

City of Madison, Alabama



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
SEPTEMBER 30, 2009

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City of Madison, Alabama

COMPREHENSIVE ANNUAL FINANCIAL REPORT Fiscal Year Ended September 30, 2009

**Prepared by
City of Madison
Finance Department**

**100 Hughes Road
Madison, Alabama 35758**

**City of Madison, Alabama
Comprehensive Annual Financial Report
September 30, 2009**

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SECTION I - INTRODUCTORY



FINANCE DEPARTMENT CITY OF MADISON, ALABAMA

June 22, 2010

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

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Madison, Alabama (the City) for the fiscal year ended September 30, 2009. The City's management assumes responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data are accurate in all material aspects. The data is reported in a manner designed to present fairly the financial position and results of the operations of the various funds of the City government and its component units. All note disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included (see pages 27 through 67).

The Report

The CAFR is presented in three sections:

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

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

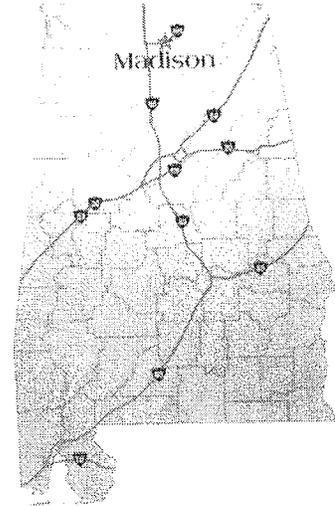
3. **Statistical Section** - includes financial and demographic information, generally presented on a multi-year basis that is relevant to readers of the financial statements.

Profile of the City

The City incorporated in 1869. Madison is located in the western part of Madison County in the state of Alabama. The City has a land area of 25 square miles and serves a population of approximately 42,800.

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

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



The City Council is responsible for adopting ordinances, resolutions, budgets, appointing committees and hiring the City Clerk-Treasurer, Police Chief and Fire Chief. The Mayor is responsible for carrying out the policies and ordinance adopted by the City Council, hiring heads of City departments, managing the affairs of the City, supervising a staff of approximately 350 employees including 12 department heads. An organizational chart of the City is included in this Introductory Section.

The City's departments include:

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

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

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

Major Initiatives

The City was successful in meeting many of its goals and objectives throughout fiscal year 2009. There were no cuts in programs or services to the citizens. Individual and departmental successes improved City services and enhanced growth in our community.

During the year, construction of a traffic signal at County Line Road and Palmer Road was completed for \$72,000.

During the year, the City expended \$3,021,373 for projects under construction as of September 30, 2009.

During the year, the City expended \$201,850 to purchase land for the Eastview Road Extension Project.

During the year, the City expended \$130,712 to purchase land for the replacement of Fire Station #2.

During the year, the City expended \$199,245 to improve city-owned buildings.

In August 2009, the City issued \$51,110,000 general obligation school warrant on behalf of Madison City Schools, to refund the 1998-A, 1998-B, 1999 and 2000 general obligation school warrants and to finance a portion of the construction of a new high school.

The City made one-time purchases for capital equipment totaling \$403,145.

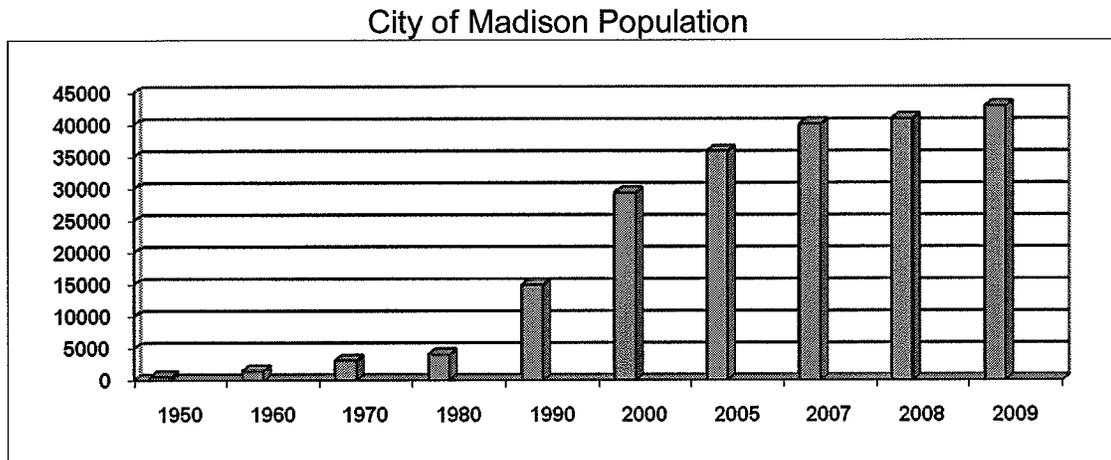
Factors Affecting Financial Condition

The City faced some challenges this fiscal year due to declining revenues and increases in personnel cost. The City had a decline in sales tax revenues of \$174,331 in FY 09 from the previous year and investment income decreased \$352,549.

The City anticipates these challenges to continue in FY 2010, with sales tax revenues projected to remain at the same level. We have our challenges but we have so many more great opportunities.

The City continues to seek new developments and redevelopment opportunities. We expect new businesses to start here in Madison and succeed and the businesses already here; we expect them to continue and to thrive. This growth and success will improve the quality of life for EVERY Madison resident.

The City's population grew 4.65 percent from 2008 to 2009. The population is estimated at 42,800 for fiscal year 2009. Madison is ranked 10th among Alabama cities.



Long-term Financing Planning

At September 30, 2009, the City had \$7,897,909 reserved for capital improvement projects. The City's Capital Improvements Program consists of three (3) categories, which are building and facilities, parks and recreation, and infrastructure. The building and facilities projects are for expansion of the police department, rebuilding of fire station #2 and expansion of the Senior Center. The parks and recreation projects are for improvements to the greenway trail projects and additional parking for recreational activities. The infrastructure improvements include sidewalks, streets, intersections, and drainage. Funding for these projects is provided with bond proceeds and the City's share of the Municipal Government Capital Improvement fund.

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

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

Cash Management Policies and Practices

The fiscal policy of the City provides for the highest investment returns with the maximum security. Investments are in securities or other obligations authorized for municipal investment by Alabama Code 11-81-19 through 21. The policy provides for retaining sufficient cash on hand to meet the daily cash flow demands. The investment policy is very conservative and details specific collateral and safekeeping requirements. Investment earnings for the year for all governmental funds were \$371,540.

Risk Management

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

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

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

Financial Information

Accounting

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

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

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

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

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

Single Audit

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit can be found in the Federal Awards Section of this report.

Budget

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

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

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

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

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

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

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

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

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

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

Other Information

The City is required by state law to obtain an annual audit by an independent firm of certified public accountants. The accounting firm of MDA Professional Group, P.C., selected by the Mayor, performed the City's annual audit for the fiscal year ended September 30, 2009.

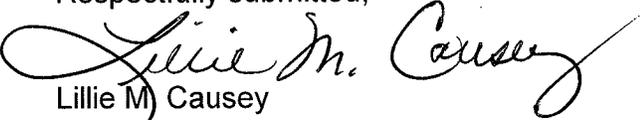
Acknowledgments

The preparation of this comprehensive report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the department.

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

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

Respectfully submitted,


Lillie M. Causey
Director of Finance

CITY OF MADISON, ALABAMA

ORGANIZATIONAL CHART



CITY OF MADISON, ALABAMA
List of Elected Officials, Appointed Officials, and Department Heads
September 30, 2009

Elected Officials

Mayor Paul Finley

Council Member - District One Tim Holcombe

Council Member - District Two Steve Haraway

Council Member - District Three Jerry Jennings

..... President Pro Tem

Council Member - District Four Tim Cowles

Council Member - District Five Tommy Overcash

..... President of Council

Council Member - District Six Larry Vannoy

Council Member - District Seven Bill Holtzclaw

Appointed Official

Executive Assistant to the Mayor Taylor Edge

Department Heads

Police Chief Larry Muncey

Public Works Director Dana Stahl

City Clerk-Treasurer Melanie Williard

Recreation Director Mike Cassell

Fire Chief Ralph Cobb

Planning and Building Director Bob Atallo

Court Clerk Rick Honea

Finance Director Lillie Causey

Human Resources Director Terri Towry

Engineering Director Gary Chynoweth

Revenue Department Director Cameron Grounds

City Attorney Kelly Butler

SECTION II - FINANCIAL

INDEPENDENT AUDITORS' REPORT

MDA PROFESSIONAL GROUP, P.C.

Certified Public Accountants and Business Consultants

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

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Madison
Madison, Alabama

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Madison, Alabama as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Madison, Alabama's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Water and Wastewater Board of the City of Madison and the Madison Board of Education discretely presented component units, which represent 100 percent, respectively of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Madison, Alabama as of September 30, 2009, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and City Council
City of Madison
Page two

In accordance with *Government Auditing Standards*, we have also issued a report dated June 22, 2010 on our consideration of the City of Madison's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

MDA Professional Group, P.C.

