

City of Madison, Alabama

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**Fiscal Year Ended
September 30, 2003**

Prepared by:

Finance Department

City of Madison, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2003

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City of

MADISON, *Alabama*

INC. 1869

June 4, 2004

To the Honorable Mayor,
Members of the Governing Council, and
Citizens of the City of Madison:

The Comprehensive Annual Financial Report of the City of Madison, Alabama, (the City) for the fiscal year ended September 30, 2003, is hereby submitted for your review and information. Responsibility for both accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Madison management. We believe the information, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the City as measured by the financial activity of the various funds of the City and its component units. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections:

1. **Introductory Section** – includes this letter of transmittal, a copy of the City's Certificate of Achievement of Excellence in Financial Reporting, primary government's organizational chart and a list of the City's elected officials, appointed officials and department heads.
2. **Financial Section** – includes the Management Discussion and Analysis (MD&A), the basic financial statements for the primary government and its separately presented component units and the primary government's combining and individual fund statements and schedules, as well as the independent auditors' 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. The MD&A contains a narrative, introduction, overview, and analysis to accompany the City's financial statements and this letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

3. **Statistical Section** – includes selected financial and demographic information about the City, generally 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 34,080. 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 appropriate 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 council members. Members of the City 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 Council members are elected from within their respective districts. City Council is responsible, among other things, for passing ordinances and resolutions, adopting the budget, appointing committees and hiring the City Clerk-Treasurer, Police Chief and Fire Chief. The Mayor is responsible for carrying out the policies, resolutions and ordinances of the City Council, managing the daily activities of the City government and hiring the heads of the City's departments. The City's departments include:

General Administration	Finance
Police	Human Resources
Public Work	Mayor's Office
City Clerk	Revenue
Recreation	Engineering
Fire	Senior Center
Community Development	Information Technology
Court	Legal
City Council	

The departments, which include approximately 320 employees, provide a full range of quality and cost effective public services.

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

Budget. The annual budget is a financial plan for the fiscal year that contains both the estimated revenues to be received during the year and the proposed expenditures to be incurred to achieve stated objectives.

State law requires that the City Council appropriates the sums necessary for the expenditures of the city departments and for the interest on municipal indebtedness, and that the City Council appropriates in the aggregate an amount in excess of its annually authorized revenue. The legal level of budgetary control is the department level.

State law makes the Mayor the chief executive 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. Prior to the established date of submission of the proposed budget to the City Council, the Mayor, Finance Department and Department Heads hold conferences to ensure that the proposed budget is balanced within total estimated income as required by state law.

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 current year-to-date budget-to-actual budget reports.

Department heads 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 data. The objective of the City is to estimate revenues as accurately as possible to allow use of all available funding.

The Mayor submits a proposed budget to the City Council Finance Committee. This document is submitted to the City Council Finance Committee for review and recommendations. This 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 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 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 19 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 58.

Factors Affecting Financial Condition

Local Economy and Outlook. The City continues to grow in its residential, business and commercial areas. The residential area remains strong due to the growing population and recent expansions of local companies. The City's high-tech industries provide residents with some of the highest salaries in the Southeast. The median family income for the City is reported to be \$63,849.

Major industries with headquarters or divisions located within the City's boundaries or in close proximity add to the local economy's steady growth. 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 continues to seek new development and redevelopment opportunities. Efforts to expand the development of the property along Madison Boulevard and Highway 72 corridors will continue. These corridors are gateways to the City and they are expected to grow with more retail businesses, office projects, warehouses and light industrial companies, businesses, and restaurants. These are two prime growth areas of the City.

Long-term Financing Planning. The City's capital improvements program currently contains \$10,685,205 of funded projects. These projects consist of building and facilities, parks and recreation, and infrastructure. The building and facilities projects include a new fire station, public safety training facility, and improvements to city hall and the senior center. The parks and recreation projects include an outdoor swimming pool, tennis courts, concession stand, and improvements to the entrance at Palmer Park. The infrastructure improvements include sidewalks, streets, intersections, and drainage. Funding for these projects are from bond proceeds. The new fire station will result in ongoing costs for personnel and operations. These costs will be funded in the general fund. The costs for maintenance of the streets will be funded by the gasoline taxes.

The City has identified additional projects for consideration for the capital improvements program. They are currently listed in the capital improvements program as un-funded projects. These un-funded projects include new public works facility, new senior center, expansion of Hughes Road, renovations for city hall, and improvements to Dublin and Palmer Parks. As soon as all the funding sources are identified, these projects will become part of the funded projects in the capital improvements program.

Cash Management Policies and Practices. The adopted fiscal policy enables the City to continue to obtain the highest investment returns with the maximum security. All funds are invested 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 are \$237,034.

Risk Management. The City has included risk management in the Human Resources and City Clerk Departments. These departments administer all insurance programs of the City. The City is a member of Alabama Municipal Insurance Corporation. As a member of the 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, Inc., provides medical and indemnity payments to workers injured while performing their duties for the City. Premiums are paid based on the City'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.

Pension and Other Post Employment Benefits. The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City is affiliated with the Employees' Retirement System of Alabama, an agent multiple-employer pension plan administered by the Retirement Systems of Alabama. State law assigns the authority to establish and amend the benefit provisions of the plans that participate in the plan to the respective employer entities.

Additional information on the City's pension arrangement may be found in Note 5 in the financial statements.

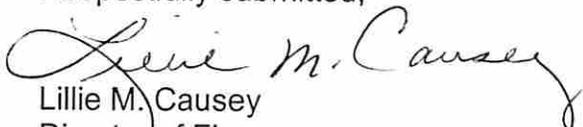
Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Madison, Alabama, for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2002. This was the third year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the 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.

Acknowledgements. The preparation of this comprehensive annual financial report could not have been achieved without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to each member of the Department and to those members of other City departments who made contributions to the preparation of this report. I would also like to thank the Mayor and the City Council for their support for planning and conducting the operations 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



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Madison,
Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

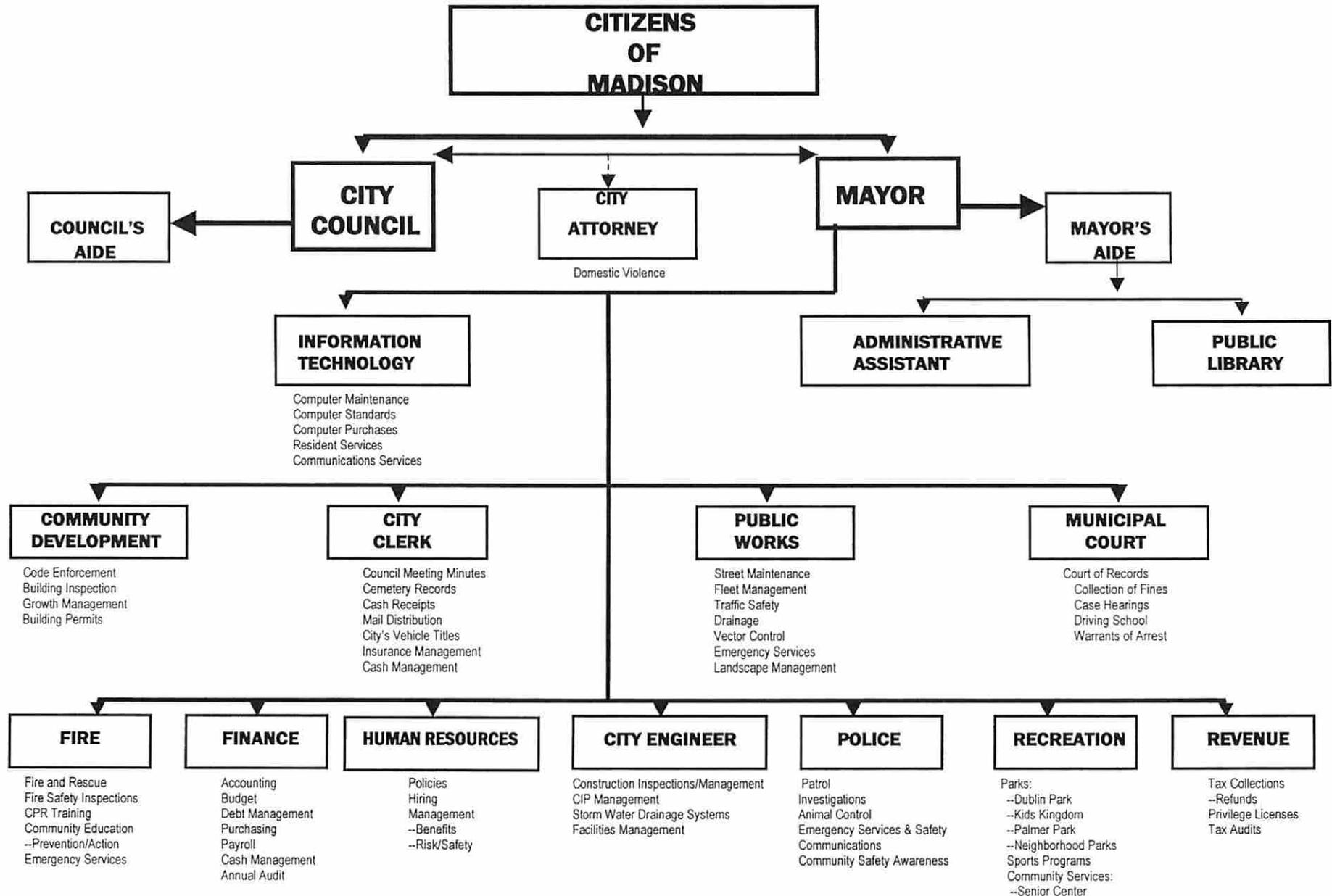


President

Executive Director



CITY OF MADISON, ALABAMA ORGANIZATIONAL CHART





CITY OF MADISON, ALABAMA
List of Elected Officials, Appointed Officials, and Department Heads
September 30, 2003

Elected Officials

Mayor	Janet I. Wells
Council Member – District One	Cynthia N. McCollum, President Pro Tem
Council Member – District Two	David Buschmann, President
Council Member – District Three	Ray Stubblefield
Council Member – District Four	Jim Reagan
Council Member – District Five	Marc Jacobson
Council Member – District Six	Larry Vannoy
Council Member – District Seven	Bob Wagner

Appointed Officials

Mayor's Aide	Michele Miller
City Council Aide	Andrea Garrett

Department Heads

Police Chief	Daniel Busken
Public Works Director	Skip Adkins
City Clerk-Treasurer	Allison Akins
Recreation Director	Mike Cassell
Fire Chief	Ralph Cobb
Community Development Director	Bob Atallo
Court Clerk	Rick Honea
Finance Director	Lillie Causey
Human Resources Director	Terri Towry
Revenue Department Director	Cameron Grounds
City Engineer	Jo Somers
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

We have audited the accompanying basic financial statements of the City of Madison, Alabama, as of and for the year ended September 30, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the City of Madison, Alabama's management. Our responsibility is to express an opinion on these basic 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, which statements reflect total government - wide assets of \$100,641,669 and \$94,093,446, respectively, as of September 30, 2003, and total government-wide revenues of \$8,552,996 and \$47,762,013, respectively, for the year then ended. 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 Water and Wastewater Board of the City of Madison and the Madison Board of Education, 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 basic financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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 basic financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the City of Madison, Alabama as of September 30, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.



As discussed in the notes to the basic financial statements, the City of Madison, Alabama adopted Governmental Accounting Standards Board Statement (GASB) Nos. 34, 36, 37, 38 and 41 as well as GASB Interpretation 6 as of and for the year ended September 30, 2003. This resulted in changes in the City of Madison, Alabama's method of accounting for certain transactions and changes in the format and content of the basic financial statements.

The 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 is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

The General Information and Statistical Data section of this report 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 4, 2004 on our consideration of the City of Madison, Alabama's, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

MDA Professional Group, P.C.

Huntsville, Alabama
June 4, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Madison, Alabama, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-6 of this report.

FINANCIAL HIGHLIGHTS

- The liabilities of the City exceeded its assets at the close of fiscal year 2003 by \$67,703,970 (net assets).
- Total net assets decreased \$14,489,353 in fiscal year 2003.
- As of September 30, 2003, the City's governmental funds reported combined ending fund balances of \$11,483,928, a decrease of \$2,569,698 from the prior year. Approximately \$2,704,200 of the fund balance is unreserved and available to finance the activities of the governmental funds. The remainder is reserved to meet existing obligations.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,323,275, or 10.18 percent of total general fund expenditures. This amount represents 15.62 percent of the general fund revenues at the end of the fiscal year.
- The City's total debt decreased by \$2,197,496 during the current fiscal year. New debt of \$22,491,090, was issued during fiscal year 2003, which includes capital leases of \$1,166,090 to finance the purchase of two new fire trucks and a telephone system and \$21,325,000 to finance the construction and improvements for the schools.
- The City's total capital assets increased by \$8,381,696 over prior year. Approximately \$3,978,300 was attributable to infrastructure.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Madison's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

The *statement of net assets* presents information on all of the government's assets and liabilities, with the difference between the two reported as net assets. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the

underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused annual leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business type activities). The governmental activities of the City include general government, public safety, highways and streets, and culture and recreational activities. 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, Industrial Development Board and the Madison 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 14 and 15 of this report.

