\$ 6,940,928
Cash with fiscal agent	-	-	-	590,110	590,110
Receivables, net					
Tax and tax equivalents	3,586,806	2,334,161	-	193,132	6,114,099
Grants	-	-	-	5,959	5,959
Other	524,918	-	-	155,113	680,031
Prepaid expenditures	283,715	-	-	-	283,715
Restricted Assets:					
Cash and cash equivalents	190,358	-	-	-	190,358
Grants receivable	228,226	-	-	-	228,226
Due from other funds	1,029,594	476	2,848	115,888	1,148,806
Total assets	\$ 6,739,717	\$ 3,172,368	\$ 2,543,503	\$ 3,726,446	\$ 16,182,032
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 217,311	\$ -	\$ 88,936	\$ 175,814	\$ 482,061
Accrued compensation and benefits	577,043	-	-	983	578,026
Due to other funds	118,993	869,965	-	159,648	1,148,606
Retainage payable	-	-	5,000	-	5,000
Deferred revenue	2,696,154	2,108,749	30,000	190,000	5,022,903
Other liabilities	118,101	-	-	-	118,101
Total liabilities	3,727,602	2,978,714	123,936	526,445	7,354,697
FUND BALANCES					
Reserved for:					
Encumbrances	119,104	-	464,421	42,597	626,122
Prepaid expenditures	283,715	-	-	-	283,715
Restricted assets	418,584	-	1,955,146	2,562,091	4,935,821
Debt Service	-	-	-	590,110	590,110
Unreserved, reported in:					
General fund	2,190,712	-	-	-	2,190,712
Special revenue funds	-	195,652	-	5,203	200,855
Total fund balances	3,012,115	195,652	2,419,567	3,200,001	8,827,335
Total liabilities and fund balances	\$ 6,739,717	\$ 3,172,366	\$ 2,543,503	\$ 3,726,446	

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.	41,428,677
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	5,179,536
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(105,031,252)</u>
Net assets (deficit) of governmental activities	\$ (49,595,704)

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

Fund

CITY OF MADISON, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2005

	General	Water Distribution and Storage Project Fund	2001 Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property and payment in lieu of taxes	\$ 2,344,792	\$ 1,791,883	\$ -	\$ 162,897	\$ 4,299,572
Sales and use	8,159,440	2,119,425	-	-	10,278,865
Franchise	254,292	-	-	-	254,292
Alcoholic beverage	212,516	-	-	-	212,516
Rental	323,682	-	-	-	323,682
Lodging	766,627	-	-	-	766,627
Other	188,740	-	-	-	188,740
Licenses and permits	2,950,878	-	-	-	2,950,878
Intergovernmental	1,098,633	-	-	1,190,946	2,289,579
Charges for services	884,863	-	238	33,051	918,152
Fines	554,531	-	-	153,646	708,177
Investment earnings	65,331	25,210	68,682	81,833	241,056
Contributions and donations	10,968	-	-	210	11,178
Other revenues	593,405	-	154,876	4,593,893	5,342,174
Total revenues	18,408,698	3,936,518	223,796	6,216,476	28,785,488
EXPENDITURES					
Current:					
General Administration	671,161	3,798	41,197	459,708	1,175,864
Police	3,978,155	-	-	69,966	4,048,121
Public Works	2,475,852	-	905	598,980	3,075,737
City Clerk	510,793	-	-	-	510,793
Recreation	1,512,614	-	491	-	1,513,105
Fire	3,201,126	-	-	163	3,201,289
Planning, Engineering and Building	1,092,662	-	334	3,438	1,096,434
Court	725,414	-	-	-	725,414
City Council	164,692	-	-	-	164,692
Finance	403,115	-	-	-	403,115
Human Resources	2,331,458	-	-	-	2,331,458
Mayor's Office	204,634	-	-	-	204,634
Revenue	174,212	-	-	-	174,212
Senior Center	212,851	-	2,052	-	214,903
Information Technology	186,124	-	-	-	186,124
Legal	238,057	-	-	-	238,057
Debt service:					
Principal	322,134	-	-	2,445,000	2,767,134
Interest	68,090	-	-	5,173,254	5,241,344
Bond issuance costs	-	-	-	206,213	206,213
Capital outlay	5,924,861	-	1,808,918	384,190	8,117,969
Total expenditures	24,398,005	3,798	1,853,897	9,340,912	35,596,612
Excess (deficiency) of revenues over (under) expenditures	(5,989,307)	3,932,720	(1,630,101)	(3,124,436)	(6,811,124)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	1,272,025	-	470,416	3,334,547	5,076,988
Transfers to other funds	(304,106)	(3,937,199)	-	(835,683)	(5,076,988)
Donated Assets	5,283,826	-	-	-	5,283,826
Sales of Capital Assets	13,270	-	-	-	13,270
Bond Proceeds 1995 Refunding	-	-	-	1,250,000	1,250,000
Bond Proceeds 2005 G.O. Warrants	-	-	-	18,775,000	18,775,000
Payment to refund bonds	-	-	-	(18,568,787)	(18,568,787)
Other	300	-	-	-	300
Total other financing sources (uses)	6,265,315	(3,937,199)	470,416	3,955,077	6,753,609
Net change in fund balances	276,008	(4,479)	(1,159,685)	830,641	(57,515)
Fund balances - beginning of year	2,736,107	200,131	3,579,252	2,369,360	8,884,850
Fund balances - end of year	\$ 3,012,115	\$ 195,652	\$ 2,419,567	\$ 3,200,001	\$ 8,827,335

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, 2005**

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)	\$ (57,515)
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 outlays exceeded depreciation in the current period.	6,951,052
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(158,980)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	698,444
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.	2,417,834
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>(563,195)</u>
Change in net assets of governmental activities (page 19)	<u>\$ 9,287,640</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 THE YEAR ENDED SEPTEMBER 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property tax and payments in lieu of taxes	\$ 2,354,759	\$ 2,371,339	\$ 2,344,792	\$ (26,547)
Sales and use	7,920,000	7,970,000	8,159,440	189,440
Franchise	237,000	239,591	254,292	14,701
Alcoholic beverage	213,430	213,430	212,516	(914)
Rental	349,450	349,450	323,682	(25,768)
Lodging	692,160	707,160	766,627	59,467
Other	164,800	170,000	188,740	18,740
Licenses and permits	2,449,730	2,748,410	2,950,878	202,468
Intergovernmental	1,111,675	1,135,286	1,098,633	(36,653)
Charges for services	624,246	802,446	884,863	82,417
Fines	714,500	714,500	554,531	(159,969)
Investment earnings	83,804	83,804	65,331	(18,473)
Contribution and donations	15,821	15,821	10,988	(4,853)
Other revenues	328,495	339,803	593,405	253,602
Total revenues	17,259,870	17,861,040	18,408,698	547,658
EXPENDITURES				
Current:				
General Administration	512,250	627,880	671,161	(43,281)
Police	3,973,747	4,027,812	3,978,155	49,657
Public Works	2,434,212	2,456,144	2,475,852	(19,708)
City Clerk	514,731	575,886	510,793	65,093
Recreation	1,591,488	1,604,199	1,512,614	91,585
Fire	3,171,541	3,245,967	3,201,126	44,841
Planning, Engineering and Building	1,162,091	1,178,334	1,092,662	85,672
Court	714,976	706,919	725,414	(18,495)
City Council	172,321	170,828	164,692	6,136
Finance	401,605	410,493	403,115	7,378
Human Resources	2,361,818	2,455,711	2,331,458	124,253
Mayor's Office	248,526	283,299	204,634	78,665
Revenue	170,803	174,360	174,212	148
Senior Center	211,689	213,782	212,851	931
Information Technology	266,606	244,263	186,124	58,139
Legal	262,264	307,384	238,057	69,327
Debt service:				
Principal	319,280	315,960	322,134	(6,174)
Interest	68,151	71,471	68,090	3,381
Capital outlay	321,085	494,670	5,924,861	(5,430,191)
Total expenditures	18,879,184	19,565,362	24,398,005	(4,832,643)
Excess (deficiency) of revenues over (under) expenditures	(1,619,314)	(1,704,322)	(5,989,307)	(4,284,985)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	1,267,272	1,267,272	1,272,025	4,753
Transfers to other funds	(253,307)	(253,307)	(304,106)	(50,799)
Sale of Capital Assets	3,700	3,700	13,270	9,570
Capital Leases	239,950	239,950	-	(239,950)
Donated Assets	-	-	5,283,826	5,283,826
Other	-	-	300	300
Total other financing sources (uses)	1,257,615	1,257,615	6,265,315	5,007,700
Net change in fund balance	(361,699)	(446,707)	276,008	722,715
Fund balance - beginning of year	2,736,107	2,736,107	2,736,107	-
Fund balance - end of year	\$ 2,374,408	\$ 2,289,400	\$ 3,012,115	\$ 722,715

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, 2005

	<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	\$ 1,817,647	\$ 1,827,647	\$ 1,791,883	\$ (35,764)
Sales and use taxes	2,040,000	2,040,000	2,119,425	79,425
Investment earnings	16,000	16,000	25,210	9,210
Total revenues	3,873,647	3,883,647	3,936,518	52,871
EXPENDITURES				
Current:				
General Administration	7,500	7,500	3,798	3,702
Total expenditures	7,500	7,500	3,798	3,702
Excess (deficiency) of revenues over (under) expenditures	3,866,147	3,876,147	3,932,720	56,573
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(3,975,313)	(3,975,313)	(3,937,199)	38,114
Total other financing sources (uses)	(3,975,313)	(3,975,313)	(3,937,199)	38,114
Net change in fund balances	(109,166)	(99,166)	(4,479)	94,687
Fund balance - beginning of year	200,131	200,131	200,131	-
Fund balance - end of year	<u>\$ 90,965</u>	<u>\$ 100,965</u>	<u>\$ 195,652</u>	<u>\$ 94,687</u>

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



CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Madison, Alabama (the City) was incorporated under the laws of the State of Alabama in 1869 and operates under an elected Mayor-Council form of government. The City complies with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units, entities for which the City is considered to be 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

Water and Wastewater Board

The 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, inclusive. 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. The members of the Board are appointed by the City Council of the City of Madison. The City issued general obligation warrants which were 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 were 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, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued -

Madison City Board of Education - Continued -

Complete financial statements of the Water and Wastewater Board and Madison Board of Education discretely presented component units may be obtained at the administrative office of the entity.