Huntsville, Alabama
June 22, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended September 30, 2009

Management of the City of Madison (the City) offers readers of the City's financial statements this Management's Discussion and Analysis (MD&A) which provides a general overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2009. Information in the MD&A is based on currently known facts, decisions and conditions. We encourage readers to consider the information presented here in conjunction with the letter of transmittal, the Basic Financial Statements and the accompanying Notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The City's assets totaled \$181,771,143 at September 30, 2009. This amount represents \$ 151,181,376 in capital assets (net), \$6,482,406 in unrestricted cash, \$24,107,361 in temporarily restricted cash and other assets. Total assets increased by \$2,289,991 or 1.28 percent in 2009. Net assets decreased \$17,892,333 or 34.57 percent in 2009.
- The City's liabilities totaled \$147,910,158 at September 30, 2009 consisting of \$143,360,095 in long-term debt and \$4,550,063 in accounts payable and other liabilities. Total liabilities increased \$20,182,324 or 15.80 percent over the prior year.
- Total assets of the City exceeded total liabilities by \$33,860,985 at the close of the fiscal year.
- In the governmental activities, the City generated \$7,014,996 in charges for services and \$5,376,078 in grants and contributions. Expenses for the governmental activities were \$60,900,069 of which \$12,391,074 funded by charges for services grants contributions and the remaining \$48,508,995 funded by general revenues and beginning assets. The City received \$30,616,662 in general revenues for fiscal year 2009, which consisted of \$7,411,800 in property taxes, \$12,330,960 in sales tax, \$960,310 in motor fuel taxes and \$9,913,592 in other revenues.
- Unreserved fund balance in the General Fund (the primary operating fund) was \$6,211,608 at September 30, 2009, which represents 6.04 percent or \$353,575 increase over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Management's Discussion and Analysis - continued

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

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

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

1. Government-wide Financial Statements

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

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

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

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

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

Management's Discussion and Analysis - continued

The governmental activities reflect the City's basic services:

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

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

2. Fund Financial Statements

A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Madison, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The City has the following type of funds:

Governmental Funds

The Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds statements emphasize available financial resources rather than net income as the government-wide financial statements.

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

The City maintains twenty (20) individual governmental funds. The governmental fund statements present four (4) major funds separately: General Fund, Water Distribution and Storage Fund, School Bonds Fund and 2006 Capital Improvement Fund. The other sixteen (16) non-major funds are combined into a single aggregated presentation.

Management's Discussion and Analysis - continued

Individual fund data for each of these non-major governmental funds is provided in the form of combining statements, which can be found beginning on page 70 of this report.

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

3. Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements (the basic financial statements). Information such as significant accounting policies and detail of certain assets and liabilities are included in the notes, which should be read in conjunction with the basic financial statements. The notes to the financial statements are on pages 27 through 67 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information is on page 69 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Analysis of Net Assets

The City's assets exceed total liabilities by \$33,860,985 at September 30, 2009. The largest portion of City's net assets is \$139,555,695, which represents investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress) less any related debt used to acquire assets still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets is \$12,321,754 or 36.39 percent represents resources which are subject to external restrictions on how the resources may be used.

Management's Discussion and Analysis – continued

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

CITY OF MADISON'S NET ASSETS

	<u>Governmental Activities</u>		
	<u>Septembers 30, 2009</u>	<u>September 30, 2008</u>	<u>Change</u>
Current and other assets	\$ 30,589,767	\$ 32,178,915	\$ (1,589,148)
Capital assets	151,181,376	147,302,237	3,879,139
Total assets	181,771,143	179,481,152	2,289,991
Long term liability outstanding	143,360,095	123,616,436	19,743,659
Other liabilities	4,550,063	4,111,398	438,665
Total liabilities	147,910,158	127,727,834	20,182,324
Net assets:			
Invested in capital assets, net of related debt	139,555,695	135,040,184	4,515,511
Restricted	12,321,754	15,011,198	(2,689,444)
Unrestricted (deficit)	(118,016,464)	(98,298,064)	(19,718,400)
Total net assets (deficit)	\$ 33,860,985	\$ 51,753,318	\$ (17,892,333)

The City's total net assets decreased \$17,892,333 during the current fiscal year. This decrease reflects the change in long-term liabilities and the accumulated depreciation of depreciable capital assets, which includes buildings, equipment and infrastructure assets.

Management's Discussion and Analysis - continued

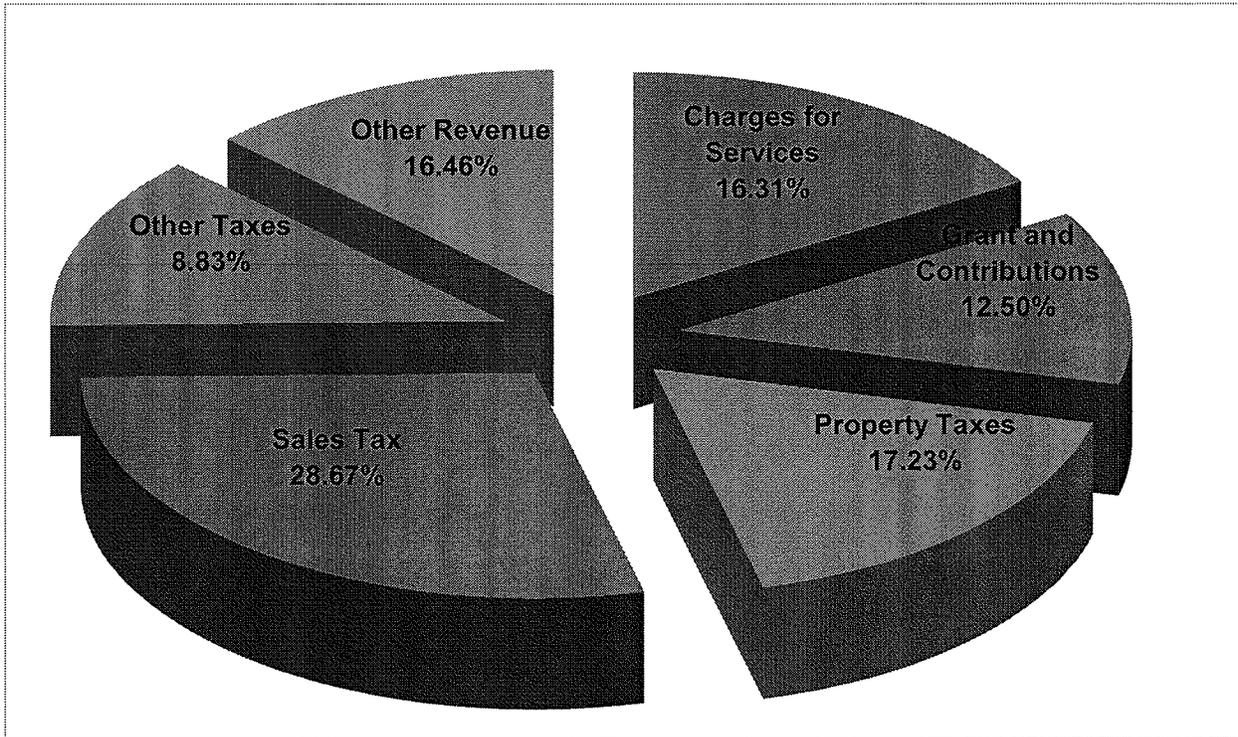
CITY OF MADISON'S CHANGES IN NET ASSETS

	Governmental Activities		
	Septembers 30, 2009	September 30, 2008	Change
Revenues:			
Program revenues:			
Charges for services	\$ 7,014,996	\$ 7,232,254	\$ (217,258)
Operating grant and contribution	552,339	538,991	13,348
Capital grants and contribution	4,823,739	11,684,556	(6,860,817)
General revenue:			
Property taxes and payment in lieu of taxes	7,411,800	7,841,325	(429,525)
Other taxes	16,127,803	16,187,225	(59,422)
Other	7,077,059	6,095,205	981,854
Total revenues	43,007,736	49,579,556	(6,571,820)
Expenses:			
General Administration	24,400,173	13,864,248	10,535,925
Police	6,288,131	5,777,771	510,360
Public Works	7,288,697	7,542,282	(253,585)
City Clerk	701,582	716,232	(14,650)
Recreation	2,517,331	2,428,165	89,166
Fire	5,040,372	4,827,449	212,923
Planning and Building	1,033,775	1,044,590	(10,815)
Court	1,009,392	1,141,156	(131,764)
City Council	139,128	136,565	2,563
Finance	783,590	975,935	(192,345)
Human Resources	3,513,666	3,197,955	315,711
Mayor's Office	534,363	240,042	294,321
Revenue	267,595	267,950	(355)
Engineering	522,673	475,749	46,924
Senior Center	291,083	264,757	26,326
Legal	358,047	353,696	4,351
Interest on Long-term debt	6,210,471	5,561,260	649,211
Total expenses	60,900,069	48,815,802	12,084,267
Increase in net assets	(17,892,333)	763,754	(18,656,087)
Net assets (deficit) beginning of year	51,753,318	50,989,564	763,754
Net assets (deficit) end of year	\$33,860,985	\$51,753,318	\$(17,892,333)

Governmental Activities

Governmental activities decreased the City's net assets by \$17,892,333 with total revenues of \$43,007,736 and total expenses of \$60,900,069. Revenues consisted primarily of \$7,014,996 for charges for services, \$5,376,078 for grants and contributions, \$7,411,800 for property taxes, \$12,330,960 for sales taxes, \$3,796,843 for other taxes, and \$7,077,059 for other revenue.