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 of Madison, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The City has one type of fund:

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

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

The City of Madison maintains twenty-six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in

the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, water distribution fund, and capital improvement fund, all of which are considered to be major funds. Data from the other governmental 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 58 of this report.

The City of Madison adopts 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 16 through 20 of this report.

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 notes to the financial statements can be found on pages 21 through 55 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City of Madison's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 56 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. Overall, the City's liabilities exceed the assets by \$67,703,970 at the close of the fiscal year.

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.

CITY OF MADISON'S NET ASSETS

	<u>Governmental Activities</u>
Current and other assets	\$ 16,908,638
Capital assets	<u>27,208,784</u>
Total assets	<u>44,117,422</u>
Long term liabilities outstanding	108,822,948
Other liabilities	<u>2,998,444</u>
Total liabilities	<u>111,821,392</u>
Net assets:	
Invested in capital assets, net of related debt	13,924,216
Restricted	11,321,571
Unrestricted	<u>(92,949,757)</u>
Total net assets	<u>\$(67,703,970)</u>

Governmental Activities. The detail of the governmental activities are as follows:

CITY OF MADISON'S CHANGES IN NET ASSETS

	<u>Governmental Activities</u>
Revenues:	
Program revenues:	
Charges for services	\$ 3,611,914
Operating grants and contributions	275,534
Capital grants and contributions	5,694,581
General revenues:	
Property taxes and payments in lieu of taxes	4,038,035
Other taxes	11,742,627
Other	<u>236,530</u>
Total revenues	25,599,221
Expenses:	
General Administration	1,394,540
Police protection	3,597,210
Public Works	3,128,318
City Clerk	509,185
Recreation	1,648,624
Fire	2,535,675

Community Development	646,654
Court	733,894
City Council	194,887
Finance	336,586
Human Resources	1,668,221
Mayor's Office	215,210
Revenue	164,043
Engineering	317,077
Senior Center	192,828
Information Technology	165,658
Legal	321,162
Interest on Long-term Debt	<u>5,242,670</u>
Total expenses	<u>23,012,442</u>
Increase in net assets before transfers	2,586,779
Transfers	<u>(17,076,132)</u>
Decrease in net assets	(14,489,353)
Net assets – beginning of year	<u>(53,214,617)</u>
Net assets – end of year	<u>\$(67,703,970)</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

The combined fund balances of the City's governmental funds were \$11,483,928 at September 30, 2003 a decrease of \$2,569,698 from the prior fiscal year. Of this amount, \$2,704,218 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 \$8,779,710, 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 the current fiscal year, unreserved fund balance of the general fund is \$2,323,275. The total fund balance is \$2,699,685. Unreserved fund balance represents 10 percent of the total general fund expenditures.

General Fund Budgetary Highlights

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

- \$93,818 increase for total revenues
- \$572,777 increase for total expenditures

Of the \$572,777 increase in expenditures, \$162,246 was allocated for capital outlay. During the year, however, revenues came under budget by \$314,640 and expenditures exceeded budget by \$5,793,473 of which \$5,415,607 is 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, 2003, totaled \$25,433,208 (net of accumulated depreciation). This investment in capital assets includes land, 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:

- Continued construction of a new fire station; construction in progress as of the close of the fiscal year had reached \$507,551.
- A variety of street and drainage projects for existing streets and drainage systems began; construction in progress as of the close of the fiscal year had reached \$1,214,557.
- Construction began on the second entrance to Palmer Park; construction in progress as of the close of the fiscal year had reached \$15,808.
- Various building and system additions and improvements were completed at a cost of \$355,227.

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

Governmental Activities

Land	\$ 4,041,634
Buildings	7,941,579
Improvements to buildings	255,141
Improvements other than buildings	741,859
Machinery and equipment	6,711,440
Infrastructure	4,002,064
Other	1,575
Construction in progress	<u>1,737,916</u>
 Total	 <u>\$25,433,208</u>

Additional information on the City's capital assets can be found in Note 4 on pages 34 through 47 of this report.

Long-Term Debt. As of September 30, 2003, the City has \$109,541,715 of long-term debt outstanding. Of this amount, \$108,155,000 is general obligation warrants backed by the full faith and credit of the City, \$1,386,715 is comprised of capital lease obligations collateralized by certain vehicles and equipment.

CITY OF MADISON'S OUTSTANDING DEBT

Governmental Activities

Capital lease obligations	\$ 1,386,715
General obligation warrants payable	108,155,000
Less deferred amounts for:	
Issuance discounts	<u>(718,767)</u>
 Total	 <u>\$108,822,948</u>

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 \$108,822,948 total outstanding debt, the amount of \$63,545,000 is outstanding general obligation school warrants, which is not charged against the allowable debt limit. As of September 30, 2003, the City's allowable debt limit was \$61,433,288. The City was in compliance with its debt limit at \$44,610,000.

CITY OF MADISON'S OUTSTANDING DEBT - Continued

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

In October 2002, the City issued \$21,325,000 of general obligation school warrants to finance the construction of a new elementary school, addition to the middle school, system-wide foot/track stadium, system-wide roof repairs, teacher resource center/center office building, technology upgrade, furniture upgrade, and practice fields.

Additional information on the City's long-term debt can be founded in Note 4 on pages 34 through 47 of this report.

Additional Information

The Mayor and City Council considered many factors when developing the 2004 budget including the state of the surrounding local economies. In this manner, the City has conservatively approved a general fund budget anticipating no growth of \$16,705,951 in revenues and \$1,825,348 of other financing sources. Expenses are approved for \$18,923,270 and \$253,307 of other financing uses. The fund balance of the general fund was projected to decrease \$645,278. Although the fund balance of the general fund is projected to decrease, the projected fund balance is more than 10 percent of the estimated revenues.

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.



BASIC FINANCIAL STATEMENTS



CITY OF MADISON, ALABAMA
STATEMENT OF NET ASSETS
September 30, 2003

	Primary Government	Component Units		
	Governmental Activities	The Water and Wastewater Board	Industrial Development Board	Madison City Board of Education
ASSETS				
Cash and cash equivalents	\$ 2,108,666	\$ 3,468,476	\$ 7,882	\$ 28,624,136
Investments	-	-	-	221,045
Receivables, net				
Tax and tax equivalents	3,114,111	-	-	-
Other	244,315	873,781	-	733,132
Inventory	-	224,866	-	61,666
Prepaid expenditures	119,974	-	-	-
Other	-	17,094	-	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	8,941,132	4,590,073	-	-
Grants receivable	200,879	-	-	-
Intergovernmental receivable	2,154,585	-	-	-
Other receivable	24,975	-	-	-
Capital assets (net of accumulated depreciation):				
Land	4,041,635	-	-	5,915,437
Buildings	7,941,579	90,605,848	-	58,043,271
Building improvements	255,141	-	-	-
Improvements other than buildings	741,859	-	-	3,431,137
Machinery and equipment	6,711,440	-	-	9,132,896
Vehicles	-	-	-	3,590,648
Infrastructure	4,002,064	-	-	-
Other	1,575	-	-	-
Construction in progress	1,737,916	-	-	9,359,529
Less: accumulated depreciation	-	-	-	(25,019,451)
Bond issue costs, (net of accumulated amortization)	1,775,576	861,531	-	-
Total assets	44,117,422	100,641,669	7,882	94,093,446
LIABILITIES				
Accounts payable and other current liabilities	1,582,371	1,048,918	-	3,669,844
Interest payable	1,285,420	456,778	-	-
Retainage payable	40,857	-	-	-
Deferred revenue	89,796	-	-	21,048
Noncurrent liabilities:				
Due within one year	2,650,576	1,930,000	-	-
Due in more than one year	106,172,372	41,964,221	-	-
Total liabilities	111,821,392	45,399,917	-	3,690,892
NET ASSETS				
Invested in capital assets, net of related debt	13,924,216	46,711,627	-	64,453,467
Restricted for:				
Highways and streets	736,138	-	-	-
Debt service	622,589	-	-	-
Capital Improvements	7,254,756	2,508,008	-	-
Water Distribution and Storage Project	2,141,343	-	-	-
Other purposes	566,745	1,356,455	-	-
Unrestricted	(92,949,757)	4,665,662	7,882	25,949,087
Total net assets	\$(67,703,970)	\$55,241,752	\$ 7,882	\$ 90,402,554

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

CITY OF MADISON, ALABAMA
STATEMENT OF ACTIVITIES
For the year ended September 30, 2003

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units		
						The Water and Wastewater Board	Industrial Development Board	Madison City Board of Education
Functions/Programs								
Primary government:								
Governmental activities:								
General Administration	\$ 1,394,540	\$ 2,276,788	\$ 108,813	\$ -	\$ 991,061	\$ -	\$ -	\$ -
Police Protection	3,597,210	815,943	111,949	93,270	(2,576,048)	-	-	-
Public Works	3,128,318	268,497	40,791	5,541,096	2,722,066	-	-	-
City Clerk	509,185	-	-	-	(509,185)	-	-	-
Recreation	1,648,624	203,199	4,818	-	(1,440,607)	-	-	-
Fire	2,535,675	-	9,163	60,215	(2,466,297)	-	-	-
Community Development	646,654	47,487	-	-	(599,167)	-	-	-
Court	733,894	-	-	-	(733,894)	-	-	-
City Council	194,887	-	-	-	(194,887)	-	-	-
Finance	336,586	-	-	-	(336,586)	-	-	-
Human Resources	1,668,221	-	-	-	(1,668,221)	-	-	-
Mayor's Office	215,210	-	-	-	(215,210)	-	-	-
Revenue	164,043	-	-	-	(164,043)	-	-	-
Engineering	317,077	-	-	-	(317,077)	-	-	-
Senior Center	192,828	-	-	-	(192,828)	-	-	-
Information Technology	165,658	-	-	-	(165,658)	-	-	-
Legal	321,162	-	-	-	(321,162)	-	-	-
Interest on long-term debt	5,242,670	-	-	-	(5,242,670)	-	-	-
Total governmental activities	\$23,012,442	\$ 3,611,914	\$ 275,534	\$ 5,694,581	(13,430,413)	-	-	-
Component units:								
The Water and Wastewater Board	\$ 7,716,197	\$ 8,439,630	\$ -	\$ 2,754,039	-	3,477,472	-	-
Industrial Development Board	11,075	-	-	-	-	-	(11,075)	-
Madison City Board of Education	45,709,283	4,207,398	25,728,674	1,165,370	-	-	-	(14,607,841)
Total component units	\$53,436,555	\$12,647,028	\$ 25,728,674	\$ 3,919,409	-	3,477,472	(11,075)	(14,607,841)
General revenues:								
Property taxes and payments in lieu of taxes					4,038,035	-	-	7,879,900
Sales and use taxes					8,950,553	-	-	4,530,192
Franchise taxes					223,573	-	-	-
Motor fuel taxes					864,166	-	-	-
Alcoholic beverage taxes					749,075	-	-	-
Rental Taxes					362,116	-	-	-
Lodging Taxes					420,887	-	-	-
Other Taxes					172,257	-	-	113,571
Unrestricted investment earnings					237,034	113,366	688	438,089
Miscellaneous					-	-	-	3,698,819
Loss on Sale of Fixed Assets					(504)	-	-	-
Transfers - Component Unit					(17,076,132)	-	5,000	-
Total general revenues and transfers					(1,058,940)	113,366	5,688	16,660,571
Change in net assets					(14,489,353)	3,590,838	(5,387)	2,052,730
Net assets - beginning of year					(53,214,617)	51,650,914	13,269	88,349,824
Net assets - end of year					\$(67,703,970)	\$55,241,752	\$ 7,882	\$ 90,402,554