Water and Wastewater Board
Palmer Road
Madison, Alabama 35758

Madison Board Education
211 Celtic Drive
Madison, Alabama 35758

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) 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*.

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.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued -

Governmental funds are used to account for the City's general government activities. Governmental fund financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "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 to be available if they are collected within forty-five (45) days of the end of the fiscal period. 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.

Property taxes, sales and use taxes, alcoholic beverage taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other taxes and receipts are considered to be measurable and available only when cash is received by the government.

Payments in lieu of taxes are revenues from other governmental entities paid in lieu of property taxes.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

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.

The *water distribution and storage project fund* accounts for the ½ cent sales tax and the 5 ½ mill property tax.

The *capital improvement fund* accounts for a variety of public works and 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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued -

The City reports the following fund types:

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

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 are used to account for financial resources segregated from acquisition of major capital facilities.

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).

During the course of normal operations, the City has numerous transactions between funds to provide services to pay debt, etc. These transactions are generally reflected as operating transfers except for transactions reimbursing a fund for expenditures made by it for the benefit of another fund. These transactions are recorded as expenditures in the reimbursing fund and as reductions of the expenditure in the fund reimbursed. As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements.

In the government-wide financial statements, amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity

1. 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.

2. 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 un-collectibles.

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.

3. 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.

4. 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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity - Continued -

5. 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.

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

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused annual and sick leave benefits. There is no liability for unpaid accumulated sick leave. No sick leave is paid upon separation from the City's services. 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.

The compensated absences policy of the Water and Wastewater Board is the same as stated for the City.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity - Continued -

6. *Compensated Absences - Continued*

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, unreimbursed 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.

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.

7. *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, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity - Continued -

8. 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.

9. 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, 2005

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

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a 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 that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds payable	\$104,650,000
Less: Deferred charge for issuance costs (to be amortized as interest expense)	(1,569,205)
Less: Issuance discount (to be amortized as interest expense)	(1,213,376)
Accrued interest payable	1,241,685
Capital lease payable	1,363,423
Compensated absences	<u>558,725</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets governmental activities</i>	<u>\$105,031,252</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	\$ 8,117,969
Depreciation expense	<u>(1,166,917)</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 6,951,052</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

**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 \$158,980 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. \$ (158,980)

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:	
Issuance of General Obligation Bonds	\$(18,775,000)
Discounts	754,487
Principal repayments:	
Payment to refund bonds	17,465,000
Bond expense	206,213
General obligation debt	2,445,000
Payments on capital leases	<u>322,134</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 2,417,834</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

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 \$563,195 difference are as follows:

Compensated absences	\$ (57,778)
Accrued interest	54,248
1995 Bonds (issuance cost and discount)	(432,188)
Amortization of issuance costs	(77,343)
Amortization of bond discounts	<u>(50,134)</u>
<i>Net adjustment to net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$(563,195)</u>

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Federal Forfeiture Fund, the Police Block Grant Fund and the Fire CPR Fund of the special revenue funds, the 2002 and 2005 Bond Funds of the debt service 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, 2005**

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	General Administration	\$ 43,281
	Public Works	\$ 19,708
	Court	\$ 18,495
	Debt Service	\$ 6,174
	Capital Outlay	\$ 5,430,191

C. Deficit Fund Balance

There were no funds with a deficit fund balance as of September 30, 2005.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

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, 2005, 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>\$590,110</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, 2005, 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, 2005 the City's investments consisted solely of U.S. Treasury Bills held by one financial institution.

At year-end the Water and Wastewater Board's, a discretely presented component unit, carrying amount of deposits and bank balance were maintained by an institution whose accounts are insured up to \$100,000 by an Agency of the Federal Government and the excess collateralized by securities pledged by the financial institution. Act No. 2002-748 passed by the Alabama Legislature makes it mandatory for all deposits of public funds to be secured by collateral pledged to the Security for Alabama Funds Enhancement (SAFE) collateral pool established by the State Treasurer's Office. The Water and Wastewater is enrolled in this program.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

A. Deposits and Investments - Continued

At September 30, 2005, 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.

B. Deferred Revenue 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)	\$ 2,665,700	\$ -
Property taxes receivable (special revenue fund)	2,291,794	-
Capital Projects Funds restricted for roads/drainage	-	30,000
General Fund - Property Rental	-	9,385
Donated assets	-	1,250
Taxes unavailable-general fund	19,819	-
Taxes unavailable-special revenue fund	<u>4,955</u>	<u>-</u>
 Total deferred/unearned revenue for governmental funds	 <u>\$ 4,982,268</u>	 <u>\$ 40,635</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

B. Deferred Revenue and Receivables - Continued

Receivables

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

	<u>General</u>	<u>Water Distribution and Storage Project Fund</u>	<u>2001 Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables:					
Taxes	\$3,586,806	\$2,334,161	\$ -	\$193,132	\$ 6,114,099
Grants	-	-	-	5,959	5,959
Other	524,918	-	-	155,113	680,031
Grant-restricted	<u>228,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,226</u>
Total receivables	<u>\$4,339,950</u>	<u>\$2,334,161</u>	<u>\$ -</u>	<u>\$354,204</u>	<u>\$7,028,315</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

C. Capital Assets

Capital asset activity for the year ended September 30, 2005, was as follows:

Primary Government

	<u>Balance October 1, 2004</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance September 30, 2005</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,415,852	\$1,013,198	\$ -	\$ 6,429,050
Construction in progress	<u>2,536,425</u>	<u>510,540</u>	<u>(1,711,856)</u>	<u>1,335,109</u>
Total capital assets, not being depreciated	7,952,277	1,523,738	(1,711,856)	7,764,159
Capital assets, being depreciated:				
Buildings	10,710,321	159,024	-	10,869,345
Improvements to buildings	326,235	673,321	-	999,556
Improvements other than buildings	1,265,753	124,218	-	1,389,971
Machinery and equipment	10,472,627	726,673	(367,028)	10,832,272
Infrastructure	9,962,272	6,622,852	-	16,585,124
Other	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>3,500</u>
Total capital assets, being depreciated	32,740,708	8,306,088	(367,028)	40,679,768
Less accumulated depreciation for:				
Buildings	(2,191,306)	(216,474)	-	(2,407,780)
Improvements to buildings	(47,997)	(20,800)	-	(68,797)
Improvements other than buildings	(329,395)	(53,179)	-	(382,574)
Machinery and equipment	(3,328,752)	(580,555)	208,048	(3,701,259)
Infrastructure	(156,306)	(295,209)	-	(451,515)
Other	<u>(2,625)</u>	<u>(700)</u>	<u>-</u>	<u>(3,325)</u>
Total accumulated depreciation	<u>(6,056,381)</u>	<u>(1,166,917)</u>	<u>208,048</u>	<u>(7,015,250)</u>
Total capital assets, being depreciated, net	<u>26,684,327</u>	<u>7,139,171</u>	<u>(158,980)</u>	<u>33,664,518</u>
Governmental activities, capital assets, net	<u>\$ 34,636,604</u>	<u>\$8,662,909</u>	<u>\$(1,870,836)</u>	<u>\$41,428,677</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

C. Capital Assets - Continued -

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

General Administration	\$ 107,803
Police	162,289
Public Works	429,259
City Clerk	4,187
Recreation	208,264
Fire	199,793
Planning, Engineering and Building	17,565
Court Clerk	3,560
City Council	1,655
Finance	8,928
Human Resources	2,583
Mayor's Office	1,068
Revenue	1,645
Senior Center	8,563
Information Technology	9,418
Legal	<u>337</u>
Total depreciation expense - governmental activities	<u>\$1,166,917</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

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 Water and Wastewater Board, a discretely presented component unit, capital assets during the fiscal year:

	Balance October 1, 2004	Increase	Decrease	Balance September 30, 2005
Water system	\$ 42,250,360	\$ 3,018,731	\$ -	\$ 45,269,091
Sewer system	63,388,339	4,345,741	-	67,734,080
General plant	5,255,698	147,567	186,638	5,216,627
Construction in progress	<u>17,074,478</u>	<u>9,620,332</u>	<u>7,512,038</u>	<u>19,182,772</u>
 Total capital assets, being depreciated	 127,968,875	 17,132,371	 7,698,676	 137,402,570
 Less accumulated depreciation for:				
Water system	10,069,564	1,121,750	-	11,191,314
Sewer system	11,694,826	1,651,193	-	13,346,019
General plant	<u>3,644,640</u>	<u>425,077</u>	<u>169,082</u>	<u>3,900,635</u>
Total accumulated depreciation	<u>25,409,030</u>	<u>3,198,020</u>	<u>169,082</u>	<u>28,437,968</u>
 Water and Wastewater Board's capital assets, net	 <u>\$ 102,559,845</u>	 <u>\$ 13,934,351</u>	 <u>\$ 7,529,594</u>	 <u>\$ 108,964,602</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

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:

	Balance October 1, 2004	Additions	Retirements and Reclassifications	Balance September 30, 2005
Governmental Activities:				
Land	\$ 5,904,116	\$ -	\$ -	\$ 5,904,116
Land improvements	7,473,389	-	-	7,473,389
Buildings	73,034,935	2,691,912	-	75,726,847
Equipment	2,385,715	30,293	-	2,416,008
Construction in progress	1,267,989	1,423,923	2,691,912	-
Vehicles	<u>3,869,959</u>	<u>392,690</u>	<u>363,500</u>	<u>3,899,149</u>
Total at historic cost	93,936,103	4,538,818	3,055,412	95,419,509
Less accumulated depreciation for:				
Land improvements	2,132,910	348,161	-	2,481,071
Buildings	14,024,987	1,462,048	-	15,487,035
Equipment	999,040	178,266	-	1,177,306
Vehicles	<u>2,603,418</u>	<u>306,246</u>	<u>363,500</u>	<u>2,546,164</u>
Total accumulated depreciation	<u>19,760,355</u>	<u>2,294,721</u>	<u>363,500</u>	<u>21,691,576</u>
Governmental Activities Capital Assets, Net	<u>\$74,175,748</u>	<u>\$ 2,244,097</u>	<u>\$ 2,691,912</u>	<u>\$73,727,933</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2005, 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	\$ 869,946
	Gasoline Taxes and Inspection Fees Fund	92,852
	Senior Center Donation Fund	3,328
	Domestic Violence Fund	5,959
	Municipal Government Capital Improvement Fund	57,509
Japanese Garden Donation Fund	General	2,197
Domestic Violence Fund	General	2,385
Correctional Fund	General	69,159
Federal Forfeiture Fund	General	2,430
2001 Capital Improvement Fund	General	2,848
Cemetery Fund	General	39,498
Gasoline Taxes and Water Distribution and Storage Project Fund	General	476
Library Fund	Water Distribution and Storage Project Fund	<u>19</u>
	Total	<u>\$1,148,606</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

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	\$ 260,960
Nonmajor governmental funds	General Fund	317,155
Water Distribution and Storage Project Fund	General Fund	954,870
Water Distribution and Storage Project Fund	Nonmajor governmental funds	2,982,329
Nonmajor governmental funds	2001 Capital improvement fund	470,416
Nonmajor governmental funds	Nonmajor governmental funds	<u>27,987</u>
	Total	<u>\$5,013,717</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. 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>
Machinery and equipment	\$1,922,590
Less: Accumulated depreciation	<u>302,441</u>
Total	<u>\$1,620,149</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

E. Leases - Continued -

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2005, are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2006	\$ 329,128
2007	310,314
2008	277,846
2009	202,737
2010	111,913
2011 - 2013	<u>335,738</u>
Total minimum lease payments	1,567,676
Less: amount representing interest	<u>(204,253)</u>
Present value of minimum lease payments	<u>\$1,363,423</u>

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. During the year, general obligation bonds totaling \$18,775,000 were issued to refund the 1995 general obligation bonds.