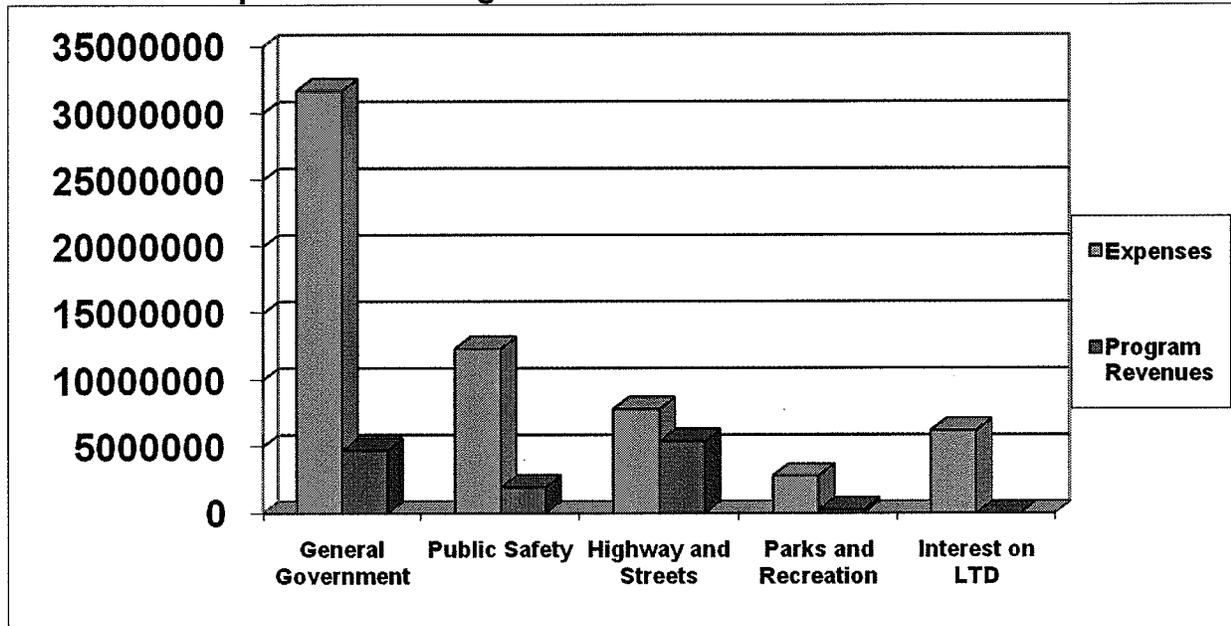
Revenues by Source - Governmental Activities



Charges or services decreased by \$217,258 from the prior year with the decrease in fines, and trash collection fees. Property taxes decreased by \$429,525 from the prior year. Other taxes decreased by \$59,422 from the prior year.

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

Expenses and Program Revenues - Governmental Activities



FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

Governmental Funds

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

The combined fund balances of the City's governmental funds were \$19,120,759 at September 30, 2009, a decrease of \$2,519,075 or 11.64 percent from the prior fiscal year. Of the total combined fund balances, \$6,225,280 constitutes unreserved fund balance, which is generally available for spending at the City's discretion, although it is subject to certain limitations inherent in the funds where the balances retained. The remainder of the total fund balance, or \$12,895,479 reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders, pay debt service, or has generally been committed for other purposes.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2009, unreserved fund balance of the general fund totaled \$6,211,608. The total fund balance was \$7,043,510. Unreserved fund balance represents 25.66 percent of the total expenditures for the general fund.

Management's Discussion and Analysis - continued

General Fund Budgetary Highlights

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

- \$901,981 decrease for total revenues
- \$551,850 decrease for total expenditures

The \$551,850 decrease in expenditures was for various line items in various departments. During the year, revenues exceeded budget by \$788,152 and expenditures were under budget by \$1,283,021.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for governmental activities as of September 30, 2009, totaled \$151,181,376 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress.

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

- Acquired land for \$1,242,455.
- Acquired Machinery and Equipment for \$492,048.
- A variety of improvements to buildings and improvements other than buildings completed for total cost of \$238,405.
- Acquired infrastructure for streets, intersection improvements and drainage improvements for \$3,107,201.
- Construction of various improvements to buildings, infrastructure and other improvements began for a total cost of \$3,021,373.

Management's Discussion and Analysis - continued

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

	Governmental Activities		
	September 30, 2009	September 30, 2008	Change
Land	\$ 25,975,390	\$ 24,732,935	\$1,242,455
Buildings	7,646,500	7,866,511	(220,011)
Building improvements	1,435,070	1,317,106	117,964
Improvements other than buildings	1,230,251	1,298,083	(67,832)
Vehicles and equipment	4,496,574	5,148,002	(651,428)
Infrastructure	104,312,152	103,871,249	440,903
Other	5,917	6,917	(1,000)
Construction in progress	6,079,522	3,061,434	3,018,088
	<u>\$151,181,376</u>	<u>\$147,302,237</u>	<u>\$ 3,879,139</u>

Additional information on the City's capital assets is found in Note 4 on pages 45 through 49 of this report.

Long-Term Debt

As of September 30, 2009, the City has \$145,368,138 of long-term debt outstanding. Of this amount, \$143,715,000 is general obligation warrants backed by the full faith and credit of the City and \$1,653,138 comprised of capital lease obligations collateralized by certain vehicles and equipment.

Changes in debt outstanding are as follows:

	Governmental Activities		
	September 30, 2009	September 30, 2008	Change
Capital lease obligations	\$ 1,653,138	\$ 2,315,455	\$ (662,317)
General obligation warrants	143,715,000	122,285,000	21,430,000
Less deferred amount for:			
Issuance discounts	(2,008,043)	(984,019)	(1,024,024)
	<u>\$ 143,360,095</u>	<u>\$ 123,616,436</u>	<u>\$19,743,659</u>

Management's Discussion and Analysis - continued

Long-Term Debt - continued

Other than debt paid from proprietary fund revenue sources (e.g. sewer debt and revenue bonds), State of Alabama law limits the amount of general obligation debt cities can issue for purposes other than schools and drainage systems to twenty percent of the assessed value of real and personal property. Of the \$143,715,000 outstanding debt, the amount of \$88,595,000 is outstanding general obligation school warrants, which is not chargeable against the allowable debt limit. As of September 30, 2009, the City's allowable debt limit was \$105,063,012. The City complied with its debt limit at \$55,120,000.

Debt Limitation and Ratings

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

Additional information on the City's long-term debt is in Note 4 on pages 52 through 54 of this report.

Additional Information

The Mayor and City Council considered many factors when developing the 2010 annual operating budget including the state of the surrounding local economies. In this manner, the City conservatively approved a General Fund budget anticipating a slow growth, which consists of \$24,230,742 for revenues, \$4,117,035 for other financing sources and \$1,989,378 of beginning resources. Expenses were approved for \$30,060,108 and \$277,047 for other financing uses.

The fund balance of the General Fund is projected to decrease \$1,989,378. Although the fund balance of the General Fund is projected to decrease, the projected fund balance is more than 10 percent of the estimated revenues, which is the requirement of the City's fiscal policy.

Request for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF MADISON, ALABAMA
STATEMENT OF NET ASSETS
September 30, 2009

	Primary	Component Units	
	Government	The Water and Wastewater Board	Madison City Board of Education
	Governmental Activities		
ASSETS			
Cash and cash equivalents	\$ 6,482,406	\$ 1,222,025	\$ 43,665,804
Investments	-	-	-
Receivables, net			
Tax and tax equivalents	9,032,662	-	-
Other	583,780	1,114,605	2,037,198
Inventory	-	265,208	102,486
Prepaid expenses	197,770	100,200	-
Other	-	237	211
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	11,269,985	-	-
Grants receivable	222,055	-	-
Other receivable	366,771	-	-
Total current assets	<u>28,155,429</u>	<u>2,702,275</u>	<u>45,805,699</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	662,240	-	-
Other assets	-	11,264,994	-
Bond issue cost, net	1,772,098	2,183,525	-
Capital assets not being depreciated	32,054,912	23,931,910	7,831,870
Capital assets net of accumulated depreciation	119,126,464	124,868,807	84,594,599
Total noncurrent assets	<u>153,615,714</u>	<u>162,249,236</u>	<u>92,426,469</u>
Total assets	<u>181,771,143</u>	<u>164,951,511</u>	<u>138,232,168</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	2,780,227	940,490	6,045,648
Interest payable	1,759,952	849,548	-
Deferred revenue	9,884	-	208,353
Total current liabilities	<u>4,550,063</u>	<u>1,790,038</u>	<u>6,254,001</u>
Noncurrent liabilities:			
Due within one year	2,215,609	2,111,365	534,748
Due in more than one year	141,144,486	77,962,109	8,339,809
Total long-term liabilities	<u>143,360,095</u>	<u>80,073,474</u>	<u>8,874,557</u>
Total liabilities	<u>147,910,158</u>	<u>81,863,512</u>	<u>15,128,558</u>
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	139,555,695	70,782,532	83,551,912
Restricted for:			
Highways and streets	260,039	-	-
Debt service	662,240	-	-
Capital Improvements	7,897,909	-	22,821,517
Water Distribution and Storage Project	1,451,439	-	-
Other purposes	2,050,127	9,604,163	-
Unrestricted	<u>(118,016,464)</u>	<u>2,701,304</u>	<u>16,730,181</u>
Total net assets	<u>\$ 33,860,985</u>	<u>\$ 83,087,999</u>	<u>\$ 123,103,610</u>