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

CITY OF MADISON, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2003

	General	Water Distribution and Storage Project Fund	2001 Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,108,666	\$ 250,941	\$ 5,326,589	\$ 2,712,883	\$ 10,399,079
Cash with fiscal agent	-	-	-	622,589	622,589
Receivables, net					
Tax and tax equivalents	3,094,602	1,865,427	-	289,158	5,249,187
Grants	-	-	-	2,798	2,798
Other	118,827	24,975	-	-	143,802
Prepaid expenditures	119,975	-	-	-	119,975
Restricted Assets:					
Cash and cash equivalents	28,130	-	-	-	28,130
Grants Receivable	198,081	-	-	-	198,081
Due from other funds	126,787	-	2,848	102,556	232,191
Total Assets	\$ 5,795,068	\$ 2,141,343	\$ 5,329,437	\$ 3,729,984	\$ 16,995,832
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 198,160	\$ -	\$ 144,391	\$ 211,795	\$ 554,346
Accrued compensation and benefits	576,960	-	-	2,291	579,251
Due to other funds	105,404	100,000	-	26,787	232,191
Retainage payable	-	-	28,504	12,353	40,857
Deferred revenue	2,203,310	1,660,400	-	230,000	4,093,710
Other liabilities	11,549	-	-	-	11,549
Total Liabilities	3,095,383	1,760,400	172,895	483,226	5,511,904
Fund balances:					
Reserved for:					
Encumbrances	30,225	-	494,857	481,730	1,006,812
Prepaid expenditures	119,974	-	-	-	119,974
Restricted assets	226,211	-	4,661,685	2,133,838	7,021,734
Debt Service	-	-	-	622,589	622,589
Unreserved, reported in:					
General fund	2,323,275	-	-	-	2,323,275
Special revenue funds	-	380,943	-	8,601	389,544
Total fund balances	2,699,685	380,943	5,156,542	3,246,758	11,483,928
Total liabilities and fund balances	\$ 5,795,068	\$ 2,141,343	\$ 5,329,437	\$ 3,729,984	

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.	25,433,208
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	4,148,912
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(108,770,018)

Net assets of governmental activities **\$ (67,703,970)**

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

CITY OF MADISON, ALABAMA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2003

	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	\$ 2,053,183	\$ 1,562,741	\$ -	\$ 180,454	\$ 3,796,378
Sales and use	7,063,716	1,834,839	-	-	8,898,555
Franchise	223,573	-	-	-	223,573
Alcoholic beverage	191,026	-	-	-	191,026
Rental	362,116	-	-	-	362,116
Lodging	416,387	-	-	-	416,387
Other	80,441	-	-	-	80,441
Licenses and permits	2,162,875	-	-	-	2,162,875
Intergovernmental	825,020	-	-	1,085,416	1,910,436
Charges for services	585,407	-	-	-	585,407
Fines	639,124	-	-	146,198	785,322
Investment earnings	69,021	18,640	70,633	78,740	237,034
Contributions and donations	15,874	-	-	1,871	17,745
Other revenues	185,249	-	4	-	185,253
Total revenues	14,873,012	3,416,220	70,637	1,492,679	19,852,548
EXPENDITURES					
Current:					
General Administration	762,980	6,323	-	409,716	1,179,019
Police Protection	3,367,309	-	-	69,811	3,437,120
Public Works	2,331,701	-	2,187	631,696	2,965,584
City Clerk	504,695	-	-	-	504,695
Recreation	1,460,023	-	-	-	1,460,023
Fire	2,418,808	-	-	-	2,418,808
Community Development	636,677	-	-	-	636,677
Court	730,278	-	-	-	730,278
City Council	193,299	-	-	-	193,299
Finance	327,814	-	-	-	327,814
Human Resources	1,665,838	-	-	-	1,665,838
Mayor's Office	213,934	-	-	-	213,934
Revenue	164,043	-	-	-	164,043
Engineering	312,273	-	-	-	312,273
Senior Center	187,685	-	-	-	187,685
Information Technology	159,160	-	-	-	159,160
Legal	321,014	-	-	-	321,014
Debt service:					
Principal	257,496	-	-	1,940,000	2,197,496
Interest	25,404	-	-	5,185,092	5,210,496
Bond Issuance Costs	-	-	-	260,316	260,316
Capital outlay	6,785,716	-	1,714,423	267,840	8,767,979
Total expenditures	22,826,147	6,323	1,716,610	8,764,471	33,313,551
Excess (deficiency) of revenues over (under) expenditures	(7,953,135)	3,409,897	(1,645,973)	(7,271,792)	(13,461,003)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,026,395	24,987	307	3,133,905	4,185,594
Transfer In - component unit	57,689	-	-	3,930,863	3,988,552
Transfers out	(199,595)	(3,558,449)	-	(427,550)	(4,185,594)
Donated Assets	5,415,607	-	-	-	5,415,607
Sales of Capital Assets	58,310	-	-	2,430	60,740
Bond Proceeds 2002	-	-	-	21,325,000	21,325,000
Bond Proceeds Transferred to Component Unit	-	-	-	(21,064,684)	(21,064,684)
Capital leases	1,166,090	-	-	-	1,166,090
Total other financing sources (uses)	7,524,496	(3,533,462)	307	6,899,964	10,891,305
Net change in fund balances	(428,639)	(123,565)	(1,645,666)	(371,828)	(2,569,698)
Fund balances - beginning of year	3,128,324	504,508	6,802,208	3,618,586	14,053,626
Fund balances - end of year	<u>\$ 2,699,685</u>	<u>\$ 380,943</u>	<u>\$ 5,156,542</u>	<u>\$ 3,246,758</u>	<u>\$ 11,483,928</u>

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, 2003

Amounts reported for governmental activities in the statement of activities (page 15) are different because:

Net change in fund balances - total governmental funds (page 17)	\$ (2,569,698)
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.	8,010,487
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(61,244)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	331,571
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.	(20,033,278)
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>(167,191)</u>
Change in net assets of governmental activities (page 15)	<u>\$ (14,489,353)</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, 2003

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Property tax and payments in lieu of taxes	\$ 2,093,795	\$ 2,093,795	\$ 2,053,183	\$ (40,612)
Sales and use	7,230,000	7,230,000	7,063,716	(166,284)
Franchise	225,570	225,570	223,573	(1,997)
Alcoholic beverage	177,160	177,160	191,026	13,866
Rental	417,150	417,150	362,116	(55,034)
Lodging	412,000	412,000	416,387	4,387
Other	100,000	100,000	80,441	(19,559)
Licenses and permits	2,156,256	2,156,256	2,162,875	6,619
Intergovernmental	742,050	812,532	825,020	12,488
Charges for services	-	-	585,407	585,407
Fines	605,000	605,000	639,124	34,124
Investment earnings	159,650	159,650	69,021	(90,629)
Contribution and donations	-	-	15,874	15,874
Other revenues	775,203	798,539	185,249	(613,290)
Total revenues	15,093,834	15,187,652	14,873,012	(314,640)
EXPENDITURES				
Current:				
General Administration	481,364	405,765	421,097	(15,332)
Police	3,438,620	3,484,588	3,367,309	117,279
Public Works	2,231,892	2,335,070	2,331,701	3,369
City Clerk	489,370	521,581	504,695	16,886
Recreation	1,550,395	1,615,287	1,460,023	155,264
Fire	2,706,400	2,699,628	2,418,808	280,820
Community Development	641,873	664,008	636,677	27,331
Court	624,371	690,631	730,278	(39,647)
City Council	231,534	192,811	193,299	(488)
Finance	339,403	353,751	327,814	25,937
Human Resources	1,818,742	1,823,877	1,665,838	158,039
Mayor's Office	539,923	230,366	213,934	16,432
Revenue	160,437	164,607	164,043	564
Engineering	322,339	343,311	312,273	31,038
Senior Center	203,143	202,463	187,685	14,778
Information Technology	168,683	169,542	159,160	10,382
Legal	212,684	311,063	321,014	(9,951)
General Services	-	338,388	341,883	(3,495)
Debt service:				
Principal	245,623	264,042	257,496	6,546
Interest	19,703	26,251	25,404	847
Capital outlay	33,398	195,644	6,785,716	(6,590,072)
Total expenditures	16,459,897	17,032,674	22,826,147	(5,793,473)
Excess (deficiency) of revenues over (under) expenditures	(1,366,063)	(1,845,022)	(7,953,135)	(6,108,113)
OTHER FINANCING SOURCES (USES)				
Transfers In	924,005	986,605	1,026,395	39,790
Transfers In component unit	47,047	47,047	57,689	10,642
Transfers Out	(245,877)	(225,877)	(199,595)	26,282
Capital Leases	-	-	1,166,090	1,166,090
Sale of Capital Assets	4,000	58,310	58,310	-
Donated Assets	-	-	5,415,607	5,415,607
Total other financing sources (uses)	729,175	866,085	7,524,496	6,658,411
Net change in fund balance	(636,888)	(978,937)	(428,639)	550,298
Fund balance - beginning of year	2,681,429	3,128,324	3,128,324	-
Fund balance - end of year	\$ 2,044,541	\$ 2,149,387	\$ 2,699,685	\$ 550,298

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 FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
Property Tax and payment in lieu	\$ 1,556,000	\$ 1,556,000	\$ 1,562,741	\$ 6,741
Sales and Use Taxes	1,800,140	1,800,140	1,834,839	34,699
Investment Earnings	46,200	46,200	18,640	(27,560)
TOTAL REVENUES	3,402,340	3,402,340	3,416,220	13,880
EXPENDITURES				
Current:				
General Administration	8,549	8,549	6,323	2,226
TOTAL EXPENDITURES	8,549	8,549	6,323	2,226
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,393,791	3,393,791	3,409,897	(16,106)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	24,987	24,987
Operating Transfers Out - General Fund	(623,832)	(623,832)	(723,832)	(100,000)
Operating Transfers Out - Debt Service Fund	(3,099,233)	(3,099,233)	(2,834,617)	264,616
TOTAL OTHER FINANCING SOURCES (USES)	(3,723,065)	(3,723,065)	(3,533,462)	189,603
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(329,274)	(329,274)	(123,565)	205,709
FUND BALANCE AT BEGINNING OF YEAR	479,274	504,508	504,508	-
FUND BALANCE AT END OF YEAR	\$ 150,000	\$ 175,234	\$ 380,943	\$ 205,709



**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003**

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 Industrial Development Board

Madison Industrial Development Board is a non-profit organization formed and organized to promote industry, develop trade and further the use of agricultural products and natural and human resources of the State of Alabama. The organization is governed by a Board of Directors, which consists of seven members, who are appointed by the City Council of the City of Madison, Alabama. The duration of the existence of this board will be perpetual unless it is terminated as provided by law. The City provides significant financial support to Madison Industrial Development Board in the

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

form of annual appropriations. The financial statements of Madison Industrial Development Board are reported in a separate column to emphasize that they are legally separate from the City. Madison Industrial Development Board is reported as a governmental 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.

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

Madison Board Education
4182 Sullivan Street
Madison, Alabama

Separate financial statements are not prepared for Madison Industrial Development Board.

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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 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.

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).

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Effective October 1, 2002, the City implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Additionally, the City implemented GASB Statement No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences – an Amendment of GASB Statement No. 34*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. The implementation of these statements and interpretations resulted in changes in the format and content of the basic financial statements and changed the City's method of accounting for certain transactions.

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.

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 day of unused personal leave. Professional and support personnel may convert unused, un-reimbursed personal leave to sick leave at the end of the scholastic year. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is reported in the financial statements.

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. The amount of unpaid leave is immaterial, so no liability for unpaid leave is reported in the financial statements.

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 effective interest 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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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, 2003

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	\$108,155,000
Less: Deferred charge for issuance costs (to be amortized as interest expense)	(1,775,576)
Less: Issuance discount (to be amortized as interest expense)	(718,767)
Accrued interest payable	1,285,420
Capital lease payable	1,386,715
Compensated absences	<u>437,226</u>
Net adjustment to reduce <i>fund balance</i> <i>total governmental funds</i> to arrive at <i>net assets</i> <i>governmental activities</i>	<u>\$108,770,018</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *changes in net 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."

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

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

The details of this difference are as follows:

Capital outlay	\$ 8,767,979
Depreciation expense	<u>757,492</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>\$8,010,487</u>

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 detail of this \$61,244 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. \$61,244

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."

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

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

The details of this difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ 1,166,090
Issuance of general obligation bonds	21,325,000
Less bond insurance costs	(260,316)
Principal repayments:	
General obligation debt	(1,940,000)
Payments on capital leases	<u>(257,496)</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>\$ 20,033,278</u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$167,191 difference are as follows:

Compensated absences	\$ (22,221)
Accrued interest	(32,174)
Amortization of issuance costs	(78,740)
Amortization of bond discounts	<u>(34,056)</u>
 Net adjustment to <i>net changes in fund balances - total Governmental funds</i> to arrive at <i>changes in net assets of Governmental activities</i>	 <u>\$ (167,191)</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 of the special revenue funds and, the 2002 Bond Fund 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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

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 appropriations requests according to the budget schedule. The Mayor submits the proposed budget to the City Council Finance Committee. The City Council Finance Committee holds meeting 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.

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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

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	\$ 15,332
	Court	\$ 39,647
	City Council	\$ 488
	Legal	\$ 9,951
	General Services	\$ 3,495
	Capital Outlay	\$ 6,590,072

C. Deficit Fund Balance

No funds had a deficit fund balance as of September 30, 2003.

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, 2003, the City had \$622,589 of investments held by a trustee. The trust invests in U.S. Treasury Notes, which are held in the City's name (Category 2). The market value of the investments held by the trustee is \$622,589 at September 30, 2003.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

Investments are categorized into these three categories of risk:

1. Insured or registered, or securities held by the City or its agent in the City's name.
2. Uninsured and unregistered, with securities held by the counterpart's trust department or agent in the City's name.
3. Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent, but not in the City's name.