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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

F. Long-term debt - Continued -

General obligation warrants currently outstanding as of September 30, 2005, are as follows:

	<u>Range of Interest Rates</u>	<u>Amount</u>
<u>General Obligation Warrants</u>		
Series 1998-C	4.50%-5.00%	\$ 16,150,000
Series 2001	3.25%-5.35%	9,615,000
Series 2005	4.70%-5.75%	18,775,000
 <u>General Obligation School Warrants</u>		
Series 1998-A	4.95%-5.20%	6,125,000
Series 1998-B	4.10%-5.00%	11,070,000
Series 1999	3.70%-5.00%	11,910,000
Series 2000	4.80%-5.70%	2,925,000
Series 2001-A	2.15%-5.125%	7,615,000
Series 2002	1.65%-5.125%	<u>20,465,000</u>
		 <u>\$104,650,000</u>

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

<u>Year Ending</u> <u>September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 2,605,000	\$ 5,018,114
2007	2,690,000	4,912,829
2008	2,820,000	4,799,522
2009	3,400,000	4,677,084
2010	3,570,000	4,525,203
2011-2015	20,445,000	19,961,227
2016-2020	25,160,000	14,490,961
2021-2025	27,770,000	7,742,515
2026-2030	13,655,000	1,934,573
2031-2032	<u>2,535,000</u>	<u>131,582</u>
	 <u>\$104,650,000</u>	 <u>\$68,193,610</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

F. Long-term debt - Continued -

Revenue bonds

The 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. During the year, \$6,855,000 of revenues bonds was issued.

Revenue bonds outstanding at September 30, 2005, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 2,270,000	\$ 2,155,988
2007	2,360,000	2,073,786
2008	2,435,000	1,975,323
2009	2,630,000	1,884,377
2010	2,735,000	1,787,576
2011-2015	15,300,000	7,298,049
2016-2020	18,655,000	3,992,047
2021-2025	<u>9,170,000</u>	<u>664,025</u>
	<u>\$55,555,000</u>	<u>\$21,831,171</u>

Changes in long-term liabilities

During the year ended September 30, 2005, the following changes occurred in the City's long-term liabilities:

	<u>Balance October 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2005</u>
Capital lease obligations	\$ 1,685,557	\$ -	\$ 322,134	\$ 1,363,423
General obligation warrants payable	105,785,000	18,775,000	19,910,000	104,650,000
Less deferred amounts for: Issuance discounts	<u>684,711</u>	<u>50,134</u>	<u>578,799</u>	<u>1,213,376</u>
Long-term liabilities	<u>\$ 106,785,846</u>	<u>\$18,825,134</u>	<u>\$20,810,933</u>	<u>\$ 104,800,047</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

F. Long-term debt - Continued -

During the year ended September 30, 2005, the following changes in the liabilities reported for the Water and Wastewater Board, a discretely presented component unit:

	<u>Balance October 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2005</u>
Revenue bonds	<u>\$57,035,000</u>	<u>\$6,855,000</u>	<u>\$8,335,000</u>	<u>\$55,555,000</u>
Long-term liabilities	<u>\$57,035,000</u>	<u>\$6,855,000</u>	<u>\$8,335,000</u>	<u>\$55,555,000</u>

Forward Purchase Contract

In 2003, the City entered into a forward purchase contract with a third party. The contract gave the third party the option, beginning December 22, 2003 and until April 1, 2007, to require the City to issue up to \$18,775,000 of general obligation warrants ("Optional Warrants") for the sole purpose of refunding any principal that remained outstanding on the Series 1995 General Obligation Warrants ("1995 Warrants") and which, according to law, could be refunded on a current basis. If the third party exercised the option, the City would issue the Optional Warrants at the same interest rates and maturities as the refunded 1995 Warrants, and would sell the Optional Warrants to the third party, using the proceeds to refund the 1995 Warrants. In consideration of the option, the third party paid the City during the year ended September 30, 2004, an option payment, which after payment of expenses associated with the contract, was \$1,250,000. If the third party did not exercise the option, the City retained this payment.

This contract essentially provided the City the benefit it could derive from a current refunding of the 1995 Warrants, if that was permissible at the date of the contract, and it precluded the City from refunding the 1995 Warrants at more favorable terms should they occur during the option period unless the third party terminated the contract. In April 2005, the third party exercised the option. As a result, the City recognized the entire option payment as revenue in 2005.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

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 are restricted in their use 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	\$ 731,293
Debt service	General Obligation Warrants	590,110
Senior Center	Law	4,139
Library	Law	50,683
Capital Improvements	Law	4,078,118
Federal Foreiture	Law	49,188
Domestic Violence	Grantor	5,959
Grants	Grantor	228,226
Water Distribution	Law	2,976,714
Neighborhood Park	Law	19,785
Police Block Grant	Law	62
Fire CPR	Law	<u>713</u>
 Total restricted assets		 <u>\$8,734,990</u>

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

The reserve for restricted assets in the general fund (\$418,584 at September 30, 2005) is designated to be available for special purposes.

The reserve for encumbrances (\$626,122) is reserved for the payment of encumbered goods and services.

NOTE 5. OTHER INFORMATION

A. Risk Management

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 5. OTHER INFORMATION

A. Risk Management - Continued -

The Madison Board of Education is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. The Madison 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 the amount of 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 is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board. The plan was established to provide a uniform plan of health insurance for current and retired employees of state education institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are set annually based on the amounts necessary to fund coverage. The Board contributes the specified amount monthly to the PEEHIF for each employee.

The State Board of Adjustments is a state agency with which people can file claims against the Board to collect reimbursement for damages when all other means have been exhausted. 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.

B. Related Party Transaction

On September 23, 1991, the City and the Water and Wastewater Board, a discretely presented component unit, entered into a franchise agreement for the operation of certain utility systems from the City. This franchise agreement was granted for the purpose of 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,

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 5. OTHER INFORMATION - Continued

B. Related Party Transaction - Continued -

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 \$223,075 from the Water and Wastewater Board.

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, 2005, the City received \$206,268 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 appoints the board members of the Architectural Review Board, Beautification Board, Community Education Committee, Industrial Development Board, and Recreation Advisory Board.

D. Subsequent Events

On October 10, 2005, the City of Madison approved design professional services for the Greenway Trail Project in the amount of \$12,260.

On November 14, 2005, the City of Madison accepted a grant from the Department of Justice for bullet proof vests in the amount of \$6,600.

On November 14, 2005, the City of Madison contracted for engineering services for the Hughes Road project in the amount of \$17,600.

On November 14, 2005, the City of Madison approved a maintenance contract of computer software in the amount of \$9,717.

On November 21, 2005 the City of Madison entered into a contract for the purchase of defibrillators for the Fire Department in the amount of \$47,937.

On December 12, 2005, the City of Madison approved payment in the amount of \$12,180 for construction of the Maplewood Subdivision Drainage Project.

On December 12, 2005, the City of Madison approved the lease-purchase of three (3) vehicles for the Police Department in the amount of \$60,453.

On December 12, 2005, the City of Madison accepted donation for property for value of \$60,000.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 5. OTHER INFORMATION - Continued

D. Subsequent Events - Continued -

On December 12, 2005, the City of Madison approved a fire protection clothing contract in the amount of \$98,186.

On December 12, 2005, the City of Madison approved a contract for redesign services for the Gillespie Road Extension Project in the amount of \$99,999.

On December 20, 2005, the City of Madison accepted a grant for domestic violence in the amount of \$18,586.

On January 23, 2006, the City of Madison accepted a Homeland Security Grant in the amount of \$23,000.

On January 23, 2006, the City of Madison approved the purchase of one (1) vehicle for the Police Department for the amount of \$16,657.

On March 27, 2006, the City of Madison approved a contract for landscape services in the amount of \$262,080.

On April 24, 2006, the City of Madison approved an agreement with North Alabama Highway Safety Office for a grant in the amount of \$6,000.

On April 14, 2006, the City of Madison approved an agreement for Metropolitan Medical Response Systems Grant in the amount of \$15,383.

On April 24, 2006, the City of Madison approved the lease-purchase of one (1) crawler dozer in the amount of \$123,794.

On April 24, 2006, the City of Madison approved a preliminary agreement with Norfolk Southern Railroad for engineering services for Sullivan Street/Palmer Road Improvement Project in the amount of \$5,500.

On May 2, 2006, the City of Madison approved the lease-purchase of one (1) backhoe loader in the amount of \$58,962.

On May 2, 2006, the City of Madison approved the lease-purchase of one (1) soil vibratory roller for the amount of \$63,183.

On May 2, 2006, the City of Madison approved the lease-purchase of one (1) dump truck for the amount of \$66,704.

On May 23, 2006, the City of Madison approved the lease-purchase of one (1) multi-purpose excavator for the amount of \$191,372.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

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 is 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, 2005

NOTE 5. OTHER INFORMATION - Continued

F. Defined Benefits Pension Plan - Continued -

Primary Government: - 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 7.34% 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, 2005, the City's annual pension cost of \$784,737 was equal to the City's required annual contributions. The required contribution was determined as part of the September 30, 2004 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, 2004 was 16 years.

Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
9/30/02	\$439,302	100%	\$ -
9/30/03	\$520,379	100%	\$ -
9/30/04	\$683,889	100%	\$ -

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 5. OTHER INFORMATION - Continued

F. Defined Benefits Pension Plan - Continued -

Pension Plan - 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, 2005**

NOTE 5. OTHER INFORMATION - Continued

F. Defined Benefits Pension Plan - 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. The current rate is 5.68% 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

For fiscal year September 30, 2005, the Water and Wastewater Board's annual pension cost of \$128,297 was equal to the Water and Wastewater Board's required annual contributions. The required contribution was determined as part of the September 30, 2004 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, 2004 was 12 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)
9/30/2004	\$2,791,773	\$3,202,197	\$410,424	87.2%	\$1,849,110	22.2%
9/30/2003	2,523,567	3,088,306	564,739	81.7%	1,864,646	30.3%
9/30/2002	2,257,661	2,672,506	414,845	84.5%	1,728,724	24.0%

Madison City Board of Education

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 5. OTHER INFORMATION - Continued

F. Defined Benefits Pension Plan - Continued -

Madison City Board of Education - Continued -

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 retirees receiving payment under the method that yields the highest monthly benefit.

The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is 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.

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.

**CITY OF MADISON, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005**

NOTE 5. OTHER INFORMATION - Continued

F. Defined Benefits Pension Plan - Continued -

Madison City Board of Education - Continued -

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

Fiscal Year Ended September 30	<u>2005</u>	<u>2004</u>
Total percentages of covered payroll	96.60%	97.00%
<u>Contributions:</u>		
Percentage contribution by the Board	8.17%	6.56%
Percentage contribution by employees	5.00%	5.00%
Amount contributed by the Board	\$1,934,388	\$1,688,101
Amount contributed by employees	<u>1,375,813</u>	<u>1,286,728</u>
Total contributions	<u>\$3,310,201</u>	<u>\$2,974,829</u>



REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF MADISON, ALABAMA
SCHEDULE OF FUNDING PROGRESS - EMPLOYEES' RETIREMENT
SYSTEMS OF ALABAMA
September 30, 2005**

Actuarial Valuation Payroll Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Accrued AAL (UAAL) (b-a)	Funded Ratio (a/b)	Unfunded Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/01	\$11,268,887	\$12,442,734	\$1,173,847	90.6%	\$ 7,727,425	15.2%
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	\$3,579,939	80.8%	\$10,763,008	33.3%



**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

**CITY OF MADISON, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005**

	<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	\$ 1,368,430	\$ -	\$ 1,298,014	\$ 2,666,444
Cash with fiscal agent	-	590,110	-	590,110
Receivables, net				
Taxes and tax equivalent	193,132	-	-	193,132
Grants	5,959	-	-	5,959
Other	155,113	-	-	155,113
Due from other funds	<u>115,688</u>	<u>-</u>	<u>-</u>	<u>115,688</u>
Total assets	<u>\$ 1,838,322</u>	<u>\$ 590,110</u>	<u>\$ 1,298,014</u>	<u>\$ 3,726,446</u>
LIABILITIES				
Accounts payable	\$ 175,814	\$ -	\$ -	\$ 175,814
Accrued compensation and benefits	983	-	-	983
Due to other funds	159,648	-	-	159,648
Deferred Revenue	<u>190,000</u>	<u>-</u>	<u>-</u>	<u>190,000</u>
Total liabilities	526,445	-	-	526,445
FUND BALANCES				
Reserved for:				
Encumbrances	42,597	-	-	42,597
Restricted assets	1,264,077	-	1,298,014	2,562,091
Debt Service	-	590,110	-	590,110
Unreserved	<u>5,203</u>	<u>-</u>	<u>-</u>	<u>5,203</u>
Total fund balances	<u>1,311,877</u>	<u>590,110</u>	<u>1,298,014</u>	<u>3,200,001</u>
Total liabilities and fund balances	<u>\$ 1,838,322</u>	<u>\$ 590,110</u>	<u>\$ 1,298,014</u>	<u>\$ 3,726,446</u>

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

CITY OF MADISON, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes:				
Property and payment in lieu of taxes	\$ 162,897	\$ -	\$ -	\$ 162,897
Intergovernmental	1,190,946	-	-	1,190,946
Fines	153,646	-	-	153,646
Charges for Services	33,051	-	-	33,051
Investment earnings	33,335	4,155	44,343	81,833
Contributions and donations	210	-	-	210
Other revenue	-	4,593,877	16	4,593,893
Total Revenues	1,574,085	4,598,032	44,359	6,216,476
EXPENDITURES				
General Administration	435,724	378	23,606	459,708
Police Protection	69,966	-	-	69,966
Public Works	598,974	-	6	598,980
Fire	163	-	-	163
Planning, Engineering and Building	3,438	-	-	3,438
Debt Service:				
Principal	-	2,445,000	-	2,445,000
Interest	-	5,173,254	-	5,173,254
Bond Issuance Costs	-	206,213	-	206,213
Capital Outlay	274,190	-	110,000	384,190
Total Expenditures	1,382,455	7,824,845	133,612	9,340,912
Excess (deficiency) of revenues over (under) expenditures	191,630	(3,226,813)	(89,253)	(3,124,436)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	304,106	3,002,454	27,987	3,334,547
Transfers to other funds	(317,155)	(48,112)	(470,416)	(835,683)
Bond proceeds - forward purchase	-	-	1,250,000	1,250,000
Bond proceeds 2005 Bond	-	18,775,000	-	18,775,000
Payment to refund bonds - 1995	-	(18,568,787)	-	(18,568,787)
Total other financing sources (uses)	(13,049)	3,160,555	807,571	3,955,077
Net change in fund balances	178,581	(66,258)	718,318	830,641
Fund balances - beginning of year	1,133,296	656,368	579,696	2,369,360
Fund balances - end of year	<u>\$ 1,311,877</u>	<u>\$ 590,110</u>	<u>\$ 1,298,014</u>	<u>\$ 3,200,001</u>

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



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.

Japanese Garden Donation Fund - This fund is used to account for revenues and expenditures for the proposed Japanese Garden for Dublin Park. There is no approved budget for this fund.

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 is used to account for expenditures of revenues received from the state solely for capital improvements.

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

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

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

Police Block Grant Fund - This fund is 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, 2005**

	Gasoline Taxes and Inspection Fees Fund	TVA Tax Distribution Fund	Senior Center Donation Fund	Library Fund	Japanese Garden Donation 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	\$ 779,590	\$ 37,808	\$ 7,467	\$ 47,688	\$ -	\$ -	\$ 467,659	\$ 27,443	\$ -	\$ -	\$ 62	\$ 713	\$ 1,368,430
Receivables, net													
Tax and tax equivalents	-	-	-	193,132	-	-	-	-	-	-	-	-	193,132
Grants	-	-	-	-	-	-	-	-	-	5,959	-	-	5,959
Other	124,276	11,522	-	-	-	-	-	19,315	-	-	-	-	155,113
Due from other funds	-	-	-	19	2,197	69,159	-	2,430	39,498	2,385	-	-	115,688
Total assets	\$ 903,866	\$ 49,330	\$ 7,467	\$ 240,839	\$ 2,197	\$ 69,159	\$ 467,659	\$ 49,188	\$ 39,498	\$ 8,344	\$ 62	\$ 713	\$ 1,838,322
LIABILITIES													
Accounts payable	\$ 79,721	\$ 44,127	\$ -	\$ 156	\$ -	\$ -	\$ 51,810	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175,814
Accrued compensation and benefits	-	-	-	-	-	-	-	-	-	983	-	-	983
Due to Other Funds	92,852	-	3,328	-	-	-	57,509	-	-	5,959	-	-	159,648
Deferred Revenue	-	-	-	190,000	-	-	-	-	-	-	-	-	190,000
Total liabilities	172,573	44,127	3,328	190,156	-	-	109,319	-	-	6,942	-	-	526,445
FUND BALANCES													
Reserved	731,293	-	4,139	50,683	2,197	69,159	358,340	49,188	39,498	1,402	62	713	1,306,674
Unreserved	-	5,203	-	-	-	-	-	-	-	-	-	-	5,203
Total fund balances	731,293	5,203	4,139	50,683	2,197	69,159	358,340	49,188	39,498	1,402	62	713	1,311,877
Total liabilities and fund balances	\$ 903,866	\$ 49,330	\$ 7,467	\$ 240,839	\$ 2,197	\$ 69,159	\$ 467,659	\$ 49,188	\$ 39,498	\$ 8,344	\$ 62	\$ 713	\$ 1,838,322

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

**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, 2005**

	Gasoline Taxes and Inspection Fees Fund	TVA Tax Distribution Fund	Senior Center Donation Fund	Library Fund	Japanese Garden Donation 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	\$ 901,617	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 901,617
TVA Tax Proceeds	-	68,581	-	-	-	-	-	-	-	-	-	-	68,581
Property Tax	-	-	-	162,897	-	-	-	-	-	-	-	-	162,897
Other	-	-	-	-	-	-	158,623	19,315	-	-	-	-	177,938
Grant	-	-	-	-	-	-	-	-	-	31,983	10,827	-	42,810
Charges for Services	-	-	-	-	-	-	-	-	32,175	-	-	876	33,051
Fines	-	-	-	-	-	153,646	-	-	-	-	-	-	153,646
Contributions and Donations	-	-	50	-	160	-	-	-	-	-	-	-	210
Investment Earnings	17,183	1,020	151	3,511	66	-	10,573	668	-	-	163	-	33,335
Total revenues	918,800	69,601	201	166,408	226	153,646	169,196	19,983	32,175	31,983	10,990	876	1,574,085
EXPENDITURES													
Current:													
General Administration	4,201	44,578	-	386,945	-	-	-	-	-	-	-	-	435,724
Police department	-	-	-	-	-	-	-	-	-	69,272	694	-	69,966
Public Works	592,982	-	-	-	-	-	-	-	5,992	-	-	-	598,974
Fire	-	-	-	-	-	-	-	-	-	-	-	163	163
Planning, Engineering and Building	-	-	-	-	-	-	3,438	-	-	-	-	-	3,438
Capital outlay	137,044	-	-	-	-	-	116,165	-	9,464	-	11,517	-	274,190
Total expenditures	734,227	44,578	-	386,945	-	-	119,603	-	15,456	69,272	12,211	163	1,382,455
Excess (deficiency) of revenues over (under) expenditures	184,573	25,023	201	(220,537)	226	153,646	49,593	19,983	16,719	(37,289)	(1,221)	713	191,630
OTHER FINANCING SOURCES (USES)													
Transfers from other funds	-	-	-	223,891	-	43,148	-	-	-	37,069	-	-	304,106
Transfers to other funds	(136,000)	(24,003)	-	-	-	(157,152)	-	-	-	-	-	-	(317,155)
Total other financing sources (uses)	(136,000)	(24,003)	-	223,891	-	(114,006)	-	-	-	37,069	-	-	(13,049)
Net changes in fund balances	48,573	1,020	201	3,354	226	39,640	49,593	19,983	16,719	(220)	(1,221)	713	178,581
Fund balances - beginning of year	682,720	4,183	3,938	47,329	1,971	29,519	308,747	29,205	22,779	1,622	1,283	-	1,133,296
Fund balances - end of year	\$ 731,293	\$ 5,203	\$ 4,139	\$ 50,683	\$ 2,197	\$ 69,159	\$ 358,340	\$ 49,188	\$ 39,498	\$ 1,402	\$ 62	\$ 713	\$ 1,311,877