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

CITY OF MADISON, ALABAMA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Units	
						The Water and Wastewater Board	Madison City Board of Education
Functions/Programs							
Primary government:							
Governmental activities:							
General Administration	\$ 24,400,173	\$ 4,667,747	\$ 74,968	\$ -	\$ (19,657,458)	\$ -	\$ -
Police	6,288,131	1,096,954	89,362	134,037	(4,967,778)	-	-
Public Works	7,288,697	990,721	-	4,429,718	(1,868,258)	-	-
City Clerk	701,582	-	-	-	(701,582)	-	-
Recreation	2,517,331	211,029	2,827	-	(2,303,475)	-	-
Fire	5,040,372	8,560	385,182	202,981	(4,443,649)	-	-
Planning and Building	1,033,775	39,985	-	-	(993,790)	-	-
Court	1,009,392	-	-	-	(1,009,392)	-	-
City Council	139,128	-	-	-	(139,128)	-	-
Finance	783,590	-	-	-	(783,590)	-	-
Human Resources	3,513,666	-	-	-	(3,513,666)	-	-
Mayor's Office	534,363	-	-	-	(534,363)	-	-
Revenue	267,595	-	-	-	(267,595)	-	-
Engineering	522,673	-	-	-	(522,673)	-	-
Senior Center	291,083	-	-	57,003	(234,080)	-	-
Legal	358,047	-	-	-	(358,047)	-	-
Interest on long-term debt	6,210,471	-	-	-	(6,210,471)	-	-
Total governmental activities	\$ 60,900,069	\$ 7,014,996	\$ 552,339	\$ 4,823,739	(48,508,995)	-	-
Component units:							
The Water and Wastewater Board	\$ 11,267,111	\$ 11,686,919	\$ -	\$ 3,209,311	-	\$ 3,629,119	-
Madison City Board of Education	109,713,155	7,126,828	42,993,351	4,889,922	-	-	(54,703,054)
Total component units	\$ 120,980,266	\$ 18,813,747	\$ 42,993,351	\$ 8,099,233	-	3,629,119	(54,703,054)
General revenues:							
Property taxes and payments in lieu of taxes					7,411,800	-	14,186,820
Sales and use taxes					12,330,960	-	6,643,166
Franchise taxes					327,829	-	-
Motor fuel taxes					960,310	-	-
Alcoholic beverage taxes					855,690	-	-
Rental Taxes					424,872	-	-
Lodging Taxes					939,661	-	-
Other Taxes					288,481	-	117,120
Unrestricted investment earnings					371,540	86,668	241,800
Miscellaneous					6,726,170	-	55,716,636
Gain (loss) on Sale of capital assets					(20,651)	-	10,671
Total general revenues					30,616,662	86,668	76,916,213
Change in net assets					(17,892,333)	3,715,787	22,213,159
Net assets - beginning of year, restated					51,753,318	79,372,212	100,890,451
Net assets - end of year					\$ 33,860,985	\$ 83,087,999	\$ 123,103,610

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

**CITY OF MADISON, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2009**

	General	Water Distribution and Storage Project Fund	School Bonds Fund	2006 Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 6,669,898	\$ 854,049	\$ -	\$ 8,195,274	\$ 1,827,062	\$ 17,546,283
Cash with fiscal agent	-	-	189,672	-	472,568	662,240
Receivables, net						
Tax and tax equivalents	5,204,665	3,502,187	-	-	298,238	9,005,090
Grants	-	-	-	-	3,863	3,863
Other	353,574	-	-	82,395	139,431	575,400
Prepaid items	197,173	597	-	-	-	197,770
Restricted assets:						
Cash and cash equivalents	206,108	-	-	-	-	206,108
Grants receivable	218,192	-	-	-	-	218,192
Other receivable	10,000	-	-	-	-	10,000
Due from other funds	218,338	68,731	-	12,506	466,100	765,675
Total Assets	\$ 13,077,948	\$ 4,425,564	\$ 189,672	\$ 8,290,175	\$ 3,207,262	\$ 29,190,621
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 345,099	\$ -	\$ -	\$ 293,104	\$ 128,240	\$ 766,443
Accrued compensation and benefits	885,016	-	-	-	-	885,016
Due to other funds	500,236	-	-	41,898	223,541	765,675
Retainage payable	-	-	-	104,141	-	104,141
Deferred revenue	4,018,811	2,974,125	-	-	270,375	7,263,311
Other liabilities	285,276	-	-	-	-	285,276
Total Liabilities	6,034,438	2,974,125	-	439,143	622,156	10,069,862
Fund balances:						
Reserved for:						
Encumbrances	200,429	-	-	690,166	80,405	971,000
Prepaid expenditures	197,173	-	-	-	-	197,173
Restricted assets	434,300	1,451,439	-	-	1,971,584	3,857,323
Debt Service	-	-	189,672	-	472,568	662,240
Capital projects	-	-	-	7,160,866	46,877	7,207,743
Unreserved, reported in:						
General fund	6,211,608	-	-	-	-	6,211,608
Special revenue funds	-	-	-	-	13,672	13,672
Total fund balances	7,043,510	1,451,439	189,672	7,851,032	2,585,106	19,120,759
Total Liabilities and Fund Balances	\$ 13,077,948	\$ 4,425,564	\$ 189,672	\$ 8,290,175	\$ 3,207,262	

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.	151,181,376
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	7,646,150
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(144,087,300)</u>
Net assets of governmental activities	<u>\$ 33,860,985</u>

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, 2009

	General	Water Distribution and Storage Project Fund	School Bonds Fund	2006 Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property and payment in lieu of taxes	\$ 3,946,785	\$ 2,962,154	\$ -	\$ -	\$ 269,278	\$ 7,178,217
Sales and use	9,778,985	2,524,403	-	-	-	12,303,388
Franchise	327,829	-	-	-	-	327,829
Alcoholic beverage	855,690	-	-	-	-	855,690
Rental	424,872	-	-	-	-	424,872
Lodging	939,661	-	-	-	-	939,661
Other	288,481	-	-	-	379,019	667,500
Licenses and permits	4,667,747	-	-	-	-	4,667,747
Intergovernmental	749,570	-	-	-	674,231	1,423,801
Charges for services	1,210,360	-	-	-	56,360	1,266,720
Fines	805,666	-	-	-	274,863	1,080,529
Investment earnings	71,416	15,737	200,413	65,294	10,300	363,160
Contributions and donations	3,282	-	-	-	2,795	6,077
Other revenues	715,766	-	5,167,995	617,103	367,271	6,868,135
Total revenues	24,786,110	5,502,294	5,368,408	682,397	2,034,117	38,373,326
EXPENDITURES						
Current:						
General Administration	892,617	4,692	75,358	10,852	574,050	1,557,569
Police	5,869,549	-	-	-	27,296	5,896,845
Public Works	3,432,329	-	-	44,638	878,216	4,355,183
City Clerk	697,422	-	-	-	-	697,422
Recreation	2,267,307	-	-	-	-	2,267,307
Fire	4,637,704	-	-	-	9,935	4,647,639
Planning and Building	1,008,823	-	-	-	-	1,008,823
Court	1,004,457	-	-	-	-	1,004,457
City Council	129,429	-	-	-	-	129,429
Finance	775,708	-	-	-	-	775,708
Human Resources	3,511,294	-	-	-	-	3,511,294
Mayor's Office	527,103	-	-	-	-	527,103
Revenue	266,791	-	-	-	-	266,791
Engineering	505,271	-	-	-	-	505,271
Senior Center	276,566	-	-	-	-	276,566
Legal	358,047	-	-	-	-	358,047
Debt service:						
Principal	662,316	-	2,105,000	-	445,000	3,212,316
Interest	88,963	-	3,366,365	-	2,617,907	6,073,235
Bond issue costs	-	-	511,325	-	-	511,325
Capital outlay	536,639	-	-	3,423,487	126,461	4,086,587
Total expenditures	27,448,335	4,692	6,058,048	3,478,977	4,678,865	41,668,917
Excess (deficiency) of revenues over (under) expenditures	(2,662,225)	5,497,602	(689,640)	(2,796,580)	(2,644,748)	(3,295,591)
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	2,865,225	-	-	1,492	3,302,185	6,168,902
Transfers to other funds	(275,871)	(5,526,314)	-	-	(366,717)	(6,168,902)
Other	-	-	-	-	-	-
Sales of capital assets	7,153	-	-	-	-	7,153
Bond issue discount	-	-	(462,545)	-	-	(462,545)
Bond proceeds 2009 G.O. School Warrants	-	-	51,110,000	-	-	51,110,000
Payment to refund bond issue	-	-	(27,389,525)	-	-	(27,389,525)
2009 bond proceeds to school system	-	-	(22,488,567)	-	-	(22,488,567)
Total other financing sources (uses)	2,596,507	(5,526,314)	769,363	1,492	2,935,468	776,516
Net change in fund balances	(65,718)	(28,712)	79,723	(2,795,088)	290,720	(2,519,075)
Fund balances - beginning of year	7,109,228	1,480,151	109,949	10,646,120	2,294,386	21,639,834
Fund balances - end of year	\$ 7,043,510	\$ 1,451,439	\$ 189,672	\$ 7,851,032	\$ 2,585,106	\$ 19,120,759

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, 2009

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

Net change in fund balances - total governmental funds (page 21)	\$ (2,519,075)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(107,951)
Donations of capital assets increase net assets in the statement of activities, but but do not appear in the governmental funds because they are not financial resources.	
Donations from outside parties	4,014,895
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(27,804)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	622,612
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.	(19,534,289)
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>(340,721)</u>
Change in net assets of governmental activities (page 19)	<u><u>\$ (17,892,333)</u></u>