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 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.

At September 30, 2003, the carrying amount of deposits and bank balance of 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:

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (general fund)	\$ 2,145,000	\$ -
Property taxes receivable (special revenue fund)	1,800,000	-
Capital Projects Funds restricted for roads/drainage		80,000
General Fund – Property Rental		9,796
Taxes unavailable-general fund	<u>58,914</u>	<u>-</u>
 Total deferred/unearned revenue for governmental funds	 <u>\$ 4,003,914</u>	 <u>\$89,796</u>

Receivables

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

	<u>General</u>	Water Distribution and Storage Project <u>Fund</u>	2001 Capital Improvement <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Receivables:					
Taxes	\$3,094,602	\$1,865,427	\$ -	\$ 289,158	\$ 5,249,187
Grants	-	-	-	2,798	2,798
Other	118,827	24,975	-	-	148,802
Grant-restricted	<u>198,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,081</u>
 Total receivables	 <u>\$3,411,510</u>	 <u>\$1,890,402</u>	 <u>\$ -</u>	 <u>\$ 291,956</u>	 <u>\$ 5,593,868</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

C. Capital Assets

Capital asset activity for the year ended September 30, 2003, was as follows:

Primary Government

	<u>Balance October 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance September 30, 2003</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,429,600	\$1,670,345	\$ (58,310)	\$ 4,041,635
Construction in progress	<u>759,495</u>	<u>978,421</u>	<u>-</u>	<u>1,737,916</u>
Total capital assets, not being depreciated	3,189,095	2,648,766	(58,310)	5,779,551
Capital assets, being depreciated:				
Buildings	9,553,885	376,481	-	9,930,366
Improvements to buildings	225,843	62,013	-	287,856
Improvements other than buildings	729,011	293,214	-	1,022,225
Machinery and equipment	8,513,221	1,409,224	(327,971)	9,594,474
Infrastructure	65,570	3,978,279	-	4,043,849
Other	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>3,500</u>
Total capital assets, being depreciated	19,091,030	6,119,211	(327,971)	24,882,270

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

Less accumulated
depreciation for:

Buildings	(1,797,082)	(191,706)	-	(1,988,788)
Improvements to buildings	(21,108)	(11,607)	-	(32,715)
Improvements other than buildings	(245,070)	(35,296)	-	(280,366)
Machinery and equipment	(2,731,624)	(476,448)	325,038	(2,883,034)
Infrastructure	(49)	(41,735)	-	(41,784)
Other	<u>(1,225)</u>	<u>(700)</u>	<u>-</u>	<u>(1,925)</u>
 Total accumulated depreciation	 <u>(4,796,158)</u>	 <u>(757,492)</u>	 <u>325,038</u>	 <u>(5,228,612)</u>
 Total capital assets, being depreciated, net	 <u>14,294,872</u>	 <u>5,361,719</u>	 <u>(2,933)</u>	 <u>19,653,658</u>
 Governmental activities, capital assets, net	 <u>\$17,483,967</u>	 <u>\$8,010,485</u>	 <u>\$ (61,243)</u>	 <u>\$25,433,209</u>

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

General Administration	\$102,725
Police Department	154,535
Public Works Department	157,179
City Clerk Department	4,490
Recreation Department	183,046
Fire Department	111,312
Community Development Department	9,977
Court Clerk Department	3,616
City Council	1,588
Finance Department	8,772
Human Resources Department	2,383
Mayor's Office	1,276
Engineering Department	4,804
Senior Center	5,143
Information Technology Department	6,498
Legal Department	<u>148</u>
 Total depreciation expense - governmental activities	 <u>\$757,492</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

Discretely presented components units

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

	Balance October 1, 2002	Increase	Decrease	Balance September 30, 2003
Water system	\$ 37,786,791	\$ 1,552,531	\$ -	\$ 39,339,322
Sewer system	43,576,538	6,328,125	-	49,904,663
General plant	4,936,642	89,475	-	5,026,117
Construction in progress	<u>16,233,286</u>	<u>10,613,350</u>	<u>7,970,131</u>	<u>18,876,505</u>
 Total capital assets, being depreciated	 102,533,257	 18,583,481	 7,970,131	 113,146,607
 Less accumulated depreciation for:				
Water system	8,010,430	1,001,528	-	9,011,958
Sewer system	9,130,571	1,150,896	-	10,281,467
General plant	<u>2,874,630</u>	<u>372,704</u>	<u>-</u>	<u>3,247,334</u>
 Total accumulated depreciation	 <u>20,015,631</u>	 <u>2,525,128</u>	 <u>-</u>	 <u>22,540,759</u>
 Water and Wastewater Board's capital asset, net	 <u>\$ 82,517,626</u>	 <u>\$16,058,353</u>	 <u>\$7,970,131</u>	 <u>\$ 90,605,848</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

Discretely presented components units

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, <u>2002</u>	Additions	Retirements and Reclassifications	Balance September 30, <u>2003</u>
Governmental Activities:				
Land	\$ 4,405,252	\$ 1,510,185	\$ -	\$ 5,915,437
Land improvements	2,964,842	466,295	-	3,431,137
Buildings	53,027,387	5,015,884	-	58,043,271
Equipment	8,788,311	344,585	-	9,132,896
Construction in progress	3,099,308	6,260,221	-	9,359,529
Vehicles	<u>3,138,286</u>	<u>452,362</u>	<u>-</u>	<u>3,590,648</u>
Total at historic cost	75,423,386	14,049,532	-	89,472,918
Less accumulated depreciation for:				
Land improvements	1,525,834	160,937	-	1,686,771
Buildings	11,666,109	1,136,483	-	12,802,592
Equipment	6,883,323	557,000	-	7,440,323
Vehicles	<u>2,830,898</u>	<u>258,867</u>	<u>-</u>	<u>3,089,765</u>
Total accumulated depreciation	<u>22,906,164</u>	<u>2,113,287</u>	<u>-</u>	<u>25,019,451</u>
Governmental Activities Capital Assets, Net	<u>\$ 52,517,222</u>	<u>\$11,936,245</u>	<u>\$ -</u>	<u>\$64,453,467</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2003, 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	\$ 100,000
	Gasoline Taxes and Inspection Fees Fund	1,422
	TVA Tax Distribution Fund	19,145
	Senior Center Donation Fund	3,328
	Domestic Violence Fund	2,892
Japanese Garden Donation Fund	General	1,271
Domestic Violence Fund	General	2,385
Correctional Fund	General	96,470
Federal Forfeiture Fund	General	2,430
2001 Capital Improvement Fund	General	<u>2,848</u>
	Total	<u>\$ 232,191</u>

Interfund transfers:

<u>Transfer From</u>	<u>Transfer To</u>	
General Fund	Non-major governmental funds	\$ 199,595
Non-major governmental funds	General Fund	302,563
Water Distribution and Storage Project Fund	General Fund	723,832
Water Distribution and Storage Project Fund	Non-major governmental funds	2,834,310
Non-major governmental funds	Non-major governmental funds	100,000
Non-major governmental funds	Water Distribution and Storage Project Fund	24,987
Water Distribution and Storage Project Fund	2001 Capital Improvement Fund	<u>307</u>
	Total	<u>\$4,185,594</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

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	\$2,096,355
Less: Accumulated depreciation	<u>196,199</u>
Total	<u>\$1,900,156</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2003, were as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2004	\$ 336,356
2005	253,961
2006	198,468
2007	176,848
2008	144,380
2009	111,913
2010	111,913
2011	111,913
2012	111,913
2013	<u>111,912</u>
Total minimum lease payments	1,669,577
Less: amount representing interest	<u>(282,862)</u>
Present value of minimum lease payments	<u>\$1,386,715</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

F. Long-term debt

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

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

General obligation warrants currently outstanding as of September 30, 2003, are as follows:

	<u>Range of Interest Rates</u>	<u>Amount</u>
<u>General Obligation Warrants</u>		
Series 1995	4.80%-6.00%	\$ 18,065,000
Series 1998-C	4.50%-5.00%	16,150,000
Series 2001	3.25%-5.35%	10,395,000
 <u>General Obligation School Warrants:</u>		
Series 1998-A	4.95%-5.20%	6,400,000
Series 1998-B	4.10%-5.00%	11,900,000
Series 1999	3.70%-5.00%	12,720,000
Series 2000	4.80%-5.70%	3,170,000
Series 2001-A	2.15%-5.125%	8,030,000
Series 2002	1.65%-5.125%	<u>21,325,000</u>
		<u>\$108,155,000</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 2,370,000	\$ 5,261,251
2005	2,445,000	5,173,253
2006	2,550,000	5,078,024
2007	2,625,000	4,975,736
2008	2,755,000	4,866,037
2009-2013	18,355,000	22,162,865
2014-2018	22,570,000	17,311,437
2019-2023	28,010,000	10,787,507
2024-2028	21,650,000	3,808,914
2029-2032	<u>4,825,000</u>	<u>510,322</u>
	<u>\$108,155,000</u>	<u>\$79,935,346</u>

On October 1, 2002, the City issued general obligation school warrants in the amount of \$21,325,000 with interest rates of 1.65% - 5.125% to finance the construction and improvements of the schools.

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, \$2,029,221 of revenues bonds were issued.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

Revenue bonds outstanding at September 30, 2003, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 1,930,000	\$ 2,136,534
2005	2,010,000	2,165,300
2006	2,090,000	2,086,099
2007	2,175,000	2,002,361
2008	2,044,221	1,766,978
2009-2013	10,195,000	6,854,087
2014-2018	12,770,000	4,338,175
2019-2022	<u>10,680,000</u>	<u>1,166,277</u>
	<u>\$43,894,221</u>	<u>\$22,515,811</u>

Changes in long-term liabilities

During the year ended September 30, 2003, the following changes occurred in the City's long-term liabilities:

	<u>Balance October 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Sept 30, 2003</u>
Capital lease obligations	\$ 478,122	\$ 1,166,090	\$ 257,497	\$ 1,386,715
General obligation warrants payable	88,770,000	21,325,000	1,940,000	108,155,000
Less deferred amounts for:				
Insurance discounts	<u>(752,823)</u>	<u>34,056</u>	<u>-</u>	<u>(718,767)</u>
Long-term liabilities	<u>\$88,495,299</u>	<u>\$22,525,146</u>	<u>\$ 2,197,497</u>	<u>\$108,822,948</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

During the year ended September 30, 2003, the following changes in the liabilities reported for the Water and Wastewater Board, a discretely presented component unit:

	Balance October 1, <u>2002</u>	<u>Additions</u>	<u>Reductions</u>	Balance Sept 30, <u>2003</u>
Revenue bonds	\$43,360,000	\$2,029,221	\$1,495,000	\$43,894,221
Long-term liabilities	\$43,360,000	\$2,029,221	\$1,495,000	\$43,894,221

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	\$ 622,589
Debt service	General Obligation Warrants	736,138
Contribution to School Board	Law	159,829
Senior Center	Law	12,686
Library	Law	165,221
Capital Improvements	Grantor	7,254,756
Domestic Violence	Grantor	2,798
Grants	Grantor	198,338
Water Distribution	Law	2,141,343
Neighborhood Park	Law	<u>27,873</u>
Total restricted assets		<u>\$11,321,571</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

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

The reserve for restricted assets in the general fund (\$226,211 at September 30, 2003) is designated to be available for special purposes.

The reserve for encumbrances (\$1,006,812) 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.

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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 5. OTHER INFORMATION - Continued

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, 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 \$215,073 from the Water and Wastewater Board.

The North Alabama Gas District is governed by a Board of Directors composed of five members, two of who 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, 2003, the City received \$108,813 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, Recreation Advisory Board.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 5. OTHER INFORMATION - Continued

D. Subsequent Events

On October 27, 2003, the City of Madison approved the purchase a custom rescue vehicle for the Fire Department through the Homeland Security Grant for the amount of \$265,000.

On October 27, 2003, the City of Madison approved a Homeland Security Grant for the Fire Department between the City of Madison and the City of Huntsville in the amount of \$50,000.

On November 13, 2003, the City of Madison contracted to construct drainage improvements in Heatherwood Subdivision in the amount of \$503,825.

On December 8, 2003, the City of Madison approved the purchase of rescue equipment in the amount of \$53,881.

In June 2004, the City of Madison approved financing the purchase of \$500,000 of vehicles and equipment.

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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 5. OTHER INFORMATION - Continued

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.

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 6.68% of annual covered payroll. The contribution requirements of plan members and the City are established and may be

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003**

NOTE 5. OTHER INFORMATION - Continued

amended by the Retirement Systems of Alabama.