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



**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, 2005**

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES			
Intergovernmental:			
State Gasoline Taxes	\$ 554,735	\$ 590,281	\$ 35,546
2-Cent Gasoline Taxes	275,000	311,336	36,336
Investment Earnings	<u>7,000</u>	<u>17,183</u>	<u>10,183</u>
Total revenues	836,735	918,800	82,065
EXPENDITURES			
Current:			
General Administration	-	4,201	(4,201)
Public Works	716,073	592,982	123,091
Planning, Engineering and Building	57,500	-	57,500
Capital Outlay	<u>156,450</u>	<u>137,044</u>	<u>19,406</u>
Total expenditures	<u>930,023</u>	<u>734,227</u>	<u>195,796</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(93,288)	184,573	277,861
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	<u>(211,000)</u>	<u>(136,000)</u>	<u>75,000</u>
Total other financing sources (uses)	<u>(211,000)</u>	<u>(136,000)</u>	<u>75,000</u>
Net change in fund balance	(304,288)	48,573	352,861
Fund balance - beginning of year	<u>682,720</u>	<u>682,720</u>	<u>-</u>
Fund balance - end of year	<u>\$ 378,432</u>	<u>\$ 731,293</u>	<u>\$ 352,861</u>

**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, 2005**

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES			
Intergovernmental:			
TVA Tax Proceeds	\$ 55,000	\$ 68,581	\$ 13,581
Investment Earnings	<u>550</u>	<u>1,020</u>	<u>470</u>
Total revenues	55,550	69,601	14,051
EXPENDITURES			
Current:			
General Administration	<u>35,750</u>	<u>44,578</u>	<u>(8,828)</u>
Total expenditures	<u>35,750</u>	<u>44,578</u>	<u>(8,828)</u>
EXCESS OF REVENUES OVER EXPENDITURES	19,800	25,023	5,223
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	<u>(19,250)</u>	<u>(24,003)</u>	<u>(4,753)</u>
Total other financing sources (uses)	<u>(19,250)</u>	<u>(24,003)</u>	<u>(4,753)</u>
Net change in fund balance	550	1,020	470
Fund balance - beginning of year	<u>4,183</u>	<u>4,183</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,733</u>	<u>\$ 5,203</u>	<u>\$ 470</u>

**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, 2005**

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES			
Donations	\$ 1,000	\$ 50	\$ (950)
Investment Earnings	<u>100</u>	<u>151</u>	<u>51</u>
Total revenues	1,100	201	(899)
EXPENDITURES			
Capital Outlay	<u>3,600</u>	<u>-</u>	<u>3,600</u>
Total expenditures	<u>3,600</u>	<u>-</u>	<u>3,600</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,500)	201	2,701
Fund balance - beginning of year	<u>3,938</u>	<u>3,938</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,438</u>	<u>\$ 4,139</u>	<u>\$ 2,701</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, 2005**

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Intergovernmental:			
Property Tax	\$ 160,000	\$ 162,897	\$ 2,897
Investment Earnings	<u>1,000</u>	<u>3,511</u>	<u>2,511</u>
Total revenues	161,000	166,408	5,408
EXPENDITURES			
Current:			
General Administration	<u>408,944</u>	<u>386,945</u>	<u>21,999</u>
Total expenditures	<u>408,944</u>	<u>386,945</u>	<u>21,999</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(247,944)	(220,537)	27,407
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	<u>224,047</u>	<u>223,891</u>	<u>(156)</u>
Total other financing sources (uses)	<u>224,047</u>	<u>223,891</u>	<u>(156)</u>
Net change in fund balance	(23,897)	3,354	27,251
Fund balance - beginning of year	<u>47,329</u>	<u>47,329</u>	<u>-</u>
Fund balance - end of year	<u>\$ 23,432</u>	<u>\$ 50,683</u>	<u>\$ 27,251</u>

**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, 2005**

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Fines	\$ 157,152	\$ 153,646	\$ (3,506)
Total revenues	157,152	153,646	(3,506)
EXPENDITURES			
Current:			
General Administration	-	-	-
Total expenditures	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	157,152	153,646	(3,506)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	43,146	43,146
Transfers to other funds	(157,152)	(157,152)	-
Total other financing sources (uses)	(157,152)	(114,006)	43,146
Net change in fund balance	-	39,640	39,640
Fund balance - beginning of year	29,519	29,519	-
Fund balance - end of year	\$ 29,519	\$ 69,159	\$ 39,640

**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, 2005**

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Other	\$ 125,489	\$ 158,623	\$ 33,134
Investment Earnings	<u>2,100</u>	<u>10,573</u>	<u>8,473</u>
Total revenues	127,589	169,196	41,607
EXPENDITURES			
Current:			
Planning, Engineering and Building	1,198	3,438	(2,240)
Capital Outlay	<u>147,852</u>	<u>116,165</u>	<u>31,687</u>
Total expenditures	<u>149,050</u>	<u>119,603</u>	<u>29,447</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(21,461)	49,593	71,054
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	<u>(300,000)</u>	<u>-</u>	<u>300,000</u>
Total other financing sources (uses)	<u>(300,000)</u>	<u>-</u>	<u>300,000</u>
Net change in fund balance	(321,461)	49,593	371,054
Fund balance - beginning of year	<u>308,747</u>	<u>308,747</u>	<u>-</u>
Fund balance - end of year	<u>\$ (12,714)</u>	<u>\$ 358,340</u>	<u>\$ 371,054</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, 2005**

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Charges for Services	\$ 24,100	\$ 32,175	\$ 8,075
Total revenues	24,100	32,175	8,075
EXPENDITURES			
Current:			
Public Works	20,476	5,992	14,484
Capital Outlay	9,524	9,464	60
Total expenditures	30,000	15,456	14,544
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,900)	16,719	22,619
Fund balance - beginning of year	22,779	22,779	-
Fund balance - end of year	\$ 16,879	\$ 39,498	\$ 22,619



**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, 2005**

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES			
Intergovernmental:			
Grant	<u>\$ 32,400</u>	<u>\$ 31,983</u>	<u>\$ (417)</u>
Total revenues	32,400	31,983	(417)
EXPENDITURES			
Current:			
Police Department	<u>61,660</u>	<u>69,272</u>	<u>(7,612)</u>
Total expenditures	<u>61,660</u>	<u>69,272</u>	<u>(7,612)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(29,260)	(37,289)	(8,029)
OTHER FINANCING SOURCES			
Transfers from other funds	<u>29,260</u>	<u>37,069</u>	<u>7,809</u>
Total other financing sources (uses)	<u>29,260</u>	<u>37,069</u>	<u>7,809</u>
Net change in fund balance	-	(220)	(220)
Fund balance - beginning of year	<u>1,622</u>	<u>1,622</u>	-
Fund balance - end of year	<u>\$ 1,622</u>	<u>\$ 1,402</u>	<u>\$ (220)</u>

NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from government resources.

1995 Bond Fund - This fund is used to account for the accumulation of resources for the payment of the general obligation warrants dated April 1, 1995. 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.

1998-A 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, 1998. The 11-mill property tax and resources dedicated by Madison City Board of Education will provide 100% of the debt service requirements for the outstanding general obligation school warrants.

1998-B Bond Fund - This fund is used to account for the accumulation of resources for the payment of the general obligation school warrants dated September 1, 1998. The 11-mill property tax and resources dedicated by Madison City Board of Education will provide 100% of the debt service requirements for the outstanding general obligation school warrants.

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.

1999 Bond Fund - This fund is used to account for the accumulation of resources for the payment of the general obligation school warrants dated March 15, 1999. The 11-mill property tax and resources dedicated by Madison City Board of Education will provide 100% of the debt service requirements for the outstanding general obligation school warrants.

2000 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, 2000. The 11-mill property tax and resources dedicated by Madison City Board of Education will provide 100% of the debt service requirements for the outstanding general obligation school warrants.

2001 Bond Fund - This fund is used to account for the accumulation of resources for the payment of the general obligation warrants dated June 1, 2001. 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.

2001-A Bond Fund - This fund is used to account for the accumulation of resources for the payment of the general obligation school warrants dated November 1, 2001. The 11-mill property tax and resources dedicated by Madison City Board of Education will provide 100% of the debt service requirements for the outstanding general obligation school warrants.

2002 Bond Fund - This fund is used to account for the accumulation of resources for the payment of the general obligation school warrants dated October 1, 2002. The 11-mill property tax and resources dedicated by Madison City Board of Education will provide 100% of the debt service requirements for the outstanding general obligation school 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. There is no approved budget for this fund.