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

**CITY OF MADISON, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property and payments in lieu of taxes	\$ 3,825,473	\$ 3,825,473	\$ 3,946,785	\$ 121,312
Sales and use	10,000,000	9,610,000	9,778,985	168,985
Franchise	212,983	212,983	327,829	114,846
Alcoholic beverage	849,734	849,734	855,690	5,956
Rental	466,000	436,000	424,872	(11,128)
Lodging	1,006,000	1,006,000	939,661	(66,339)
Other	268,240	258,479	288,481	30,002
Licenses and permits	4,512,000	4,250,000	4,667,747	417,747
Intergovernmental	698,314	821,187	749,570	(71,617)
Charges for services	1,209,558	1,209,558	1,210,360	802
Fines	1,065,000	885,000	805,666	(79,334)
Investment earnings	190,000	62,000	71,416	9,416
Contribution and donations	9,400	9,400	3,282	(6,118)
Other revenues	587,237	562,144	715,766	153,622
Total revenues	24,899,939	23,997,958	24,786,110	788,152
EXPENDITURES				
Current:				
General Administration	1,114,503	959,503	892,617	66,886
Police	6,251,162	6,216,698	5,869,549	347,149
Public Works	3,366,311	3,307,716	3,432,329	(124,613)
City Clerk	755,833	744,224	697,422	46,802
Recreation	2,556,909	2,507,665	2,267,307	240,358
Fire	5,076,394	5,033,156	4,637,704	395,452
Planning and Building	1,131,809	1,004,895	1,008,823	(3,928)
Court	1,004,718	1,019,528	1,004,457	15,071
City Council	244,667	157,004	129,429	27,575
Finance	1,081,429	796,556	775,708	20,848
Human Resources	3,555,622	3,514,763	3,511,294	3,469
Mayor's Office	499,375	607,185	527,103	80,082
Revenue	297,573	288,494	266,791	21,703
Engineering	535,546	566,556	505,271	61,285
Senior Center	297,047	289,484	276,566	12,918
Legal	357,507	409,872	358,047	51,825
Debt service:				
Principal	694,757	687,457	662,316	25,141
Interest	93,988	86,758	88,963	(2,205)
Capital outlay	368,056	533,842	536,639	(2,797)
Total expenditures	29,283,206	28,731,356	27,448,335	1,283,021
Excess (deficiency) of revenues over (under) expenditures	(4,383,267)	(4,733,398)	(2,662,225)	2,071,173
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	2,773,934	2,867,487	2,865,225	(2,262)
Transfers to other funds	(309,747)	(289,747)	(275,871)	13,876
Capital leases	250,000	250,000	-	(250,000)
Sale of capital assets	15,000	15,000	7,153	(7,847)
Total other financing sources (uses)	2,729,187	2,842,740	2,596,507	(246,233)
Net change in fund balance	(1,654,080)	(1,890,658)	(65,718)	1,824,940
Fund balance - beginning of year	7,109,228	7,109,228	7,109,228	-
Fund balance - end of year	\$ 5,455,148	\$ 5,218,570	\$ 7,043,510	\$ 1,824,940

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

CITY OF MADISON, ALABAMA
WATER DISTRIBUTION AND STORAGE PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
Property tax and payment in lieu	\$ 2,860,200	\$ 2,860,200	\$ 2,962,154	\$ 101,954
Sales and use taxes	2,693,600	2,585,856	2,524,403	(61,453)
Investment earnings	48,000	10,000	15,737	5,737
Total revenues	5,601,800	5,456,056	5,502,294	46,238
EXPENDITURES				
Current:				
General Administration	6,000	6,000	4,692	1,308
Total expenditures	6,000	6,000	4,692	1,308
Excess of revenues over expenditures	5,595,800	5,450,056	5,497,602	47,546
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(5,562,907)	(5,562,907)	(5,526,314)	36,593
Total other financing sources (uses)	(5,562,907)	(5,562,907)	(5,526,314)	36,593
Net change in fund balance	32,893	(112,851)	(28,712)	84,139
Fund balance - beginning of year	1,480,151	1,480,151	1,480,151	-
Fund balance - end of year	\$ 1,513,044	\$ 1,367,300	\$ 1,451,439	\$ 84,139

CITY OF MADISON, ALABAMA
SCHOOL BOND FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 650	\$ 1,041	\$ 200,413	\$ 199,372
Other revenues	4,587,545	5,213,432	5,167,995	(45,437)
Total revenues	4,588,195	5,214,473	5,368,408	153,935
EXPENDITURES				
Current:				
General Administration	117	164	75,358	(75,194)
Debt service:				
Principal	2,020,000	2,105,000	2,105,000	-
Interest	2,567,545	3,108,432	3,366,365	(257,933)
Bond issue costs	-	-	511,325	(511,325)
Total expenditures	4,587,662	5,213,596	6,058,048	(844,452)
Excess (deficiency) of revenues over (under) expenditures	533	877	(689,640)	(690,517)
OTHER FINANCING SOURCES (USES)				
Bond proceeds 2009 G.O. School Warrants	-	-	51,110,000	51,110,000
Bond issue discount	-	-	(462,545)	(462,545)
Payment to refund bond issue	-	-	(27,389,525)	(27,389,525)
2009 bond proceeds to school system	-	-	(22,488,567)	(22,488,567)
Total other financing sources (uses)	-	-	769,363	769,363
Net change in fund balance	533	877	79,723	78,846
Fund balance - beginning of year	109,949	109,949	109,949	-
Fund balance - end of year	<u>\$ 110,482</u>	<u>\$ 110,826</u>	<u>\$ 189,672</u>	<u>\$ 78,846</u>

CITY OF MADISON, ALABAMA
2006 CAPITAL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ 65,000	\$ 35,000	\$ 65,294	\$ 30,294
Other revenues	-	-	617,103	617,103
Total revenues	65,000	35,000	682,397	647,397
EXPENDITURES				
Current:				
General Administration	-	-	10,852	(10,852)
Public Works	-	-	44,638	(44,638)
Capital Outlay	9,260,484	9,260,484	3,423,487	5,836,997
Total expenditures	9,260,484	9,260,484	3,478,977	5,781,507
Excess (deficiency) of revenues over (under) expenditures	(9,195,484)	(9,225,484)	(2,796,580)	6,428,904
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	1,050,000	1,050,000	1,492	(1,048,508)
Total other financing sources (uses)	1,050,000	1,050,000	1,492	(1,048,508)
Net change in fund balance	(8,145,484)	(8,175,484)	(2,795,088)	5,380,396
Fund balance - beginning of year	10,646,120	10,646,120	10,646,120	-
Fund balance - end of year	\$ 2,500,636	\$ 2,470,636	\$ 7,851,032	\$ 5,380,396

NOTES TO FINANCIAL STATEMENTS

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

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**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

DISCRETELY PRESENTED COMPONENT UNITS

Madison Water and Wastewater Board

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

Madison City Board of Education

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. REPORTING ENTITY - Continued -

DISCRETELY PRESENTED COMPONENT UNITS - continued

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

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

Madison City Board Education
211 Celtic Drive
Madison, Alabama 35758

B. BASIS OF PRESENTATION

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

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

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

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. BASIS OF PRESENTATION - continued

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

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

Governmental Funds:

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

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Major Funds:

General Fund

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

Water Distribution and Storage Project Fund

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

School Bonds Fund

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

2006 Capital Improvement Fund

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

C. BASIS OF ACCOUNTING

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

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

Accrual Basis

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. BASIS OF ACCOUNTING - continued

Modified Accrual Basis

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

For this purpose, the City considers revenues available if they are collected within sixty (60) days of the end of the fiscal period. Property taxes, sales and use taxes, alcoholic beverage taxes, franchise taxes, licenses, and interest associated with the current fiscal period are susceptible to accrual. All other government fund revenues are recognized when received.

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

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Deposits and Investments

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

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

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

Receivables and Payables

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Inventories

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

Prepaid Items

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

Restricted Assets

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

Capital Assets

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

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

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Capital Assets - continued

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

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

Compensated Absences - Annual Leave and Sick Leave

It is the City's policy to permit employees to accumulate earned but unused annual and sick leave benefits. Employees can carry a maximum of 200 hours of unused annual leave forward into the next leave year. Any accumulated annual leave that exceeds this amount at the end of the leave year will be forfeited. Upon separation from City service, an employee will be paid for all accrued annual leave. Annual leave that is expected to liquidate with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. All unused annual leave is accrued when earned by the employee in the government-wide financial statements and is considered a current liability. There is no liability for unpaid accumulated sick leave. No sick leave is paid upon separation from the City's services.

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

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

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Compensated Absences - Annual Leave and Sick Leave - Continued

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

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

Long-Term Obligations

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

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Fund Equity

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

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

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

Use of Estimates in the Preparation of Financial Statements

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

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

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

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

The governmental fund balance sheet includes 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, "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 \$144,087,300 difference are as follows:

Bonds payable	\$143,715,000
Less: Deferred charge for issuance costs (to be amortized as interest expense)	(1,772,098)
Less: Issuance discount (to be amortized as interest expense)	(2,008,043)
Accrued interest payable	1,759,952
Capital lease payable	1,653,138
Compensated absences	686,470
Other postemployment benefits	<u>52,881</u>
Net adjustment to fund balance total governmental funds to arrive at net assets governmental activities	<u>\$144,087,300</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."

The details of this \$107,951 difference are as follows:

Capital outlay	\$ 4,086,587
Depreciation expense	<u>(4,194,538)</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (107,951)</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

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

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

Another element of that reconciliation states "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is an increase to net assets." The detail of this \$(27,804) 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. \$ (27,804)

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

The details of this \$19,534,289 difference are as follows:

Debt issued or incurred:	
General obligation bonds	\$51,110,000
Discounts	(462,545)
Bond issuance expense	(511,325)
Payments to escrow agent for refunding	(27,389,525)
Principal repayments:	
General obligation debt	(2,550,000)
Payments on capital leases	<u>(662,316)</u>
Net adjustment to net change in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$19,534,289</u>

**CITY OF MADISON, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2009**

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

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(340,721) difference are as follows:

Compensated absences	\$ 6,242
Accrued interest	(137,233)
Amortization of issuance costs	(93,400)
Amortization of bond discounts	(63,449)
Other postemployment benefits	<u>(52,881)</u>
Net adjustment to net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (340,721)</u>

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGET INFORMATION

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

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

A. BUDGET INFORMATION - Continued -

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

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

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

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

<u>Fund</u>	<u>Department</u>	<u>Amount</u>
General	Public Works	\$ 124,613
	Planning and Building	\$ 3,928
	Interest expense	\$ 2,205
	Capital outlay	\$ 2,797

C. DEFICIT FUND BALANCE

There were no funds with a deficit fund balance as of September 30, 2009.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

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 Security for Alabama Funds Enhancement Act (SAFE). SAFE insures all accounts specified as public funds for the majority of banks located within the State of Alabama.