Annual Pension Cost

For fiscal year September 30, 2003, the City's annual pension cost of \$520,379 was equal to the City's required annual contributions. The required contribution was determined as part of the September 30, 2002 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, 2002 was 13 years.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/00	\$324,565	100%	\$ -
9/30/01	\$373,450	100%	\$ -
9/30/02	\$439,302	100%	\$ -
9/30/03	\$520,379	100%	\$ -

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 5. OTHER INFORMATION - Continued

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 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.

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 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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 5. OTHER INFORMATION - Continued

Annual Pension Cost

For fiscal year September 30, 2003, the Water and Wastewater Board's annual pension cost of \$104,042 was equal to the Water and Wastewater Board's required annual contributions. The required contribution was determined as part of the September 30, 2002 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, 2002 was 10 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>
9/30/00	\$ 94,642	100%	\$ -
9/30/01	\$100,777	100%	\$ -
9/30/02	\$109,199	100%	\$ -
9/30/03	\$104,042	100%	\$ -

Madison City Board of Education

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

Substantially all employees of the Madison City Board of Education are members of the Teachers' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of Madison City Board of Education. 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.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 5. OTHER INFORMATION - Continued

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, 1939, 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. In January of 2003, the Board voted to decrease employer contribution to 5.04%. The change was retroactive to October of 2002.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003**

NOTE 5. OTHER INFORMATION – 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>2003</u>	<u>2002</u>
Total percentages of covered payroll	97.00%	97.00%
<u>Contributions:</u>		
Percentage contribution by the Board	5.04%	6.38%
Percentage contribution by employees	5.00%	5.00%
Amount contributed by the Board	\$1,188,512	\$1,334,447
Amount contributed by employees	<u>1,183,777</u>	<u>1,100,406</u>
Total contributions	<u>\$2,372,289</u>	<u>\$2,434,853</u>



REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF MADISON, ALABAMA
SCHEDULE OF FUNDING PROGRESS – EMPLOYEES' RETIREMENT
SYSTEMS OF ALABAMA
September 30, 2003**

Actuarial Valuation Payroll Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Accrued AAL (UAAL)	Funded Ratio	Unfunded Covered Payroll	UAAL as a Percentage of Covered Payroll
<u> </u>	<u>(a)</u>	<u>(b)</u>	<u>(b-a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
9/30/00	\$10,160,970	\$10,071,011	\$ (89,959)	100.9%	\$6,876,279	(1.3)%
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%



**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**



CITY OF MADISON, ALABAMA
 2001 CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Earnings	\$ 50,000	\$ 70,633	\$ 20,633
Contributions and Donations	-	4	4
TOTAL REVENUES	50,000	70,637	20,637
EXPENDITURES			
Current:			
General Administration	60,329	-	60,329
Police	868,640	-	868,640
Public Works	4,096,303	2,187	4,094,116
Recreation	719,826	-	719,826
Capital Outlay	520,822	1,714,423	(1,193,601)
TOTAL EXPENDITURES	6,265,920	1,716,610	4,549,310
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(6,215,920)	(1,645,973)	4,569,947
OTHER FINANCING SOURCES			
Transfers In	264,722	307	(264,415)
TOTAL OTHER FINANCING SOURCES	264,722	307	(264,415)
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES AND OTHER FINANCING USES	(5,951,198)	(1,645,666)	4,305,532
FUND BALANCE AT BEGINNING OF YEAR	6,802,208	6,802,208	-
FUND BALANCE AT END OF YEAR	\$ 851,010	\$ 5,156,542	\$ 4,305,532

CITY OF MADISON, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2003

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,031,110	\$ -	\$ 1,681,773	\$ 2,712,883
Cash with fiscal agent	-	622,589	-	622,589
Receivables, net				
Tax and tax equivalents	289,158	-	-	289,158
Grant	2,798	-	-	2,798
Due from other funds	<u>102,556</u>	<u>-</u>	<u>-</u>	<u>102,556</u>
Total Assets	<u>\$ 1,425,622</u>	<u>\$ 622,589</u>	<u>\$ 1,681,773</u>	<u>\$ 3,729,984</u>
LIABILITIES				
Accounts payable	\$ 185,011	\$ -	\$ 26,784	\$ 211,795
Accrued compensation and benefits	2,291	-	-	2,291
Due to other funds	26,787	-	-	26,787
Retainage payable	-	-	12,353	12,353
Deferred Revenue	<u>200,000</u>	<u>-</u>	<u>30,000</u>	<u>230,000</u>
Total Liabilities	414,089	-	69,137	483,226
FUND BALANCES				
Reserved for: Encumbrances	3,163	-	478,567	481,730
Restricted assets	999,769	-	1,134,069	2,133,838
Debt service	-	622,589	-	622,589
Unreserved	<u>8,601</u>	<u>-</u>	<u>-</u>	<u>8,601</u>
Total Fund Balances	<u>1,011,533</u>	<u>622,589</u>	<u>1,612,636</u>	<u>3,246,758</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,425,622</u>	<u>\$ 622,589</u>	<u>\$ 1,681,773</u>	<u>\$ 3,729,984</u>

CITY OF MADISON, ALABAMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes:				
Property and payment in lieu of taxes	\$ 180,454	\$ -	\$ -	\$ 180,454
Intergovernmental	1,085,416	-	-	1,085,416
Fines	146,198	-	-	146,198
Investment earnings	14,851	43,773	20,116	78,740
Contributions and donations	1,871	-	-	1,871
Total Revenues	1,428,790	43,773	20,116	1,492,679
EXPENDITURES				
General Administration	406,909	2,661	146	409,716
Police Department	69,811	-	-	69,811
Public Works Department	631,696	-	-	631,696
Debt Service:				
Principal	-	1,940,000	-	1,940,000
Interest	-	5,185,092	-	5,185,092
Bond Issue Cost	-	260,316	-	260,316
Capital Outlay	40,665	-	227,175	267,840
Total Expenditures	1,149,081	7,388,069	227,321	8,764,471
Excess (deficiency) of revenues over (under) expenditures	279,709	(7,344,296)	(207,205)	(7,271,792)
OTHER FINANCING SOURCES (USES)				
Transfers in	199,287	2,834,618	100,000	3,133,905
Transfers in - component unit	-	3,930,863	-	3,930,863
Transfers out	(302,563)	(24,987)	(100,000)	(427,550)
Sales of capital assets	2,430	-	-	2,430
Bond proceeds 2002	-	21,325,000	-	21,325,000
Bond proceeds transferred to component unit	-	(21,064,684)	-	(21,064,684)
Total Other Financing Sources (uses)	(100,846)	7,000,810	-	6,899,964
Net change in fund balances	178,863	(343,486)	(207,205)	(371,828)
Fund balances - Beginning of Year	832,670	966,075	1,819,841	3,618,586
Fund balances - End of Year	\$ 1,011,533	\$ 622,589	\$ 1,612,636	\$ 3,246,758



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 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.

Madison School Project Fund – This fund is used to account for the 11 mill property tax.

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.

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

Japanese Garden Donation Fund – This fund is used to account for revenues and expenditures for the proposed Japanese Garden for Dublin Park.

CITY OF MADISON, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003

	Gasoline Taxes and Inspection Fees Fund	TVA Tax Distribution Fund	Senior Center Donation Fund	Library Fund	Japanese Garden Donation Fund	Madison School Project Fund	Correctional Fund	Municipal Government Capital Improvement Fund	Federal Forfeiture Fund	Domestic Violence Fund	Total Nonmajor Governmental Funds
ASSETS											
Cash and cash equivalents	\$ 609,286	\$ 53,794	\$ 12,686	\$ 12,422	\$ -	\$ 96,528	\$ -	\$ 216,846	\$ 29,548	\$ -	\$ 1,031,110
Accounts receivable	126,852	9,507	-	152,799	-	-	-	-	-	-	289,158
Grants receivable	-	-	-	-	-	-	-	-	-	2,798	2,798
Due from other funds	-	-	-	-	1,271	-	96,470	-	2,430	2,385	102,556
Total assets	\$ 736,138	\$ 63,301	\$ 12,686	\$ 165,221	\$ 1,271	\$ 96,528	\$ 96,470	\$ 216,846	\$ 31,978	\$ 5,183	\$ 1,425,622
LIABILITIES											
Accounts payable	\$ 113,507	\$ 35,555	\$ -	\$ 156	\$ -	\$ 35,793	\$ -	\$ -	\$ -	\$ -	\$ 185,011
Accrued compensation and benefits	-	-	-	-	-	-	-	-	-	2,291	2,291
Due to Other Funds	1,422	19,145	3,328	-	-	-	-	-	-	2,892	26,787
Deferred Revenue	50,000	-	-	150,000	-	-	-	-	-	-	200,000
Total liabilities	164,929	54,700	3,328	150,156	-	35,793	-	-	-	5,183	414,089
FUND BALANCES											
Reserved	571,209	-	9,358	15,065	1,271	60,735	96,470	216,846	31,978	-	1,002,932
Unreserved	-	8,601	-	-	-	-	-	-	-	-	8,601
Total fund balances	571,209	8,601	9,358	15,065	1,271	60,735	96,470	216,846	31,978	-	1,011,533
Total liabilities and fund balances	\$ 736,138	\$ 63,301	\$ 12,686	\$ 165,221	\$ 1,271	\$ 96,528	\$ 96,470	\$ 216,846	\$ 31,978	\$ 5,183	\$ 1,425,622

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, 2003

	Gasoline Taxes and Inspections Fees Fund	TVA Tax Distribution Fund	Senior Center Donation Fund	Library Fund	Japanese Garden Donations Total	Madison School Project Fund	Correctional Fund	Municipal Government Capital Improvement Fund	Federal Forfeiture Fund	Domestic Violence Fund	Total Nonmajor Governmental Funds
REVENUES											
Intergovernmental:											
Gasoline Taxes	\$ 864,166	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 864,166
TVA Tax Proceeds	-	54,701	-	-	-	-	-	-	-	-	54,701
Property Tax	-	-	-	144,661	-	35,793	-	-	-	-	180,454
Other	-	-	-	-	-	-	-	113,997	-	-	113,997
Grant	-	-	-	-	-	-	-	-	16,351	36,201	52,552
Fines	-	-	-	-	-	-	146,198	-	-	-	146,198
Donations	-	-	-	-	1,271	-	-	-	-	600	1,871
Investment Earnings	10,407	927	212	493	-	-	-	2,344	468	-	14,851
Total revenues	874,573	55,628	212	145,154	1,271	35,793	146,198	116,341	16,819	36,801	1,428,790
EXPENDITURES											
Current:											
General Administration	-	35,555	-	335,533	-	35,821	-	-	-	-	406,909
Police department	-	-	-	-	-	-	-	-	3,000	66,811	69,811
Public Works	631,696	-	-	-	-	-	-	-	-	-	631,696
Capital outlay	29,682	-	3,328	-	-	-	-	-	7,655	-	40,665
Total expenditures	661,378	35,555	3,328	335,533	-	35,821	-	-	10,655	66,811	1,149,081
Excess (deficiency) of revenues over (under) expenditures	213,195	20,073	(3,116)	(190,379)	1,271	(28)	146,198	116,341	6,164	(30,010)	279,709
OTHER FINANCING SOURCES (USES)											
Transfers In	-	-	-	170,277	-	-	-	-	-	29,010	199,287
Transfers Out	(121,563)	(19,145)	-	-	-	-	(161,855)	-	-	-	(302,563)
Sale of Capital Assets	-	-	-	-	-	-	-	-	2,430	-	2,430
Total other financing sources (uses)	(121,563)	(19,145)	-	170,277	-	-	(161,855)	-	2,430	29,010	(100,846)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	91,632	928	(3,116)	(20,102)	1,271	(28)	(15,657)	116,341	8,594	(1,000)	178,863
Fund balances - beginning of year	479,577	7,673	12,474	35,167	-	60,763	112,127	100,505	23,384	1,000	832,670
Fund balances - end of year	\$ 571,209	\$ 8,601	\$ 9,358	\$ 15,065	\$ 1,271	\$ 60,735	\$ 96,470	\$ 216,846	\$ 31,978	\$ -	\$ 1,011,533



CITY OF MADISON, ALABAMA
 GASOLINE TAXES AND INSPECTION FEES SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2003

	Final Amended Budgeted Amounts	Actual Amounts	Final Budget- Positive (Negative)
REVENUES			
Intergovernmental:			
State Gasoline Taxes	\$ 504,000	\$ 568,643	\$ 64,643
2-Cent Gasoline Taxes	275,000	295,523	20,523
Investment Earnings	22,000	10,407	(11,593)
TOTAL REVENUES	801,000	874,573	73,573
EXPENDITURES			
Current:			
Public Works Department	724,321	631,696	92,625
Capital Outlay	25,000	29,682	(4,682)
TOTAL EXPENDITURES	749,321	661,378	87,943
EXCESS OF REVENUES OVER EXPENDITURES	51,679	213,195	161,516
OTHER FINANCING SOURCES (USES)			
Transfers Out	(121,563)	(121,563)	-
TOTAL OTHER FINANCING SOURCES (USES)	(121,563)	(121,563)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(69,884)	91,632	161,516
FUND BALANCE AT BEGINNING OF YEAR	479,577	479,577	-
FUND BALANCE AT END OF YEAR	\$ 409,693	\$ 571,209	\$ 161,516