**CITY OF MADISON, ALABAMA
DEBT SERVICE FUND
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005**

	1995 Bond Fund	1998-A Bond Fund	1998-B Bond Fund	1998-C Bond Fund	1999 Bond Fund	2000 Bond Fund	2001 Bond Fund	2001-A Bond Fund	2002 Bond Fund	2005 Bond Fund	Total Nonmajor Governmental Funds
ASSETS											
Cash with fiscal agent	\$ -	\$ 69	\$ 323	\$ 1,178	\$ 330	\$ 80,003	\$ -	\$ 153	\$ 157	\$ 507,897	\$ 590,110
Total assets	\$ -	\$ 69	\$ 323	\$ 1,178	\$ 330	\$ 80,003	\$ -	\$ 153	\$ 157	\$ 507,897	\$ 590,110
LIABILITIES											
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES											
Reserved	-	69	323	1,178	330	80,003	-	153	157	507,897	590,110
Total fund balances	-	69	323	1,178	330	80,003	-	153	157	507,897	590,110
Total liabilities and fund balances	\$ -	\$ 69	\$ 323	\$ 1,178	\$ 330	\$ 80,003	\$ -	\$ 153	\$ 157	\$ 507,897	\$ 590,110

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

**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, 2005**

	1995 Bond Fund	1998-A Bond Fund	1998-B Bond Fund	1998-C Bond Fund	1999 Bond Fund	2000 Bond Fund	2001 Bond Fund	2001-A Bond Fund	2002 Bond Fund	2005 Bond Fund	Total Nonmajor Governmental Funds
REVENUES											
Investment earnings	\$ 1,679	\$ 279	\$ 242	\$ 577	\$ 247	\$ 23	\$ -	\$ 283	\$ 591	\$ 254	\$ 4,155
Other revenues	-	454,293	973,246	-	982,640	286,900	-	562,634	1,334,164	-	4,593,877
Total revenues	1,679	454,572	973,488	577	982,887	286,923	-	562,897	1,334,755	254	4,598,032
EXPENDITURES											
Current:											
General Administration	223	33	-	-	-	-	-	33	66	23	378
Debt service											
Principal	305,000	140,000	425,000	-	410,000	125,000	395,000	210,000	435,000	-	2,445,000
Interest	1,051,310	314,523	548,246	797,095	572,640	165,025	472,038	352,798	899,579	-	5,173,254
Bond Issuance Costs	-	-	-	-	-	-	-	-	-	206,213	206,213
Total expenditures	1,356,533	454,556	973,246	797,095	982,640	280,025	867,038	562,831	1,334,645	206,236	7,824,845
Excess (deficiency) of revenues over (under) expenditures	(1,354,854)	16	242	(796,518)	247	(3,102)	(867,038)	66	110	(205,982)	(3,226,813)
OTHER FINANCING SOURCES (USES)											
Transfers from other funds	830,655	-	-	797,095	-	-	867,038	-	-	507,666	3,002,454
Transfers to other funds	(48,112)	-	-	-	-	-	-	-	-	-	(48,112)
Bond Proceeds 2005 Bond	-	-	-	-	-	-	-	-	-	18,775,000	18,775,000
Payment to Refund Bonds - 1995	-	-	-	-	-	-	-	-	-	(18,568,787)	(18,568,787)
Total other financing sources (uses)	782,543	-	-	797,095	-	-	867,038	-	-	713,879	3,160,555
Net changes in fund balances	(572,311)	16	242	577	247	(3,102)	-	66	110	507,897	(66,258)
Fund balances - beginning of year	572,311	53	81	601	83	83,105	-	87	47	-	656,368
Fund balances - end of year	\$ -	\$ 69	\$ 323	\$ 1,178	\$ 330	\$ 80,003	\$ -	\$ 153	\$ 157	\$ 507,897	\$ 590,110

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



CITY OF MADISON, ALABAMA
1995 BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 1,679	\$ 1,179
Total revenues	500	1,679	1,179
EXPENDITURES			
Current:			
General Administration	-	223	(223)
Debt Service:			
Principal	305,000	305,000	-
Interest	1,051,310	1,051,310	-
Total expenditures	1,356,310	1,356,533	(223)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,355,810)	(1,354,854)	956
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	1,356,310	830,655	(525,655)
Transfers to other funds	-	(48,112)	(48,112)
Total other financing sources (uses)	1,356,310	782,543	(573,767)
Net change in fund balance	500	(572,311)	572,811
Fund balance - beginning of year	572,311	572,311	-
Fund balance - end of year	\$ 572,811	\$ -	\$ (572,811)

CITY OF MADISON, ALABAMA
1998-A BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 279	\$ (221)
Other Revenues	<u>454,523</u>	<u>454,293</u>	<u>(230)</u>
Total revenues	455,023	454,572	(451)
EXPENDITURES			
Current:			
General Administration	-	33	(33)
Debt Service:			
Principal	140,000	140,000	-
Interest	<u>314,523</u>	<u>314,523</u>	<u>-</u>
Total expenditures	<u>454,523</u>	<u>454,556</u>	<u>(33)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	500	16	(484)
Fund balance - beginning of year	<u>53</u>	<u>53</u>	<u>-</u>
Fund balance - end of year	<u>\$ 553</u>	<u>\$ 69</u>	<u>\$ (484)</u>

CITY OF MADISON, ALABAMA
1998-B BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 242	\$ (258)
Other Revenues	973,246	973,246	-
Total revenues	973,746	973,488	(258)
EXPENDITURES			
Debt Service:			
Principal	425,000	425,000	-
Interest	548,246	548,246	-
Total expenditures	973,246	973,246	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	500	242	(258)
Fund balance - beginning of year	81	81	-
Fund balance - end of year	\$ 581	\$ 323	\$ (258)

**CITY OF MADISON, ALABAMA
1998-C BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 577	\$ 77
Total revenues	500	577	77
EXPENDITURES			
Debt Service: Interest	797,095	797,095	-
Total expenditures	797,095	797,095	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(796,595)	(796,518)	77
OTHER FINANCING SOURCES			
Transfers from other funds	797,095	797,095	-
Total other financing sources	797,095	797,095	-
Net change in fund balance	500	577	77
Fund balance - beginning of year	601	601	-
Fund balance - end of year	\$ 1,101	\$ 1,178	\$ 77

**CITY OF MADISON, ALABAMA
1999 BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 247	\$ (253)
Other Revenues	982,640	982,640	-
Total revenues	983,140	982,887	(253)
EXPENDITURES			
Debt Service:			
Principal	410,000	410,000	-
Interest	572,640	572,640	-
Total expenditures	982,640	982,640	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	500	247	(253)
Fund balance - beginning of year	83	83	-
Fund balance - end of year	\$ 583	\$ 330	\$ (253)

**CITY OF MADISON, ALABAMA
2000 BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 23	\$ (477)
Other Revenues	290,025	286,900	(3,125)
Total revenues	290,525	286,923	(3,602)
EXPENDITURES			
Debt Service:			
Principal	125,000	125,000	-
Interest	165,025	165,025	-
Total expenditures	290,025	290,025	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	500	(3,102)	(3,602)
Fund balance - beginning of year	83,105	83,105	-
Fund balance - end of year	\$ 83,605	\$ 80,003	\$ (3,602)

CITY OF MADISON, ALABAMA
2001 BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Investment Earnings	\$ 500	\$ -	\$ (500)
Total revenues	500	-	(500)
EXPENDITURES			
Debt Service:			
Principal	395,000	395,000	-
Interest	472,038	472,038	-
Total expenditures	867,038	867,038	-
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(866,538)	(867,038)	(500)
OTHER FINANCING SOURCES			
Transfers from other funds	867,038	867,038	-
Total other financing sources	867,038	867,038	-
Net change in fund balance	500	-	(500)
Fund balance - beginning of year	-	-	-
Fund balance - end of year	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ (500)</u>

CITY OF MADISON, ALABAMA
2001-A BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 263	\$ (237)
Other Revenues	562,798	562,634	(164)
Total revenues	563,298	562,897	(401)
EXPENDITURES			
Current:			
General Administration	-	33	(33)
Debt Service:			
Principal	210,000	210,000	-
Interest	352,798	352,798	-
Total expenditures	562,798	562,831	(33)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	500	66	(434)
Fund balance - beginning of year	87	87	-
Fund balance - end of year	\$ 587	\$ 153	\$ (434)

CITY OF MADISON, ALABAMA
2002 BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Investment Earnings	\$ 500	\$ 591	\$ 91
Other Revenues	<u>1,334,579</u>	<u>1,334,164</u>	<u>(415)</u>
Total revenues	1,335,079	1,334,755	(324)
EXPENDITURES			
Current:			
General Administration	-	66	(66)
Debt Service:			
Principal	435,000	435,000	-
Interest	<u>899,579</u>	<u>899,579</u>	<u>-</u>
Total expenditures	<u>1,334,579</u>	<u>1,334,645</u>	<u>(66)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	500	110	(390)
Fund balance - beginning of year	<u>47</u>	<u>47</u>	<u>-</u>
Fund balance - end of year	<u>\$ 547</u>	<u>\$ 157</u>	<u>\$ (390)</u>



NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

The capital projects fund is used to account for financial resources segregated for the acquisition and construction of major capital facilities.

Long Range Plan - This fund is used to account for capital improvements for the Crunk Drainage Project.

1998-C Long Range Plan - This fund is 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.

General Obligation Capital Improvement - This fund is used to account for a variety of public works projects and various capital improvements in the City consisting of public safety, recreation and infrastructure.

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

**CITY OF MADISON, ALABAMA
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005**

	Long Range Plan Fund	1998-C Long Range Plan Fund	General Obligation Capital Improvement Fund	Forward Purchase Bond Account	Total Nonmajor Governmental Fund
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,298,014	\$ 1,298,014
Total assets	\$ -	\$ -	\$ -	\$ 1,298,014	\$ 1,298,014
LIABILITIES					
	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES					
Reserved	-	-	-	1,298,014	1,298,014
Total fund balances	-	-	-	1,298,014	1,298,014
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ 1,298,014	\$ 1,298,014

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

**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, 2005**

	Long Range Plan Fund	1998-C Long Range Plan Fund	General Obligation Capital Improvement Fund	Forward Purchase Bond Account	Total Nonmajor Governmental Fund
REVENUES					
Miscellaneous	\$ -	\$ -	\$ -	\$ 16	\$ 16
Investment earnings	341	4,001	5,946	34,055	44,343
Total revenues	341	4,001	5,946	34,071	44,359
EXPENDITURES					
Current:					
General Administration	-	5	-	23,601	23,606
Public Works	-	6	-	-	6
Capital Outlay	-	110,000	-	-	110,000
Total expenditures	-	110,011	-	23,601	133,612
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	341	(106,010)	5,946	10,470	(89,253)
OTHER FINANCING SOURCES (USES)					
Transfers from other fund	-	-	-	27,987	27,987
Transfers to other funds	(84,126)	(111,143)	(275,147)	-	(470,416)
Bond proceeds 1995 refunding	-	-	-	1,250,000	1,250,000
TOTAL OTHER FINANCING SOURCES (USES)	(84,126)	(111,143)	(275,147)	1,277,987	807,571
Net changes in fund balances	(83,785)	(217,153)	(269,201)	1,288,457	718,318
FUND BALANCE AT BEGINNING OF YEAR	83,785	217,153	269,201	9,557	579,696
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ -	\$ 1,298,014	\$ 1,298,014