At September 30, 2009, the City had the following investments held by a trustee:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Money Market Mutual Funds comprised of U.S. Treasury Bills	<u>\$662,240</u>	44

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

Credit risk - State statutes limit the City's investments to U.S. Treasury obligations, State of Alabama and Alabama County obligations, and general obligations of Alabama municipalities. At September 30, 2009, the City's investments consisted of Dreyfus Treasury Prime Cash Management Funds. The funds are comprised of U.S. Treasury Bills. The Dreyfus Treasury Prime Cash Management Fund is AAAM-G rated by Standard & Poor's Ratings Group .

Custodial credit risk - This is the risk that in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy limits its investments to no more than 50% may be invested with a single financial institution with the exception of cash, certificates of deposit, U.S. Treasury securities, and authorized pools. At September 30, 2009, the City's investments consisted solely of U.S. Treasury Bills held by one financial institution.

At September 30, 2009, all cash and cash equivalents of Madison Water and Wastewater Board are entirely insured or collateralized as provided by the Security of Alabama Funds Enhancement Act (SAFE) as prescribed in section 41-14-A of the Code of the state of Alabama with a Qualified Public Fund Depository. Funds held for the benefit of Madison Water and Wastewater Board by the depository banks' trust department or agents are invested in U. S. Government securities or covered by U.S. government securities.

**CITY OF MADISON, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2009**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

A. DEPOSITS AND INVESTMENTS - Continued

At September 30, 2009, unrestricted deposits on hand at banks and in certificates of deposit of the Madison City Board of Education, a discretely presented component unit, were fully collateralized by banks qualifying under the Security for Alabama Funds Enhancement Act (SAFE) as qualified public depositories. Funds held by the banks' trust departments or agents are invested in U.S. Government securities or are secured by U.S. Government securities.

B. DEFERRED REVENUES AND RECEIVABLES

Deferred Revenue

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

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (general fund)	\$ 3,785,251	\$ -
Property taxes receivable (special revenue fund)	270,375	-
Property taxes receivable (water dist. Fund)	2,974,125	
Insurance proceeds	223,676	
General Fund - Property Rental	<u>-</u>	<u>9,884</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 7,253,427</u>	<u>\$ 9,884</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

B. DEFERRED REVENUES AND RECEIVABLES - Continued

Receivables

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

	<u>General</u>	<u>Water Distribution and Storage Project Fund</u>	<u>2006 Capital Improve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables:					
Taxes	\$ 5,204,665	\$ 3,502,187	\$ -	\$ 298,238	\$ 9,005,090
Grants	-	-	-	3,863	3,863
Other	363,574	-	82,395	139,431	585,400
Grant-restricted	<u>218,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218,192</u>
Total receivables	<u>\$ 5,786,431</u>	<u>\$ 3,502,187</u>	<u>\$ 82,395</u>	<u>\$ 441,532</u>	<u>\$ 9,812,545</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 4. DETAILED NOTES ON ALL FUNDS – Continued

D. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009, is as follows:

Primary Government

	Balance October 1, 2008	Increase	Decrease	Balance September 30, 2009
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 24,732,935	\$ 1,242,455	\$ -	\$ 25,975,390
Construction in progress	<u>3,061,434</u>	<u>3,021,373</u>	<u>(3,285)</u>	<u>6,079,522</u>
Total capital assets, not being depreciated	27,794,369	4,263,828	(3,285)	32,054,912
Capital assets, being depreciated:				
Buildings	10,933,085	-	-	10,933,085
Improvements to buildings	1,555,702	199,245	-	1,754,947
Improvements other than buildings	1,870,289	39,160	(273,028)	1,636,421
Machinery and equipment	14,524,782	492,047	(107,056)	14,909,773
Infrastructure	132,199,512	3,110,486	-	135,309,998
Other	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>7,000</u>
Total capital assets, being depreciated	161,090,370	3,840,938	(380,084)	164,551,224
Less accumulated depreciation for:				
Buildings	(3,066,574)	(220,011)		(3,286,585)
Improvements to buildings	(238,596)	(81,281)	-	(319,877)
Improvements other than buildings	(572,206)	(81,521)	247,557	(406,170)
Machinery and equipment	(9,376,780)	(1,141,142)	104,723	(10,413,199)
Infrastructure	(28,328,263)	(2,669,583)	-	(30,997,846)
Other	<u>(83)</u>	<u>(1,000)</u>	<u>-</u>	<u>(1,083)</u>
Total accumulated depreciation	<u>(41,582,502)</u>	<u>(4,194,538)</u>	<u>352,280</u>	<u>(45,424,760)</u>
Total capital assets, being depreciated, net	<u>119,507,868</u>	<u>(353,600)</u>	<u>(27,804)</u>	<u>119,126,464</u>
Governmental activities, capital assets, net	<u>\$ 147,302,237</u>	<u>\$ 3,910,228</u>	<u>\$ (31,089)</u>	<u>\$ 151,181,376</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

C. CAPITAL ASSETS - Continued -

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

General Administration	\$ 144,310
Police	375,292
Public Works	2,935,075
City Clerk	4,160
Recreation	251,584
Fire	394,294
Planning and Building	24,952
Court Clerk	4,935
City Council	9,699
Finance	7,882
Human Resources	2,372
Mayor's Office	7,260
Revenue	804
Engineering	17,402
Senior Center	<u>14,517</u>
Total depreciation expense - governmental activities	<u>\$4,194,538</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

C. CAPITAL ASSETS - Continued -

Discretely presented components units

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

	Balance October 1, 2008	Increase	Decrease	Balance September 30, 2009
Water system	\$ 73,480,032	\$ 7,331,323	\$ -	\$ 80,811,355
Sewer system	78,469,592	3,583,016	-	82,052,608
General plant	4,956,563	43,144	62,370	4,937,337
Construction in progress	<u>16,125,273</u>	<u>4,832,892</u>	<u>-</u>	<u>20,958,165</u>
 Total capital assets, being depreciated	 173,031,460	 15,790,375	 62,370	 188,759,465
 Less accumulated depreciation for:				
Water system	14,553,767	1,852,147	-	16,405,914
Sewer system	18,805,675	1,969,021	-	20,774,696
General plant	<u>2,548,435</u>	<u>292,073</u>	<u>62,370</u>	<u>2,778,138</u>
Total accumulated depreciation	<u>35,907,877</u>	<u>4,113,241</u>	<u>62,370</u>	<u>39,958,748</u>
Madison Water and Wastewater Board capital assets, net	<u>\$137,123,583</u>	<u>\$11,677,134</u>	<u>\$ -</u>	<u>\$148,800,717</u>

Depreciation expense charged as follows:

Expense	\$4,038,903
Other	<u>74,338</u>
	<u>\$4,113,241</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

C. CAPITAL ASSETS - Continued -

Discretely presented components units - Continued -

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

	Balance October 1, <u>2008</u>	Additions	Retirements and Reclassifications	Balance September 30, <u>2009</u>
Governmental Activities:				
Land	\$ 7,410,334	\$ -	\$ -	\$ 7,410,334
Land improvements	7,792,688	-	-	7,792,688
Buildings	81,483,126	18,179,927	-	99,663,053
Equipment, restated	2,583,483	145,482	21,168	2,707,797
Construction in progress	7,857,877	421,537	7,857,877	421,537
Vehicles, restated	<u>5,617,236</u>	<u>350,553</u>	<u>787,400</u>	<u>5,180,389</u>
Total at historic cost	112,744,744	19,097,499	8,666,445	123,175,798
Less accumulated depreciation for:				
Land improvements	3,524,525	358,375	-	3,882,900
Buildings	20,134,375	1,753,302	-	21,887,677
Equipment, restated	1,553,499	218,335	19,981	1,751,853
Vehicles, restated	<u>3,595,810</u>	<u>418,489</u>	<u>787,400</u>	<u>3,226,899</u>
Total accumulated depreciation	<u>28,808,209</u>	<u>2,748,501</u>	<u>807,381</u>	<u>30,749,329</u>
Governmental Activities Capital Assets, Net	<u>\$83,936,535</u>	<u>\$16,348,998</u>	<u>\$7,859,064</u>	<u>\$92,426,469</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

C. CAPITAL ASSETS - Continued -

Discretely presented components units - Continued -

Depreciation expense charged to governmental functions as follows:

Instructional services	\$1,820,997
Instructional support services	303,499
Operational and maintenance services	55,182
Student transportation services	320,505
Food services	<u>248,318</u>
 Total governmental activities depreciation expense	 <u>\$2,748,501</u>

D. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of inter-fund balances as of September 30, 2009, is as follows:

Due to/from other funds (Primary Government):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Gasoline Taxes Fund	\$ 137,366
	Domestic Violence Fund	3,863
	TVA Tax Distribution Fund	27,552
	Library Fund	49,528
	General	29
TVA Tax Fund	General	6,437
Recreation Tournament	General	4,500
Senior Donation Fund	General	2
Water Distribution and Storage Project Fund	General	68,731
Correctional Fund	General	368,428
Cemetery Fund	General	42,450
Domestic Violence Fund	General	2,385
2001 Capital Improvement Fund	2006 Capital Improvement Fund	6,609
Forward Purchase Bond Fund	2006 Capital Improvement Fund	35,289
2006 Capital Improvement Fund	General	7,274
2006 Capital Improvement Fund	Gasoline Taxes Fund	<u>5,232</u>
	 Total	 <u>\$ 765,675</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

D. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued -

Inter-fund transfers:

Transfer From	Transfer To	
General Fund	Non-major governmental funds	\$ 275,871
Non-major governmental funds	General Fund	365,225
Non-major governmental funds	2006 Capital Improvement fund	1,492
Water Distribution and Storage Project Fund	General Fund	2,500,000
Water Distribution and Storage Project Fund	Non-major governmental funds	<u>3,026,314</u>
	Total	<u>\$ 6,168,902</u>

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

E. CAPITAL LEASES

The government entered into a lease agreement as lessee for financing the acquisition of a city-wide communication system, police vehicles, computers, fire trucks and other equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore; 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:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 3,063,221
Less: Accumulated depreciation	<u>1,022,375</u>
Total	<u>\$ 2,040,846</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

E. CAPITAL LEASES - Continued -

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2009, are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2010	\$ 518,682
2011	400,886
2012	270,683
2013	270,683
2014	81,419
2015	81,419
2016	81,419
2017	81,420
2018	<u>61,064</u>
Total minimum lease payments	1,847,675
Less: amount representing interest	<u>(194,537)</u>
Present value of minimum lease payments	<u>\$1,653,138</u>

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

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2009, are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2010	\$ 188,359
2011	162,959
2012	<u>20,845</u>
Total minimum lease payments	\$ 372,163
Less: amount representing interest	<u>(188,359)</u>
Present value of minimum lease payments	<u>\$ 183,804</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

F. LONG-TERM DEBT

General Obligation Warrants

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 are generally issued as 25 or 30-year serial warrants, except for refunding issues.