CITY OF MADISON, ALABAMA
TVA TAX DISTRIBUTION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental:			
TVA Tax Proceeds	\$ 50,000	\$ 54,701	\$ 4,701
Investment Earnings	<u>515</u>	<u>927</u>	<u>412</u>
TOTAL REVENUES	50,515	55,628	5,113
EXPENDITURES			
Current:			
General Administration	<u>32,500</u>	<u>35,555</u>	<u>(3,055)</u>
TOTAL EXPENDITURES	<u>32,500</u>	<u>35,555</u>	<u>(3,055)</u>
EXCESS OF REVENUES OVER EXPENDITURES	18,015	20,073	2,058
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(17,500)</u>	<u>(19,145)</u>	<u>(1,645)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(17,500)</u>	<u>(19,145)</u>	<u>(1,645)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	515	928	413
FUND BALANCE AT BEGINNING OF YEAR	<u>7,673</u>	<u>7,673</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 8,188</u>	<u>\$ 8,601</u>	<u>\$ 413</u>

CITY OF MADISON, ALABAMA
 SENIOR CENTER DONATION SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Donations	\$ 2,600	\$ -	\$ (2,600)
Investment Earnings	<u>-</u>	<u>212</u>	<u>212</u>
TOTAL REVENUES	2,600	212	(2,388)
EXPENDITURES			
Current:			
General Administration	2,600	-	2,600
Capital Outlay	<u>-</u>	<u>3,328</u>	<u>(3,328)</u>
TOTAL EXPENDITURES	<u>2,600</u>	<u>3,328</u>	<u>(728)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	-	(3,116)	(3,116)
FUND BALANCE AT BEGINNING OF YEAR	<u>12,474</u>	<u>12,474</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 12,474</u>	<u>\$ 9,358</u>	<u>\$ (3,116)</u>

CITY OF MADISON, ALABAMA
LIBRARY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental:			
Property Tax	\$ 132,500	\$ 144,661	\$ 12,161
Investment Earnings	<u>2,040</u>	<u>493</u>	<u>(1,547)</u>
TOTAL REVENUES	134,540	145,154	10,614
EXPENDITURES			
Current:			
General Administration	<u>356,329</u>	<u>335,533</u>	<u>20,796</u>
TOTAL EXPENDITURES	<u>356,329</u>	<u>335,533</u>	<u>20,796</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(221,789)	(190,379)	31,410
OTHER FINANCING SOURCES			
Transfers In	<u>224,047</u>	<u>170,277</u>	<u>(53,770)</u>
TOTAL OTHER FINANCING SOURCES	<u>224,047</u>	<u>170,277</u>	<u>(53,770)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	2,258	(20,102)	(22,360)
FUND BALANCE AT BEGINNING OF YEAR	<u>35,167</u>	<u>35,167</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 37,425</u>	<u>\$ 15,065</u>	<u>\$ (22,360)</u>

CITY OF MADISON, ALABAMA
CORRECTIONAL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Fines	\$ 161,710	\$ 146,198	\$ (15,512)
TOTAL REVENUES	161,710	146,198	(15,512)
EXPENDITURES			
Current:			
TOTAL EXPENDITURES	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	161,710	146,198	(15,512)
OTHER FINANCING SOURCES (USES)			
Transfers Out	(223,710)	(161,855)	61,855
TOTAL OTHER FINANCING SOURCES (USES)	(223,710)	(161,855)	61,855
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES AND OTHER FINANCING USES	(62,000)	(15,657)	46,343
FUND BALANCE AT BEGINNING OF YEAR	112,127	112,127	-
FUND BALANCE AT END OF YEAR	\$ 50,127	\$ 96,470	\$ 46,343

CITY OF MADISON, ALABAMA
MUNICIPAL GOVERNMENT CAPITAL IMPROVEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental:			
Other	\$ 94,105	\$ 113,997	\$ 19,892
Investment Earnings	<u>1,100</u>	<u>2,344</u>	<u>1,244</u>
TOTAL REVENUES	95,205	116,341	21,136
EXPENDITURES			
Current:			
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	95,205	116,341	21,136
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(189,722)</u>	<u>-</u>	<u>189,722</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(189,722)</u>	<u>-</u>	<u>189,722</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(94,517)	116,341	210,858
FUND BALANCE AT BEGINNING OF YEAR	<u>100,505</u>	<u>100,505</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 5,988</u>	<u>\$ 216,846</u>	<u>\$ 210,858</u>

CITY OF MADISON, ALABAMA
 DOMESTIC VIOLENCE SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental:			
Grant	\$ -	\$ 36,201	\$ 36,201
Donations	-	600	600
	<u>-</u>	<u>36,801</u>	<u>36,801</u>
TOTAL REVENUES	-	36,801	36,801
EXPENDITURES			
Current:			
Police Department	22,830	66,811	(43,981)
	<u>22,830</u>	<u>66,811</u>	<u>(43,981)</u>
TOTAL EXPENDITURES	22,830	66,811	(43,981)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(22,830)	(30,010)	(7,180)
OTHER FINANCING SOURCES			
Transfers In	21,830	29,010	7,180
	<u>21,830</u>	<u>29,010</u>	<u>7,180</u>
TOTAL OTHER FINANCING SOURCES	21,830	29,010	7,180
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,000)	(1,000)	-
FUND BALANCE AT BEGINNING OF YEAR	1,000	1,000	-
	<u>1,000</u>	<u>1,000</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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.

1990 Bond Fund – This fund was used to account for the accumulation of resources for the payment of general obligation warrants dated January 1, 1990, which were payable in annual installments of principal and interest until 2003.

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 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.

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.

CITY OF MADISON, ALABAMA
DEBT SERVICE FUND
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003

	1990 Bond Fund	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	Total Nonmajor Governmental Funds
ASSETS											
Cash with fiscal agent	\$ -	\$ 579,371	\$ 1,370	\$ 14	\$ 444	\$ 13	\$ 569	\$ -	\$ 276	\$ 40,532	\$ 622,589
Total assets	<u>\$ -</u>	<u>\$ 579,371</u>	<u>\$ 1,370</u>	<u>\$ 14</u>	<u>\$ 444</u>	<u>\$ 13</u>	<u>\$ 569</u>	<u>\$ -</u>	<u>\$ 276</u>	<u>\$ 40,532</u>	<u>\$ 622,589</u>
LIABILITIES											
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES											
Reserved	-	579,371	1,370	14	444	13	569	-	276	40,532	622,589
Total fund balances	<u>-</u>	<u>579,371</u>	<u>1,370</u>	<u>14</u>	<u>444</u>	<u>13</u>	<u>569</u>	<u>-</u>	<u>276</u>	<u>40,532</u>	<u>622,589</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 579,371</u>	<u>\$ 1,370</u>	<u>\$ 14</u>	<u>\$ 444</u>	<u>\$ 13</u>	<u>\$ 569</u>	<u>\$ -</u>	<u>\$ 276</u>	<u>\$ 40,532</u>	<u>\$ 622,589</u>

CITY OF MADISON, ALABAMA
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	1990 Bond Fund	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	Total Nonmajor Governmental Funds
REVENUES											
Investment earnings	\$ 1,235	\$ 1,004	\$ 77	\$ 153	\$ 248	\$ 111	\$ 46	\$ -	\$ 233	\$ 40,656	\$ 43,763
Total revenues	1,235	1,004	77	153	248	111	46	-	233	40,656	43,763
EXPENDITURES											
Current:											
General Administration	1,318	152	17	-	-	-	-	-	40	1,124	2,651
Debt service											
Principal	345,000	-	130,000	385,000	-	385,000	115,000	380,000	200,000	-	1,940,000
Interest	11,730	1,066,798	327,888	581,871	797,095	602,855	176,425	498,610	362,702	759,118	5,185,092
Bond Issuance Costs	-	-	-	-	-	-	-	-	-	260,316	260,316
Total expenditures	<u>358,048</u>	<u>1,066,950</u>	<u>457,905</u>	<u>966,871</u>	<u>797,095</u>	<u>987,855</u>	<u>291,425</u>	<u>878,610</u>	<u>562,742</u>	<u>1,020,558</u>	<u>7,388,059</u>
Deficiency of revenues under expenditures	(356,813)	(1,065,946)	(457,828)	(966,718)	(796,847)	(987,744)	(291,379)	(878,610)	(562,509)	(979,902)	(7,344,296)
OTHER FINANCING SOURCES (USES)											
Transfers In	92,115	1,066,798	-	-	797,095	-	-	878,610	-	-	2,834,618
Transfers In - Component Unit	-	-	457,888	959,955	-	986,685	203,515	-	562,702	760,118	3,930,863
Transfers Out	(24,987)	-	-	-	-	-	-	-	-	-	(24,987)
Bond Proceeds 2002 Bond	-	-	-	-	-	-	-	-	-	21,325,000	21,325,000
Bond Proceeds Transferred -Component Unit	-	-	-	-	-	-	-	-	-	(21,064,684)	(21,064,684)
Total other financing sources	<u>67,128</u>	<u>1,066,798</u>	<u>457,888</u>	<u>959,955</u>	<u>797,095</u>	<u>986,685</u>	<u>203,515</u>	<u>878,610</u>	<u>562,702</u>	<u>1,020,434</u>	<u>7,000,810</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(289,685)	852	60	(6,763)	248	(1,059)	(87,864)	-	193	40,532	(343,486)
Fund balances - beginning of year	<u>289,685</u>	<u>578,519</u>	<u>1,310</u>	<u>6,777</u>	<u>196</u>	<u>1,072</u>	<u>88,433</u>	<u>-</u>	<u>83</u>	<u>-</u>	<u>966,075</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ 579,371</u>	<u>\$ 1,370</u>	<u>\$ 14</u>	<u>\$ 444</u>	<u>\$ 13</u>	<u>\$ 569</u>	<u>\$ -</u>	<u>\$ 276</u>	<u>\$ 40,532</u>	<u>\$ 622,589</u>

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



CITY OF MADISON, ALABAMA
 1990 BOND DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 1,235	\$ 735
TOTAL REVENUES	500	1,235	735
EXPENDITURES			
Current:			
General Administration	-	1,318	(1,318)
Debt Service:			
Principal	345,000	345,000	-
Interest	11,730	11,730	-
TOTAL EXPENDITURES	356,730	358,048	(1,318)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(356,230)	(356,813)	(583)
OTHER FINANCING SOURCES (USES)			
Transfers In	356,730	92,115	(264,615)
Transfers Out	-	(24,987)	(24,987)
TOTAL OTHER FINANCING SOURCES (USES)	356,730	67,128	(289,602)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	500	(289,685)	(290,185)
FUND BALANCE AT BEGINNING OF YEAR	289,685	289,685	-
FUND BALANCE AT END OF YEAR	\$ 290,185	\$ -	\$ (290,185)

CITY OF MADISON, ALABAMA
 1995 BOND DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 1,004	\$ 504
TOTAL REVENUES	500	1,004	504
EXPENDITURES			
Current:			
General Administration	-	152	(152)
Debt Service:			
Interest	1,066,798	1,066,798	-
TOTAL EXPENDITURES	1,066,798	1,066,950	(152)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,066,298)	(1,065,946)	352
OTHER FINANCING SOURCES			
Transfers In	1,066,798	1,066,798	-
TOTAL OTHER FINANCING SOURCES (USES)	1,066,798	1,066,798	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	500	852	352
FUND BALANCE AT BEGINNING OF YEAR	578,519	578,519	-
FUND BALANCE AT END OF YEAR	\$ 579,019	\$ 579,371	\$ 352

CITY OF MADISON, ALABAMA
1998-A BOND DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 77	\$ (423)
TOTAL REVENUES	500	77	(423)
EXPENDITURES			
Current:			
General Administration	-	17	(17)
Debt Service:			
Principal	130,000	130,000	-
Interest	327,888	327,888	-
TOTAL EXPENDITURES	457,888	457,905	(17)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(457,388)	(457,828)	(440)
OTHER FINANCING SOURCES			
Transfers In - Component Unit	457,888	457,888	-
TOTAL OTHER FINANCING SOURCES	457,888	457,888	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	500	60	(440)
FUND BALANCE AT BEGINNING OF YEAR	1,310	1,310	-
FUND BALANCE AT END OF YEAR	\$ 1,810	\$ 1,370	\$ (440)