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



**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, 2005 and 2004

	2005	2004
Governmental funds capital assets:		
Land	\$ 6,429,050	\$ 5,415,852
Buildings	10,869,345	10,710,321
Improvements to buildings	999,556	326,235
Improvements other than buildings	1,389,971	1,265,753
Machinery and equipment	10,832,272	10,472,627
Infrastructure	16,585,124	9,962,272
Other	3,500	3,500
Construction in progress	1,335,109	2,536,425
 Total governmental funds capital assets	 \$ 48,443,927	 \$ 40,692,985
 Investments in governmental funds capital assets by source:		
Current revenues	\$ 47,228,699	\$ 39,706,883
Federal and state grants	1,215,228	986,102
 Total governmental funds capital assets	 \$ 48,443,927	 \$ 40,692,985

CITY OF MADISON, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
September 30, 2005

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	\$ 1,259,270	\$ 3,275,439	\$ 787,508	\$ 21,257	\$ 586,426	\$ 3,694	\$ -	\$ -	\$ 5,933,594
City Clerk	-	-	-	-	67,023	-	-	-	67,023
Court Clerk	-	-	-	-	53,022	-	-	-	53,022
City Council	-	-	-	-	31,997	-	-	-	31,997
Finance	-	-	-	-	131,311	-	-	-	131,311
Human Resources	-	-	-	-	45,915	-	-	-	45,915
Mayor's Office	-	-	-	-	19,927	-	-	-	19,927
Revenue	-	-	-	-	22,129	-	-	-	22,129
Information Technology	-	-	-	-	146,537	-	-	-	146,537
Legal	-	-	-	-	6,226	-	-	-	6,226
Total General Government	1,259,270	3,275,439	787,508	21,257	1,110,513	3,694	-	-	6,457,681
Public Safety:									
Police	-	6,139	50,146	-	2,616,216	-	3,500	-	2,676,001
Fire	134,000	2,078,341	16,041	75,310	3,094,829	-	-	-	5,398,521
Planning, Engineering and Bldg.	-	-	-	-	337,948	-	-	-	337,948
Total Public Safety	134,000	2,084,480	66,187	75,310	6,048,993	-	3,500	-	8,412,470
Highways and streets:									
Public Works	3,454,303	237,953	-	17,053	2,630,505	16,578,430	-	1,293,902	24,212,146
Total highways and streets	3,454,303	237,953	-	17,053	2,630,505	16,578,430	-	1,293,902	24,212,146
Culture and recreation									
Parks and Recreation	1,581,477	5,271,473	94,936	1,274,561	932,703	3,000	-	41,207	9,199,357
Senior Center	-	-	50,925	1,790	109,558	-	-	-	162,273
Total culture and recreation	1,581,477	5,271,473	145,861	1,276,351	1,042,261	3,000	-	41,207	9,361,630
Total governmental funds capital assets	\$ 6,429,050	\$ 10,869,345	\$ 999,556	\$ 1,389,971	\$ 10,832,272	\$ 16,585,124	\$ 3,500	\$ 1,335,109	\$ 48,443,927

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, 2005

Function and Activity	Governmental Funds Capital Assets Oct. 1, 2004	Additions	Transfers In (Out)	Deductions	Governmental Funds Capital Assets Sept. 30, 2005
General Government:					
General Administration	\$ 5,314,462	\$ 619,132	\$ -	\$ -	\$ 5,933,594
City Clerk	76,224	6,792	(2,212)	(13,781)	67,023
Court Clerk	50,532	-	5,335	(2,845)	53,022
City Council	28,452	3,545	-	-	31,997
Finance	135,088	10,188	(4,916)	(9,049)	131,311
Human Resources	40,372	11,397	602	(6,456)	45,915
Mayor's Office	21,769	3,372	(3,671)	(1,543)	19,927
Revenue	24,697	3,396	(452)	(5,512)	22,129
Information Technology	128,510	15,974	2,053	-	146,537
Legal	2,830	3,396	-	-	6,226
Total General Government	5,822,936	677,192	(3,261)	(39,186)	6,457,681
Public Safety:					
Police	2,727,674	168,641	-	(220,314)	2,676,001
Fire	5,232,072	194,000	(23,445)	(4,106)	5,398,521
Planning, Engineering and Bldg.	154,144	93,226	90,578	-	337,948
Total public safety	8,113,890	455,867	67,133	(224,420)	8,412,470
Highways and streets:					
Public Works	17,421,672	6,758,808	31,666	-	24,212,146
Engineering	89,827	-	(89,827)	-	-
Total highways and streets	17,511,499	6,758,808	(58,161)	-	24,212,146
Culture and recreation:					
Parks and Recreation	9,109,173	199,317	(5,711)	(103,422)	9,199,357
Senior Center	135,487	26,786	-	-	162,273
Total culture and recreation	9,244,660	226,103	(5,711)	(103,422)	9,361,630
Total governmental funds capital assets	\$ 40,692,985	\$ 8,117,970	\$ -	\$ (367,028)	\$ 48,443,927



STATISTICAL SECTION - PART III

CITY OF MADISON, ALABAMA
Government-wide Expenses by Function
Last Three Fiscal Years

Fiscal Year	General Government	Public Safety	Highways and Streets	Culture and Recreation	Interest on Long-term Debt	Total
2003	\$ 5,703,386	\$ 6,779,539	\$ 3,445,395	\$ 1,841,452	\$ 5,242,670	\$ 23,012,442
2004	\$ 6,242,751	\$ 7,546,421	\$ 3,704,357	\$ 1,927,993	\$ 5,339,585	\$ 24,761,107
2005	\$ 6,817,264	\$ 8,754,380	\$ 3,519,441	\$ 1,957,227	\$ 5,187,096	\$ 26,235,408

CITY OF MADISON, ALABAMA
Government-wide Revenues by Source
Last Three Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Investment Earnings	Miscellaneous	Total
2003	\$ 3,611,914	\$ 275,534	\$ 5,694,581	\$ 15,780,662	\$ 237,034	\$ (17,076,636)	\$ 8,523,089
2004	\$ 3,867,795	\$ 462,353	\$ 7,551,944	\$ 17,046,307	\$ 130,950	\$ 5,772,384	\$ 34,831,733
2005	\$ 4,857,562	\$ 571,702	\$ 5,818,671	\$ 18,578,789	\$ 241,056	\$ 5,455,268	\$ 35,523,048

CITY OF MADISON, ALABAMA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
General, Special Revenues, Capital Projects and Debt Service Funds
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Highways and Streets	Recreation	Capital Outlay	Debt Service	Capital Project Construction	Total
1996	\$ 2,815,068	\$ 2,825,061	\$ 1,606,490	\$ 609,776	\$ 4,001,380	\$ 3,242,155	\$ 1,387,563	\$ 16,487,493
1997	\$ 2,843,385	\$ 3,574,010	\$ 1,633,499	\$ 794,182	\$ 4,253,408	\$ 3,151,171	\$ 940,311	\$ 17,189,966
1998	\$ 2,224,302	\$ 3,901,693	\$ 2,254,772	\$ 2,200,819	\$ 5,984,068	\$ 3,396,880	\$ 1,686,255	\$ 21,648,789
1999	\$ 3,463,667	\$ 4,439,019	\$ 4,176,168	\$ 2,858,534	\$ 1,568,988	\$ 4,572,764	\$ 120,282	\$ 21,199,422
2000	\$ 4,208,540	\$ 5,209,781	\$ 2,195,194	\$ 1,467,214	\$ 861,076	\$ 4,641,821	\$ 2,310,409	\$ 20,894,035
2001	\$ 4,707,067	\$ 5,693,081	\$ 2,340,708	\$ 1,573,551	\$ 1,733,239	\$ 5,100,869	\$ 3,592,272	\$ 24,740,787
2002	\$ 4,814,553	\$ 5,886,680	\$ 2,893,175	\$ 1,682,626	\$ 392,701	\$ 6,273,598	\$ 1,855,192	\$ 23,798,525
2003	\$ 5,459,094	\$ 6,492,605	\$ 3,277,857	\$ 1,647,708	\$ 8,767,979	\$ 7,668,308	*	\$ 33,313,551
2004	\$ 6,055,481	\$ 7,201,677	\$ 3,443,270	\$ 1,700,421	\$ 10,245,968	\$ 8,010,230	*	\$ 36,657,047
2005	\$ 6,114,363	\$ 8,345,844	\$ 3,075,737	\$ 1,728,008	\$ 8,117,969	\$ 8,214,691	*	\$ 35,596,612

* Expenditures for "Capital Project Construction" are included in "Capital Outlay".

CITY OF MADISON, ALABAMA
GENERAL GOVERNMENTAL REVENUES BY SOURCE
General, Special Revenues, Capital Projects and Debt Service Funds
Last Ten Fiscal Years

Fiscal Year	Property Tax and Payment in Lieu of Taxes	Local Taxes and Services	Licenses and Permits	Fines	Intergovernmental	Charges for Services	Contributions and Donations	Other	Total
1996	+	\$ 4,885,290	\$ 1,332,779	\$ 299,534	\$ 4,530,029	*	*	\$ 1,508,021	\$ 12,555,653
1997	+	\$ 5,364,116	\$ 1,481,522	\$ 396,921	\$ 4,744,006	*	*	\$ 1,171,670	\$ 13,158,235
1998	+	\$ 5,852,888	\$ 1,706,341	\$ 593,819	\$ 5,461,852	*	*	\$ 1,314,259	\$ 14,929,159
1999	+	\$ 8,043,069	\$ 1,914,027	\$ 609,290	\$ 3,995,772	*	*	\$ 1,670,155	\$ 16,232,313
2000	+	\$ 8,632,739	\$ 1,949,458	\$ 808,182	\$ 4,290,893	*	*	\$ 1,635,090	\$ 17,316,362
2001	+	\$ 10,069,554	\$ 2,056,508	\$ 761,915	\$ 4,677,447	*	*	\$ 1,436,205	\$ 19,001,629
2002	+	\$ 9,579,219	\$ 2,212,986	\$ 734,075	\$ 5,166,261	*	*	\$ 1,341,519	\$ 19,034,060
2003	\$ 3,796,378	\$ 10,172,098	\$ 2,162,875	\$ 785,322	\$ 1,910,436	\$ 585,407	\$ 17,745	\$ 422,287	\$ 19,852,548
2004	\$ 4,029,419	\$ 11,201,310	\$ 2,299,540	\$ 752,292	\$ 2,448,784	\$ 636,908	\$ 79,092	\$ 5,764,674	\$ 27,212,019
2005	\$ 4,299,572	\$ 12,024,722	\$ 2,950,878	\$ 708,177	\$ 2,289,579	\$ 918,152	\$ 11,178	\$ 5,583,230	\$ 28,785,488

+ "Property Tax and Payment in Lieu of Taxes" are included in "Intergovernmental".