Source of Repayment of Long-Term Debt

The repayment of the City's general obligation long-term debt is provided by resources in the Special Revenue Fund and accounted for in the Debt Service Funds (2005 Bond Fund and 2006 Bond Fund). The repayment of the City's general obligation long-term debt, for school purposes, is provided by resources transferred from Madison City Board of Education (discretely presented component unit) and accounted for in the Debt Service Fund (School Bonds Fund).

Current Refunding

On August 1, 2009, the City issued \$51,110,000 General Obligation School Warrant to refund the 1998-A General Obligation School Warrants, 1998-B General Obligation School Warrants, 1999 General Obligation School Warrants and 2000 General Obligation School Warrants and to acquire \$22,488,567 of capital improvements. The warrant yields interest rates of 1.25% - 5.25% and is payable semiannually with the first payment due February 2010 and the last payment due February 2039.

Outstanding Debt

General obligation warrants currently outstanding as of September 30, 2009, are as follows:

	<u>Range of Interest Rates</u>	<u>Amount</u>
<u>General Obligation Warrants</u>		
Series 2005	4.70% - 5.75%	\$ 17,140,000
Series 2006-A	3.50% - 4.54%	37,980,000
<u>General Obligation School Warrants</u>		
Series 2001-A	2.15% - 5.125%	6,715,000
Series 2002	1.65% - 5.125%	18,620,000
Series 2008-A	2.40% - 4.750%	12,150,000
Series 2009	1.25% - 5.250%	<u>51,110,000</u>
		<u>\$143,715,000</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

F. LONG-TERM DEBT - Continued -

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,760,000	\$ 6,896,583
2011	1,830,000	6,832,953
2012	1,900,000	6,763,940
2013	2,015,000	6,701,784
2014	2,110,000	6,604,770
2015-2019	14,230,000	31,256,605
2020-2024	22,745,000	27,013,125
2025-2029	29,850,000	20,293,440
2030-2034	32,625,000	12,915,425
2035-2039	<u>34,650,000</u>	<u>4,056,240</u>
	<u>\$143,715,000</u>	<u>\$129,334,865</u>

Changes in long-term liabilities

During the year ended September 30, 2009, the following changes occurred in the City's long-term liabilities:

	<u>Balance October 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2009</u>
Capital lease obligations	\$ 2,315,455	\$ -	\$ 662,317	\$ 1,653,138
General obligation warrants payable	122,285,000	51,110,000	29,680,000	143,715,000
Less deferred amounts for:				
Issuance discounts	<u>(984,019)</u>	<u>(1,242,890)</u>	<u>218,866</u>	<u>(2,008,043)</u>
Long-term liabilities	<u>\$123,616,436</u>	<u>\$49,867,110</u>	<u>\$30,123,451</u>	<u>\$143,360,095</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

F. LONG-TERM DEBT - Continued -

Revenue bonds

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

Revenue bonds outstanding at September 30, 2009, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,895,000	\$ 3,212,344
2011	1,960,000	3,143,761
2012	2,030,000	3,072,736
2013	2,105,000	2,999,061
2014	2,180,000	2,922,925
2015-2019	12,090,000	13,319,910
2020-2024	14,070,000	10,881,560
2025-2029	17,440,000	7,500,421
2030-2034	<u>25,210,000</u>	<u>3,292,840</u>
	<u>\$78,980,000</u>	<u>\$50,345,558</u>

Changes in long-term liabilities

During the year ended September 30, 2009, the following changes in the liabilities reported for the Madison Water and Wastewater Board, a discretely presented component unit:

	<u>Balance October 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2009</u>
Revenue bonds	<u>\$80,805,000</u>	<u>\$ -</u>	<u>\$1,825,000</u>	<u>\$78,980,000</u>
Long-term liabilities	<u>\$80,805,000</u>	<u>\$ -</u>	<u>\$1,825,000</u>	<u>\$78,980,000</u>

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

G. RESTRICTED ASSETS

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

Components of restricted net assets include:

<u>Activity</u>	<u>Restricted By</u>	
Highways and streets	Law	\$ 260,039
Debt service	General Obligation Warrants	662,240
Senior Center	Law	4,695
Library	Law	32,596
Capital Improvement	Law	7,897,909
Federal Forfeiture	Law	59,491
Domestic Violence	Grantor	2,385
Grants	Grantor	222,055
Water Distribution	Law	1,451,439
Non-major special revenue funds	Law	<u>1,728,905</u>
 Total restricted assets		 <u>\$12,321,754</u>

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

The reserve for restricted assets in the general fund (\$631,473 at September 30, 2009) is designated to be available for special purposes.

The reserve for encumbrances (\$200,429) is reserved for the payment of encumbered goods and services.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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 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 a self-sustaining plan. Monthly premiums for employee and dependent coverage are set annually based on the amounts necessary to fund coverage. The Board contributes the specified amount monthly to the PEEHIF for each employee.

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 5. OTHER INFORMATION - Continued

B. RELATED PARTY TRANSACTIONS

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 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 \$264,677 from the Water and Wastewater Board for the year ended September 30, 2009.

The North Alabama Gas District is governed by a Board of Directors composed of five members, two of whom are members of the City Council. The City received distributions based on the District's annual income. The City has no significant influence over the management, budget or policies of the District. During the fiscal year ended September 30, 2009, the City received \$258,137 from the North Alabama Gas District.

C. RELATED ORGANIZATIONS

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

D. SUBSEQUENT EVENTS

On October 12, 2009, the City of Madison contracted for construction of drainage improvements for Browns Ferry Road in the amount of \$192,328.

On October 12, 2009, the City of Madison accepted an American Recovery and Reinvestment Act Assistance to Firefighters Station Construction Grant from FEMA in the amount of \$1,415.

On October 26, 2009, the City of Madison accepted an Energy Efficiency and Conservation Block Grant from U.S. Department of Energy for \$156,900.

On November 9, 2009, the City of Madison contracted for construction of sidewalks on Eastview Drive for \$110,587.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 5. OTHER INFORMATION - Continued

D. SUBSEQUENT EVENTS - continued

On December 14, 2009, the City of Madison contracted for construction for Bradford Creek Greenway Phase I Project for \$1,068,264.

On December 14, 2009, the City of Madison contracted for construction for reroofing certain city buildings for \$108,213.

On December 28, 2009, the City of Madison contracted for construction of street lights on Gillespie Road Extension for \$18,000.

On January 11, 2010, the City of Madison contracted for construction of improvements to Emerson Road for \$84,000.

On January 25, 2010, the City of Madison contracted for construction of Madison Police Station Addition for \$1,233,500.

On January 25, 2010, the City of Madison contracted for financing the purchase of nine (9) vehicles for the Police Department in the amount of \$194,931.

On February 8, 2010, the City of Madison contracted for the purchase of new municipal management system for \$463,350.

On February 8, 2010, the City of Madison contracted for construction of improvements to Wall Triana Highway and Highway 72 for \$154,901 and material cost of \$46,203.

On February 22, 2010, the City of Madison accepted Assistance to Firefighters Grant for \$217,020.

On February 22, 2010, the City of Madison contracted for the purchase of two (2) zero-turn mowers for \$21,782.

On March 8, 2010, the City of Madison contracted for the purchase of one (1) vehicle and equipment for the mobile command post in the amount of \$34,556.

On March 22, 2010, the City of Madison contracted for the construction of 61 streets on Mill Road for \$26,224.

On March 22, 2010, the City of Madison contracted for the construction of Madison Senior Center Addition for \$236,949 and construction of parking lot for additional recreation activities for \$71,087.

On March 22, 2010, the City of Madison contracted for the purchase of three (3) four-wheeler ATV's for \$36,000.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 5. OTHER INFORMATION - Continued

D. SUBSEQUENT EVENTS - continued

On March 22, 2010, the City of Madison contracted for the demolition of three (3) buildings for \$11,280.

On March 22, 2010, the City of Madison accepted Assistance to Firefighters Fire Prevention Grant for \$9,850.

On April 26, 2010, the City of Madison contracted for construction, engineering and inspection services for Highway 72 and Wall Triana Intersection Improvements for \$113,430.

On May 10, 2010, the City of Madison accepted a Homeland Security Grant to train the Heavy Rescue Team for \$26,525.

On May 10, 2010, the City of Madison contracted for construction materials services for Bradford Creek Greenway Phase I Project for an amount not to exceed \$50,000.

On June 14, 2010, the City of Madison contracted for the purchase of one (1) signal truck for \$98,563.

On June 14, 2010, the City of Madison contracted for environmental assessment services on the construction site for Fire Station #2 for an amount not to exceed \$26,454.