CITY OF MADISON, ALABAMA
1998-B BOND DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 153	\$ (347)
TOTAL REVENUES	500	153	(347)
EXPENDITURES			
Debt Service:			
Principal	385,000	385,000	-
Interest	581,871	581,871	-
TOTAL EXPENDITURES	966,871	966,871	-
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(966,371)	(966,718)	(347)
OTHER FINANCING SOURCES			
Transfers In - Component Unit	966,871	959,955	(6,916)
TOTAL OTHER FINANCING SOURCES	966,871	959,955	(6,916)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	500	(6,763)	(7,263)
FUND BALANCE AT BEGINNING OF YEAR	6,777	6,777	-
FUND BALANCE AT END OF YEAR	\$ 7,277	\$ 14	\$ (7,263)

CITY OF MADISON, ALABAMA
 1998-C BOND DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 248	\$ (252)
TOTAL REVENUES	500	248	(252)
EXPENDITURES			
Debt Service: Interest	797,095	797,095	-
TOTAL EXPENDITURES	797,095	797,095	-
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(796,595)	(796,847)	(252)
OTHER FINANCING SOURCES			
Transfers In	797,095	797,095	-
TOTAL OTHER FINANCING SOURCES	797,095	797,095	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	500	248	(252)
FUND BALANCE AT BEGINNING OF YEAR	196	196	-
FUND BALANCE AT END OF YEAR	\$ 696	\$ 444	\$ (252)

CITY OF MADISON, ALABAMA
1999 BOND DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Final Amended Budgeted Amounts	Actual Amounts	Final Budget Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 111	\$ (389)
TOTAL REVENUES	500	111	(389)
EXPENDITURES			
Debt Service:			
Principal	385,000	385,000	-
Interest	602,855	602,855	-
TOTAL EXPENDITURES	987,855	987,855	-
DEFICIENCY OF REVENUES			
UNDER EXPENDITURES	(987,355)	(987,744)	(389)
Transfers In - Component Unit	987,855	986,685	(1,170)
TOTAL OTHER FINANCING SOURCES	987,855	986,685	(1,170)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER			
FINANCING SOURCES OVER (UNDER) EXPENDITURES			
AND OTHER FINANCING USES	500	(1,059)	(1,559)
FUND BALANCE AT BEGINNING OF YEAR	1,072	1,072	-
FUND BALANCE AT END OF YEAR	\$ 1,572	\$ 13	\$ (1,559)

CITY OF MADISON, ALABAMA
2000 BOND DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Final Amended Budgeted Amounts	Actual Amounts	Final Budget Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 46	\$ (454)
TOTAL REVENUES	500	46	(454)
EXPENDITURES			
Debt Service:			
Principal	115,000	115,000	-
Interest	176,425	176,425	-
TOTAL EXPENDITURES	291,425	291,425	-
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(290,925)	(291,379)	(454)
OTHER FINANCING SOURCES			
Transfers In - Component Unit	291,425	203,515	(87,910)
TOTAL OTHER FINANCING SOURCES (USES)	291,425	203,515	(87,910)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	500	(87,864)	(88,364)
FUND BALANCE AT BEGINNING OF YEAR	88,433	88,433	-
FUND BALANCE AT END OF YEAR	\$ 88,933	\$ 569	\$ (88,364)

CITY OF MADISON, ALABAMA
2001 BOND DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Final Amended Budgeted Amounts	Actual Amounts	Final Budget Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ -	\$ (500)
TOTAL REVENUES	500	-	(500)
EXPENDITURES			
Debt Service:			
Principal	380,000	380,000	-
Interest	498,610	498,610	-
TOTAL EXPENDITURES	878,610	878,610	-
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(878,110)	(878,610)	(500)
OTHER FINANCING SOURCES			
Transfers In	878,610	878,610	-
TOTAL OTHER FINANCING SOURCES	878,610	878,610	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	500	-	(500)
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ 500	\$ -	\$ (500)

CITY OF MADISON, ALABAMA
 2001-A BOND DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Final Amended Budgeted Amounts	Actual Amounts	Final Budget Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 233	\$ (267)
TOTAL REVENUES	500	233	(267)
EXPENDITURES			
Current:			
General Administration	-	40	(40)
Debt Service:			
Principal	200,000	200,000	-
Interest	362,703	362,702	1
TOTAL EXPENDITURES	562,703	562,742	(39)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(562,203)	(562,509)	(306)
OTHER FINANCING SOURCES			
Transfers In - Component Unit	562,703	562,702	(1)
TOTAL OTHER FINANCING SOURCES	562,703	562,702	(1)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	500	193	(307)
FUND BALANCE AT BEGINNING OF YEAR	83	83	-
FUND BALANCE AT END OF YEAR	\$ 583	\$ 276	\$ (307)



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 other improvements.

CITY OF MADISON, ALABAMA
 CAPITAL PROJECTS FUNDS
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2003

	Long Range Plan Fund	1998-C Long Range Plan Fund	General Obligation Capital Improvement Fund	Total Nonmajor Governmental Fund
ASSETS				
Cash and cash equivalents	\$ 113,333	\$ 1,294,137	\$ 274,303	\$ 1,681,773
Total assets	<u>\$ 113,333</u>	<u>\$ 1,294,137</u>	<u>\$ 274,303</u>	<u>\$ 1,681,773</u>
LIABILITIES				
Accounts payable	\$ -	\$ 26,784	\$ -	\$ 26,784
Retainage payable	-	12,353	-	12,353
Deferred revenue	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Total liabilities	30,000	39,137	-	69,137
FUND BALANCES				
Reserved	<u>83,333</u>	<u>1,255,000</u>	<u>274,303</u>	<u>1,612,636</u>
Total fund balances	<u>83,333</u>	<u>1,255,000</u>	<u>274,303</u>	<u>1,612,636</u>
Total liabilities and fund balances	<u>\$ 113,333</u>	<u>\$ 1,294,137</u>	<u>\$ 274,303</u>	<u>\$ 1,681,773</u>

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, 2003

	Long Range Plan Fund	1998-C Long Range Plan Fund	General Obligation Capital Improvement Fund	Total Nonmajor Governmental Fund
REVENUES				
Interest Income	\$ 549	\$ 16,140	\$ 3,427	\$ 20,116
Total revenues	549	16,140	3,427	20,116
EXPENDITURES				
Current:				
General Administration	-	-	146	146
Public Works	-	-	-	-
Capital Outlay	4,051	223,124	-	227,175
Total expenditures	4,051	223,124	146	227,321
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,502)	(206,984)	3,281	(207,205)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	100,000	-	100,000
Transfers Out	-	-	(100,000)	(100,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	100,000	(100,000)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(3,502)	(106,984)	(96,719)	(207,205)
FUND BALANCE AT BEGINNING OF YEAR	86,835	1,361,984	371,022	1,819,841
FUND BALANCE AT END OF YEAR	\$ 83,333	\$ 1,255,000	\$ 274,303	\$ 1,612,636



CITY OF MADISON, ALABAMA
LONG RANGE PLAN CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Earnings	\$ 100	\$ 549	\$ 449
TOTAL REVENUES	100	549	449
EXPENDITURES			
Capital Outlay	-	4,051	-
TOTAL EXPENDITURES	-	4,051	(4,051)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	100	(3,502)	(3,602)
FUND BALANCE AT BEGINNING OF YEAR	86,835	86,835	-
FUND BALANCE AT END OF YEAR	\$ 86,835	\$ 83,333	\$ (3,602)

CITY OF MADISON, ALABAMA
 1998-C LONG RANGE PLAN CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Earnings	\$ 9,640	\$ 16,140	\$ 6,500
TOTAL REVENUES	9,640	16,140	6,500
EXPENDITURES			
Capital Outlay	-	223,124	-
TOTAL EXPENDITURES	-	223,124	(223,124)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,640	(206,984)	(216,624)
OTHER FINANCING SOURCES			
Transfers In	-	100,000	100,000
TOTAL OTHER FINANCING SOURCES	-	100,000	100,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	9,640	(106,984)	(116,624)
FUND BALANCE AT BEGINNING OF YEAR	1,361,984	1,361,984	-
FUND BALANCE AT END OF YEAR	\$ 1,371,624	\$ 1,255,000	\$ (116,624)

CITY OF MADISON, ALABAMA
GENERAL OBLIGATION CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Earnings	\$ 260	\$ 3,427	\$ 3,167
TOTAL REVENUES	260	3,427	3,167
EXPENDITURES			
Current:			
General Administration	-	146	-
TOTAL EXPENDITURES	-	146	(146)
EXCESS OF REVENUES UNDER EXPENDITURES	260	3,281	3,021
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	-	(100,000)	(100,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	(100,000)	(100,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	260	(96,719)	(96,979)
FUND BALANCE AT BEGINNING OF YEAR	371,022	371,022	-
FUND BALANCE AT END OF YEAR	\$ 371,282	\$ 274,303	\$ (96,979)

CITY OF MADISON, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
SEPTEMBER 30, 2003

Governmental funds capital assets:

Land	\$ 4,041,635
Buildings	9,930,366
Improvements to buildings	287,856
Improvements other than buildings	1,022,225
Machinery and equipment	9,594,474
Infrastructure	4,043,849
Other	3,500
Construction in progress	<u>1,737,916</u>

Total governmental funds capital assets \$ 30,661,821

Investments in governmental funds capital assets by source:

Current revenues	\$ 30,207,281
Federal and state grants	<u>454,540</u>

Total governmental funds capital assets \$ 30,661,821

CITY OF MADISON, ALABAMA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 September 30, 2003

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	\$ 1,159,822	\$ 3,275,439	\$ 145,654	\$ 21,257	\$ 587,943	\$ 3,694	\$ -	\$ -	\$ 5,193,809
City Clerk	-	-	-	-	77,534	-	-	-	77,534
Court Clerk	-	-	-	-	55,843	-	-	-	55,843
City Council	-	-	-	-	28,452	-	-	-	28,452
Finance	-	-	-	-	133,665	-	-	-	133,665
Human Resources	-	-	-	-	40,005	-	-	-	40,005
Mayor's Office	-	-	-	-	24,659	-	-	-	24,659
Revenue	-	-	-	-	22,887	-	-	-	22,887
Information Technology	-	-	-	-	105,142	-	-	-	105,142
Legal	-	-	-	-	2,830	-	-	-	2,830
Total General Government	<u>1,159,822</u>	<u>3,275,439</u>	<u>145,654</u>	<u>21,257</u>	<u>1,078,960</u>	<u>3,694</u>	<u>-</u>	<u>-</u>	<u>5,684,826</u>
Public Safety:									
Police	-	6,139	50,146	-	2,506,255	-	3,500	-	2,566,040
Fire	134,000	1,305,257	3,000	-	2,488,317	-	-	507,551	4,438,125
Community development	-	-	-	-	153,723	-	-	-	153,723
Total Public Safety	<u>134,000</u>	<u>1,311,396</u>	<u>53,146</u>	<u>-</u>	<u>5,148,295</u>	<u>-</u>	<u>3,500</u>	<u>507,551</u>	<u>7,157,888</u>
Highways and streets:									
Public Works	1,322,636	181,283	-	829	2,230,419	4,037,155	-	1,214,557	8,986,879
Engineering	-	-	-	-	77,532	-	-	-	77,532
Total Highways and streets	<u>1,322,636</u>	<u>181,283</u>	<u>-</u>	<u>829</u>	<u>2,307,951</u>	<u>4,037,155</u>	<u>-</u>	<u>1,214,557</u>	<u>9,064,411</u>
Culture and recreation									
Parks and recreation	1,425,177	5,162,248	50,175	998,349	974,153	3,000	-	15,808	8,628,910
Senior Center	-	-	38,881	1,790	85,115	-	-	-	125,786
Total Culture and recreation	<u>1,425,177</u>	<u>5,162,248</u>	<u>89,056</u>	<u>1,000,139</u>	<u>1,059,268</u>	<u>3,000</u>	<u>-</u>	<u>15,808</u>	<u>8,754,696</u>
Total governmental funds capital assets	<u>\$ 4,041,635</u>	<u>\$ 9,930,366</u>	<u>\$ 287,856</u>	<u>\$ 1,022,225</u>	<u>\$ 9,594,474</u>	<u>\$ 4,043,849</u>	<u>\$ 3,500</u>	<u>\$ 1,737,916</u>	<u>\$ 30,661,821</u>