* "Charges for Services" and "Contributions and Donations" are included in "Other".

CITY OF MADISON, ALABAMA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
General, Special Revenues, Capital Projects and Debt Service Funds
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Sales and Use</u>	<u>Liquor</u>	<u>Lodging</u>	<u>Rental</u>	<u>Wine</u>	<u>Cigarette</u>	<u>Total</u>
1996	\$ 4,157,597	\$ 89,843	\$ 253,584	\$ 267,886	\$ 14,400	\$ 101,980	\$ 4,885,290
1997	\$ 4,576,519	\$ 100,998	\$ 301,237	\$ 270,820	\$ 14,602	\$ 99,940	\$ 5,364,116
1998	\$ 5,046,860	\$ 97,065	\$ 283,898	\$ 310,512	\$ 16,468	\$ 98,085	\$ 5,852,888
1999	\$ 7,039,472	\$ 135,644	\$ 402,078	\$ 340,527	\$ 19,143	\$ 106,205	\$ 8,043,069
2000	\$ 7,646,151	\$ 142,742	\$ 378,267	\$ 353,501	\$ 20,643	\$ 91,435	\$ 8,632,739
2001	\$ 8,961,877	\$ 147,795	\$ 400,663	\$ 439,322	\$ 24,307	\$ 95,590	\$ 10,069,554
2002	\$ 8,570,329	\$ 136,812	\$ 395,002	\$ 377,241	\$ 22,683	\$ 77,148	\$ 9,579,219
2003	\$ 8,898,555	\$ 166,143	\$ 416,387	\$ 362,116	\$ 24,883	\$ 80,441	\$ 9,948,525
2004	\$ 9,605,607	\$ 187,777	\$ 673,728	\$ 339,205	\$ 24,731	\$ 148,573	\$ 10,979,621
2005	\$ 10,278,865	\$ 186,257	\$ 766,627	\$ 323,682	\$ 26,259	\$ 188,740	\$ 11,770,430

**CITY OF MADISON, ALABAMA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Tax Collected</u>
1996	\$ 3,186,672	\$ 3,181,672	99.84%
1997	*	\$ 3,492,197	*
1998	\$ 3,749,053	\$ 3,747,452	99.96%
1999	*	\$ 2,331,405	*
2000	\$ 2,626,657	\$ 2,504,928	95.37%
2001	\$ 3,028,293	\$ 2,886,290	95.31%
2002	*	*	*
2003	*	\$ 3,796,378	*
2004	*	\$ 4,029,419	*
2005	\$ 4,412,597	\$ 4,206,265	95.32%

* Data not available.

Source: Madison County, Alabama Tax Assessor

**CITY OF MADISON, ALABAMA
PRINCIPAL TAXPAYERS
September 30, 2005**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2005 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Intergraph Corporation	Computer Sales	\$ 8,049,740	29.01%
Colonial Realty Limited Partnership	Apartment Rental	3,870,360	13.95%
Flagstone Investors Limited Partnership	Apartment Rental	3,752,100	13.52%
Knology of Huntsville, Inc.	Communication Company	1,940,620	6.99%
Wal-Mart Stores East, Inc., #332	Department Store	1,888,440	6.81%
BellSouth Telecommunications	Communication Company	1,781,200	6.42%
Mountain View, LTD	Apartment Rental	1,766,080	6.37%
Charleston Oaks Apartment	Apartment Rental	1,627,720	5.87%
Anderson, Charles W (Estate of)	Real Estate	1,590,720	5.73%
Lowe's Homes Centers, Inc.	Home Improvement Store	<u>1,479,720</u>	<u>5.33%</u>
Totals		<u><u>\$27,746,700</u></u>	<u><u>100.00%</u></u>

**CITY OF MADISON, ALABAMA
COMPUTATION OF LEGAL DEBT MARGIN
September 30, 2005**

Assessed value of real and personal property September 30, 2005		<u>\$ 405,172,480</u>
Debt limit - 20 percent of total assessed value		\$ 81,034,496
Outstanding Debt:		
Bonded debt	\$ 104,650,000	
Bonded debt of Water and Wastewater Board	<u>55,555,000</u>	160,205,000
Less those portions not chargeable to debt limit:		
Water and Sewer Bonds	7,514,245	
School Bonds	61,855,000	
Revenue bonds of Water and Wastewater Board	<u>55,555,000</u>	<u>124,924,245</u>
Total debt chargeable to debt limit		<u>35,280,755</u>
Legal debt margin		<u>\$ 45,753,741</u>

CITY OF MADISON, ALABAMA
RATIO OF GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND GENERAL OBLIGATION BONDED DEBT PER CAPITA
Last Ten Fiscal Years

Fiscal Year	Population	Assessed Value	Bonded Debt	Ratio of Bonded Debt to Assessed Value	Bonded Debt per Capita
1996	23,000	\$ 127,993,800	\$41,155,833	32.15%	\$1,789
1997	23,500	\$ 165,972,380	\$40,602,499	24.46%	\$1,728
1998	26,500	\$ 165,972,380	\$72,110,000	43.45%	\$2,721
1999	28,000	\$ 211,414,400	\$72,620,000	34.35%	\$2,594
2000	29,000	\$ 236,958,010	\$75,250,000	31.76%	\$2,595
2001	30,629	\$ 275,112,520	\$81,955,000	29.79%	\$2,676
2002	31,929	\$ 295,011,480	\$88,770,000	30.09%	\$2,780
2003	32,626	\$ 307,166,440	\$108,155,000	35.21%	\$3,315
2004	34,529	\$ 324,910,320	\$105,785,000	32.56%	\$3,064
2005	35,829	\$ 405,172,480	\$104,650,000	25.83%	\$2,921

CITY OF MADISON, ALABAMA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT (1)
TO TOTAL GOVERNMENTAL EXPENDITURES
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service (1)	Total Governmental Expenditures	Ratio of Debt Service to Total Governmental Expenditures
1996	\$ 634,402	\$ 2,489,042	\$ 3,123,444	\$ 16,487,493	18.94%
1997	\$ 553,333	\$ 2,457,539	\$ 3,010,872	\$ 17,189,966	17.52%
1998	\$ 666,667	\$ 2,523,223	\$ 3,189,890	\$ 21,648,789	14.73%
1999	\$ 847,369	\$ 3,725,395	\$ 4,572,764	\$ 21,199,422	21.57%
2000	\$ 870,000	\$ 3,726,702	\$ 4,596,702	\$ 20,894,035	22.00%
2001	\$ 1,235,000	\$ 3,863,952	\$ 5,098,952	\$ 24,793,386	20.57%
2002	\$ 1,415,000	\$ 4,359,071	\$ 5,774,071	\$ 23,798,525	24.26%
2003	\$ 1,940,000	\$ 5,185,092	\$ 7,125,092	\$ 33,313,551	21.39%
2004	\$ 2,370,000	\$ 5,261,253	\$ 7,631,253	\$ 36,657,047	20.82%
2005	\$ 2,445,000	\$ 5,173,254	\$ 7,618,254	\$ 35,596,612	21.40%

(1) Excludes bond issuance and other costs

**CITY OF MADISON, ALABAMA
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
 GENERAL OBLIGATION BONDS
 September 30, 2005**

Jurisdiction	Net Debt Outstanding	Percentage Applicable To City of Madison	Amount Applicable To City of Madison
City of Madison	<u>\$ 104,650,000</u>	100%	<u>\$ 104,650,000</u>

Note: The City of Madison has no Overlapping Debt.

**CITY OF MADISON, ALABAMA
DEMOGRAPHIC STATISTICS
September 30, 2005**

Date of Incorporation	1869
Form of Government	Mayor/Council
Area in square miles	25
Population	35,829

Police and Fire Protection:

Police Station	1
Fire Stations	3
Number of Certified Officers	63
Number of Certified Firefighters	49

Culture and Recreation:

Number of Parks	33
Baseball Fields in use	32
Soccer Fields in use	9
Football Fields in use	2
Tennis Courts in use	7
Senior Center	1
Recreation Center	1
Swimming Pools	3

Education:

Elementary Schools	6
Middle Schools	2
High School	1

Full Time City Employees (Budgeted) 274

Part Time City Employees (Budgeted) 41



MDA PROFESSIONAL GROUP, P.C.

Certified Public Accountants and Business Consultants

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MEMBERS OF THE AMERICAN
INSTITUTE OF CERTIFIED PUBLIC
ACCOUNTANTS

AFFILIATED OFFICES IN
PRINCIPAL CITIES WORLDWIDE
THROUGH AGN INTERNATIONAL, LTD.

**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 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, 2005, and have issued our report thereon dated January 26, 2006. 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 other auditors whose reports have 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. *Reportable conditions* involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Responses as item 05-01.

A *material weakness* is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. All of the reportable conditions mentioned above are considered to be material weaknesses.



Honorable Mayor and City Council
City of Madison
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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*.

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.

Huntsville, Alabama
January 26, 2006

SCHEDULE OF FINDINGS AND RESPONSES

City of Madison, Alabama

Year ended September 30, 2005

Finding 05-01

Condition: During our audit of federal awards, we noted that there is not a reliable central record keeping system for all the grants of the City. Currently, some grants and federal awards are handled by separate departments, such as the police or fire department. In addition, there appears to be no procedures in place with regards to identifying federal versus state funds and compiling a comprehensive listing of federal expenditures.

Recommendation: We recommend that all grants and other federal awards applied for by the City be handled by or reported to one federal awards administrator who is knowledgeable of all federal and state award requirements. We also recommend the administrator maintain a schedule of all federal expenditures which is continuously updated throughout the year to monitor compliance with Single Audit requirements.

View of responsible officials and planned corrective actions:

Response: The Fiscal Policy of the City has been amended to include a section that specifies accounting for grants. The policy is as follows:

II. ACCOUNTING, AUDITING AND FINANCIAL REPORTING

- B. Accounting for Grants. All grants awarded to and accepted by the City will be administratively managed by the Finance Department. The financial staff will maintain current knowledge of all federal and state award requirements. Schedules of expenditures and resources will be maintained, updated and monitored throughout the year to ensure compliance with Single Audit requirements.