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, 2003

Function and Activity	Governmental Funds Capital Assets Oct. 1, 2002	Additions	Transfers In (Out)	Deductions	Governmental Funds Capital Assets Sept. 30, 2003
General Government:					
General administration	\$ 4,932,846	\$ 308,118	\$ (46,576)	\$ (579)	\$ 5,193,809
City Clerk	88,337	1,864	-	(12,667)	77,534
Court Clerk	57,025	-	693	(1,875)	55,843
City Council	28,452	-	-	-	28,452
Finance	231,861	1,015	2,875	(102,086)	133,665
Human Resources	60,485	-	(13,580)	(6,900)	40,005
Mayor's Office	46,844	5,374	(21,322)	(6,237)	24,659
Revenue	26,112	-	-	(3,225)	22,887
Information Technology	49,735	13,169	42,238	-	105,142
Legal	980	-	1,850	-	2,830
Total General Government	<u>5,522,677</u>	<u>329,540</u>	<u>(33,822)</u>	<u>(133,569)</u>	<u>5,684,826</u>
Public Safety:					
Police	2,589,738	51,273	(40,449)	(34,522)	2,566,040
Fire	3,192,801	1,344,097	-	(98,773)	4,438,125
Community development	121,999	9,144	32,740	(10,160)	153,723
Total Public Safety	<u>5,904,538</u>	<u>1,404,514</u>	<u>(7,709)</u>	<u>(143,455)</u>	<u>7,157,888</u>
Highways and streets:					
Public Works	3,381,420	5,640,710	48,580	(83,831)	8,986,879
Engineering	62,021	5,500	10,011	-	77,532
Total Highways and streets	<u>3,443,441</u>	<u>5,646,210</u>	<u>58,591</u>	<u>(83,831)</u>	<u>9,064,411</u>
Culture and recreation:					
Parks and recreation	7,405,770	1,341,585	(93,019)	(25,426)	8,628,910
Senior Center	3,698	46,129	75,959	-	125,786
Total Culture and recreation	<u>7,409,468</u>	<u>1,387,714</u>	<u>(17,060)</u>	<u>(25,426)</u>	<u>8,754,696</u>
Total governmental funds capital assets	<u>\$ 22,280,124</u>	<u>\$ 8,767,978</u>	<u>\$ -</u>	<u>\$ (386,281)</u>	<u>\$ 30,661,821</u>

**GENERAL INFORMATION AND
STATISTICAL DATA**

CITY OF MADISON, ALABAMA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
General, Special Revenues, Capital Projects and Debt Service Funds
For the Last Ten (10) Fiscal Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Recreation</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Capital Project Construction</u>	<u>Total</u>
1994	\$ 2,560,902	\$ 2,208,649	\$ 1,250,045	\$ 512,380	\$ 121,084	\$ 1,734,035	\$ 3,729,152	\$ 12,116,247
1995	\$ 2,732,536	\$ 2,357,186	\$ 1,506,988	\$ 632,097	\$ 505,796	\$ 2,267,243	\$ 1,130,644	\$ 11,132,490
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

* 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
For the Last Ten (10) 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
1994	\$ +	\$ 3,932,255	\$ 1,210,194	\$ 283,991	\$ 2,409,329	\$ *	\$ *	\$ 4,487,547	\$ 12,323,316
1995	\$ +	\$ 4,513,665	\$ 1,366,008	\$ 345,349	\$ 4,562,544	\$ *	\$ *	\$ 1,255,029	\$ 12,042,595
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

+ "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
For the Last Ten (10) 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>
1994	\$ 3,511,322	\$ 55,503	\$ 137,211	\$ 217,147	\$ 11,072	\$ -	\$ 3,932,255
1995	\$ 3,952,907	\$ 78,499	\$ 182,941	\$ 249,041	\$ 14,487	\$ 35,790 *	\$ 4,513,665
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

* First year for tax (partial year).

**CITY OF MADISON, ALABAMA
PROPERTY TAX LEVIES AND COLLECTIONS
For the Last Ten (10) Fiscal Years
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Tax Collected</u>
1994	\$ *	\$ 1,467,282	*
1995	\$ 3,008,780	\$ 3,001,410	99.76%
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	*

* Data not available.

Source: Madison County, Alabama Tax Assessor

CITY OF MADISON, ALABAMA
COMPUTATION OF LEGAL DEBT MARGIN
September 30, 2003
(Unaudited)

Assessed value of real and personal property September 30, 2003		<u>\$ 307,166,440</u>
Debt limit - 20 percent of total assessed value		\$ 61,433,288
Outstanding Debt:		
Bonded debt	\$ 108,155,000	
Bonded debt of Water and Wastewater Board	<u>41,865,000</u>	150,020,000
Less those portions not chargeable to debt limit:		
Water and Sewer Bonds	7,814,919	
School Bonds	63,545,000	
Revenue bonds of Water and Wastewater Board	<u>41,865,000</u>	<u>113,224,919</u>
Total debt chargeable to debt limit		<u>36,795,081</u>
Legal debt margin		<u>\$ 24,638,207</u>

CITY OF MADISON, ALABAMA
RATIO OF GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND GENERAL OBLIGATION BONDED DEBT PER CAPITAL
For the Last Ten (10) Fiscal Years

Fiscal Year	Population	Assessed Value	Bonded Debt	Ratio of Bonded Debt to Assessed Value	Bonded Debt per Capital
1994	20,400	\$117,951,117	\$31,366,591	26.59%	\$1,538
1995	20,150	\$127,993,800	\$41,789,167	32.65%	\$2,074
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

CITY OF MADISON
SCHEDULE OF BONDS AND WARRANTS INSTALLMENTS AND INTEREST
Due in Fiscal Year 2004

Bonds/Warrants Series	Funding Source	Date of Issue	Original Amount of Issue	Date of Final Maturity	Outstanding at Sept. 30, 2003	Due Date Installment and/or Interest	Interest Rate	Principal Maturity	Interest Payment	Anticipated Outstanding Sept. 30, 2004
General Obligation Warrants, Series 1995	1/2 Cent Sales and 5 1/2 Mill Property Taxes	April 1995	\$ 18,500,000	April 2023	\$ 18,065,000	Apr. 2003	4.80%	\$ -	\$ 1,066,798	\$ 18,065,000
General Obligation School Warrants, Series 1998-A	Property Taxes	April 1998	7,000,000	Feb. 2028	6,400,000	Feb. 2003	4.95%	135,000	321,329	6,265,000
General Obligation School Warrants, Series 1998-B	Property Taxes	Sept. 1998	13,360,000	Feb. 2023	11,900,000	Feb. 2003	4.00%	405,000	565,575	11,495,000
General Obligation Warrants, Series 1998-C	1/2 Cent Sales Taxes 5 1/2 Mill Property Taxes	Sept. 1998	16,150,000	Sept. 2027	16,150,000	Sept. 2003	4.50%	0	797,095	16,150,000
General Obligation School Warrants, Series 1999	Property Taxes	Mar. 1999	13,695,000	Feb. 2024	12,720,000	Feb. 2003	3.80%	400,000	588,133	12,320,000
General Obligation School Warrants, Series 2000	Property Taxes	April 2000	3,500,000	April 2020	3,170,000	April 2003	4.90%	120,000	170,905	3,050,000
General Obligation Warrants, Series 2001	1/2 Cent Sales and 5 1/2 Mill Property Taxes	July 2001	10,890,000	July 2028	10,395,000	Feb. 2003	3.40%	385,000	485,891	10,010,000
General Obligation School Warrants, Series 2001-A	Property Taxes	Nov. 2001	8,230,000	Nov. 2026	8,030,000	Nov. 2002	2.40%	205,000	358,093	7,825,000
General Obligation School Warrants, Series 2002	Property Taxes	Oct. 2002	21,325,000	Oct. 2032	21,325,000	Feb. 2004	1.650%	425,000	907,435	20,900,000
Water and Sewer Revenue Bonds, Series 1993	Operating Revenue	Feb. 1993	3,100,000	April 2014	1,505,000	April 2014	4.30%	110,000	64,715	1,395,000
Water and Sewer Revenue Revenue Bond, Series 1996	Operating Revenue	Aug. 1996	13,660,000	Aug. 2018	12,460,000	Dec. 2002	4.50%	490,000	696,400	11,970,000
Subordinated Water and Sewer Revenue Bond, Series 1996	Operating Revenue	Aug. 1996	2,845,000	Aug. 2018	2,325,000	Aug. 2003	3.95%	115,000	91,838	2,210,000
Water and Sewer Revenue Revenue Bond, Series 2001	Operating Revenue	July 2001	7,270,000	Dec. 2021	6,910,000	Dec. 2003	2.90%	125,000	337,508	6,785,000
Subordinated Water and Sewer Revenue Bond, Series 2001	Operating Revenue	Aug. 2001	<u>19,320,000</u>	Aug. 2022	<u>18,665,000</u>	Aug. 2003	3.85%	<u>680,000</u>	<u>718,603</u>	<u>17,985,000</u>
TOTALS			<u>\$ 158,845,000</u>		<u>\$ 150,020,000</u>			<u>\$ 3,595,000</u>	<u>\$ 7,170,318</u>	<u>\$ 146,425,000</u>

CITY OF MADISON, ALABAMA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT (1)
TO TOTAL GOVERNMENTAL EXPENDITURES
For the Last Ten (10) Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service (1)	Total Governmental Expenditures	Ratio of Debt Service to Total Governmental Expenditures
1994	\$ 527,416	\$ 1,158,205	\$ 1,685,621	\$ 9,427,606	17.88%
1995	\$ 587,117	\$ 1,604,342	\$ 2,191,459	\$ 11,132,490	19.69%
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%

(1) Excludes bond issuance and other costs

CITY OF MADISON, ALABAMA
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
September 30, 2003

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable To City of Madison</u>	<u>Amount Applicable To City of Madison</u>
City of Madison	<u>\$ 108,155,000</u>	100%	<u>\$ 108,155,000</u>

Note: The City of Madison has no Overlapping Debt.

CITY OF MADISON, ALABAMA
PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS
 For the Last Ten (10) Fiscal Years
 (UNAUDITED)

Fiscal Year	Single Family Dwellings				New Apartments			Other Buildings			Total Estimated Cost	Bank Deposits
	New Buildings		Alterations		Number of Units	Estimated Cost	New Buildings		Alterations			
	Number of Units	Estimated Cost	Number of Units	Estimated Cost			Number of Units	Estimated Cost	Number of Units	Estimated Cost		
1994	298	\$ 13,084,843	175	\$ 974,748	10	\$ 280,000	39	\$ 10,477,539	36	\$ 1,059,158	\$ 25,876,288	*
1995	253	\$ 10,731,407	144	\$ 872,132	5	\$ 140,000	41	\$ 28,826,565	40	\$ 1,080,827	\$ 41,650,931	*
1996	326	\$ 15,187,966	153	\$ 942,520	0	\$ -	40	\$ 14,117,723	41	\$ 4,867,724	\$ 35,115,933	*
1997	510	\$ 32,013,189	200	\$ 1,597,690	154	\$ 5,150,000	46	\$ 14,073,303	39	\$ 2,457,735	\$ 55,291,917	*
1998	535	\$ 33,408,053	176	\$ 1,317,850	489	\$ 22,187,906	42	\$ 21,357,054	40	\$ 2,128,780	\$ 80,399,643	*
1999	500	\$ 32,538,370	225	\$ 1,652,262	32	\$ 1,909,182	67	\$ 7,667,904	60	\$ 6,221,457	\$ 49,989,175	*
2000	378	\$ 26,475,750	221	\$ 1,824,775	152	\$ 4,928,157	114	\$ 25,697,501	66	\$ 12,259,607	\$ 71,185,790	*
2001	463	\$ 30,259,250	298	\$ 2,637,525	55	\$ 1,669,535	79	\$ 10,305,046	58	\$ 4,950,042	\$ 49,821,398	*
2002	560	\$ 37,292,857	56	\$ 8,186,743	144	\$ 4,126,724	61	\$ 13,051,385	56	\$ 8,186,743	\$ 70,844,452	*
2003	557	\$ 38,621,566	253	\$ 2,163,959	112	\$ 4,316,388	71	\$ 21,638,934	64	\$ 7,761,294	\$ 74,502,141	*

**CITY OF MADISON, ALABAMA
DEMOGRAPHIC STATISTICS**
For the Last Ten (10) Fiscal Years
(UNAUDITED)

<u>Fiscal Year</u>	<u>Population</u>	<u>Retail Sales (thousands)</u>	<u>School Average Daily Attendance (1)</u>	<u>Median Income Per Family (2)</u>	<u>Labor Force</u>	<u>Unemployment Rate%</u>
1994	20,400	\$ *	4,039	\$ 48,871	*	4.6%
1995	20,150	\$ 161,470,400	4,417	\$ 50,247	*	6.0%
1996	23,000	\$ 171,342,000	*	\$ 53,826	*	5.0%
1997	25,000	\$ 183,060,798	*	\$ 55,900	137,470	2.7%
1998	26,500	\$ 201,874,444	5,369	\$ 54,672	*	*
1999	28,000	\$ 280,666,100	5,407	\$ 51,839	*	*
2000	29,329	\$ 305,000,000	5,823	\$ 59,801	*	*
2001	30,629	\$ 300,000,000	5689	\$ *	*	*
2002	32,950	\$ 350,000,000	6348	\$ 63,849	*	*
2003	34,080	\$ 381,500,000	7301	\$ 66,509		

(1) Source: Madison County, Alabama School Board.

(2) Source: Huntsville/Madison County, Alabama Chamber of Commerce; represents the Huntsville, Alabama Metro area and Equifax.

* Data currently not available or cannot be separated from the Huntsville, Alabama Metro Area data.