The City evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 22, 2010, which is the date the financial statements were available to be issued

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.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE 5. OTHER INFORMATION - Continued

F. DEFINED BENEFITS PENSION PLAN

Primary Government

Plan Description

The City contributes to the Employees' Retirement System of Alabama (the System), an agent multiple-employer public employee retirement system, which acts as a common investment and administrative agent for the various state agencies, departments and on an elective basis to all cities, counties, towns and quasi-public organizations. All regular full-time and part-time employees are eligible to participate in the System. 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. The System defined benefit pension plan provides service retirement benefits disability benefits to members and survivor benefits to qualified beneficiaries. The System defined benefit pension plan provides the employee with a specific benefit at retirement by calculating the retirement benefit based on a formula. The System 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 City's contribution rate at September 30, 2009, was 9.12% of covered payroll.

Annual Pension Cost

For fiscal year September 30, 2009, the City's annual pension cost of \$1,358,593 was equal to the City's required and actual annual contributions. Trend information of the Annual Pension Cost for the latest available is as follows:

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2006	\$843,107	100%	\$0
9/30/2007	\$982,017	100%	\$0
9/30/2008	\$1,112,014	100%	\$0

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 5. OTHER INFORMATION - Continued

F. DEFINED BENEFITS PENSION PLAN - Continued

Annual Pension Cost - Continued

The required contribution was determined as part of the September 30, 2008 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, 2008 was 20 years.

Discretely Presented Component Units

Madison Utilities Board

Plan Description

The Madison Utilities Board contributes to the Employees' Retirement System of Alabama (the System), 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 of Madison Utilities Board are members of the Employees' Retirement System of Alabama (the System). The employee retirement system was established as of October 1, 1945, and placed under the management of the board of control (currently 10 members) by Act 515, Acts of Alabama 1945. Membership is mandatory for covered or eligible employees. Primary authority to amend the Plan is retained by the Legislature of the State of Alabama. However, the Legislature granted authority to RSA and then to each agency to accept or reject cost-of-living adjustments (COLA) available to retirees. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Retirement Systems of Alabama, P.O. Box 302150, Montgomery, AL 36130-2150.

Funding Policy

The System provides pension benefits, deferred allowances, death and disability benefits and surviving spouse benefits. A member may retire after reaching the age of 60 or accumulating 25 years of eligible service. Benefits vest after 10 years of service. Employees of Madison Utilities Board are required to pay 5% of their gross earnings to the pension plan. Madison Utilities Board is required to contribute the remaining amounts necessary to fund the plan, using the actuarial method, "entry age normal".

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE 5. OTHER INFORMATION - Continued

F. DEFINED BENEFITS PENSION PLAN - Continued

Discretely Presented Component Units

Madison Utilities Board - continued

Annual Pension Cost

Madison Utilities Board Funding Progress in the schedule below is equal to the Board's required and actual contributions. The required contribution was determined as part of the September 30, 2008 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administration expenses), (b) projected salary increases of 4.61% to 7.75% per year and (c) 0% per year cost of living adjustment. Both (a) and (b) included an inflation component of 4.50%.

The actuarial value of Madison Utilities Board assets was determined using techniques that smooth the effects of short-term volatility in the market value of investment over 5-year smoothed market period.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2006	\$128,297	100%	\$0
9/30/2007	\$134,827	100%	\$0
9/30/2008	\$156,390	100%	\$0

Schedule of Funding Progress for the System

Madison Utilities Board's un-funded actuarial liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2008 was 20 years.

Based on an actuarial valuation completed as of September 30, 2008, the Annual Pension cost for the System is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) *</u>	<u>Unfunded Under (Over) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL Percentage of Payroll</u>
9/30/2006**	\$3,886,646	\$4,851,816	\$ 965,170	80.1%	\$2,063,329	46.8%
9/30/2007	\$4,257,166	\$5,314,271	\$1,057,105	80.1%	\$2,116,047	50.0%
9/30/2008	\$4,673,705	\$5,988,885	\$1,315,180	78.0%	\$2,515,776	52.3%

* Reflects liability for cost of living increases granted on or before October 1, 1978.

** Reflect changes in actuarial assumptions.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 5. OTHER INFORMATION - Continued

F. DEFINED BENEFITS PENSION PLAN - Continued

Discretely Presented Component Unit

Madison City Board of Education

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

Substantially all employees of the Madison City Board of Education are members of the Teachers' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of Madison City Board of Education. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retirees receiving payment under the method that yields the highest monthly benefit.

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

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

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

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE 5. OTHER INFORMATION - Continued

F. DEFINED BENEFITS PENSION PLAN - Continued

Discretely Presented Component Unit

Funding Policy

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

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

Fiscal Year Ended September 30	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Contributions:</u>			
Percentage contribution by the Board	12.07%	11.75%	9.36%
Percentage contribution by employees	5.00%	5.00%	5.00%
Amount contributed by the Board	\$ 4,851,708	\$ 4,618,622	\$ 3,273,463
Amount contributed by employees	<u>2,009,825</u>	<u>1,965,375</u>	<u>1,748,646</u>
Total contributions	<u>\$ 6,861,532</u>	<u>\$ 6,583,997</u>	<u>\$ 5,022,109</u>

G. OTHER POST EMPLOYMENT BENEFITS

Primary Government

In fiscal year 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB). This standard addresses how the City should account for and report its cost related to OPEB. The City recognizes the cost of OPEB during the period of employees' active employment, while the benefits are being earned, and disclose the accumulated liability from prior years to accurately account for the total future cost of OPEB and the financial impact on the City. The accumulated liability will be phased over 30 years beginning with the liability for fiscal year 2009.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 5. OTHER INFORMATION - Continued

G. OTHER POSTEMPLOYMENT BENEFITS - continued

Plan Description

The City's policies with regard to postemployment healthcare coverage are governed by the City of Madison Medical Plan, the City's group health insurance plan. The benefits are established by management.

The City provides postemployment medical and vision benefits under the City's OPEB Plan to eligible retirees as described in the policies. To be eligible, an employee must retire with the City of Madison and be eligible for retirement through Employees' Retirement System of Alabama (the System). The System retirement eligibility requirements are described in detail in Note 5 (F). At retirement, a retiree is offered major medical insurance coverage through the City's group plan. If the retiree elects to participate in the City's group plan and is age 58 1/2 with 10 years of creditable services with the City, or 25 years of service with the City, regardless of age, the retiree pays 100% of the premium cost. The retiree is allowed to participate in the City's group plan until the retiree becomes eligible for Medicare. The City pays 50% of the premium cost for an employee who retires at age 60 with 25 years of creditable service with the City.

The City's OPEB plan is a single-employer defined benefit plan administered by the Human Resources Department. At September 30, 2008, the City's OPEB plan had 3 retired members and 331 active members. Separate financial statements for the City's OPEB plan is not issued, but included in the financial statements of the City.

Funding Policy

The City has chosen to pay 100% of the OPEB benefits on a pay-as-you-go basis. The City pays 50% of the premium cost for employees who retires at age 60 with 25 years of creditable service with the City. The City's policies stipulate that the amount the City pays is subject to annual appropriation.

Annual OPEB Cost

The City's annual OPEB cost (expense) is \$52,881 for the fiscal year ended September 30, 2009. The City recognizes the cost of OPEB during the period of employees' active employment, while the benefits are being earned, and disclose the accumulated liability from prior years to accurately account for the total future cost of OPEB and the financial impact on the City. The accumulated liability will be phased over 30 years beginning with the liability for fiscal year 2009.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE 5. OTHER INFORMATION – Continued

H. OTHER POSTEMPLOYMENT BENEFITS – continued

Annual OPEB Cost – continued

The following information below shows the annual required contribution (ARC) for the fiscal year ended September 30, 2009:

Annual required contribution	\$ 54,205
Adjustments to annual required contribution	<u>(1,324)</u>
 Total Annual Required Contribution	 <u>\$ 52,881</u>

Funding Status and Funding Progress

As of September 30, 2008, the most recent actuarial valuation date, the City's OPEB plan was 100% unfunded. Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include, but are not limited to, future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. For the fiscal year ended September 30, 2008, the City's OPEB plan funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
9/30/2008	\$ -	\$ 537,826	\$537,826	0.0%	\$14,318,376	3.8%

Actuarial Methods and Assumptions

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

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 5. OTHER INFORMATION - Continued

G. OTHER POSTEMPLOYMENT BENEFITS - continued

Actuarial Methods and Assumptions - continued

At September 30, 2008, actuarial valuation costs were determined using the Projected Unit Credit Actuarial Cost Method. The actuarial assumptions include (1) 4% investment rate of return with an inflation rate of 4.50%, (2) 11.00% - 5.00% medical cost trend over 8 years, (3) a 25% participation by retirees and 0% participation by spouses of participating retirees and (4) unfunded accrued liability is being amortized over a thirty-year period utilizing a level percentage of projected payroll on an open basis.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MADISON, ALABAMA
SCHEDULE OF FUNDING PROGRESS - EMPLOYEES' RETIREMENT
SYSTEMS OF ALABAMA
September 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/02**	\$12,263,619	\$14,649,335	\$2,385,716	83.7%	\$ 8,578,763	27.8%
9/30/03***	\$13,411,765	\$16,711,791	\$3,300,026	80.3%	\$ 9,469,986	34.8%
9/30/04****	\$15,065,617	\$18,645,556	\$3,579,938	80.8%	\$10,763,008	33.3%
9/30/05	\$17,063,082	\$21,641,106	\$4,578,024	78.8%	\$11,030,637	41.5%
9/30/06*****	\$19,217,250	\$25,715,396	\$6,498,146	74.7%	\$11,844,287	54.9%
9/30/07	\$21,965,631	\$29,197,548	\$7,231,917	75.2%	\$13,225,948	54.7%
9/30/08	\$24,205,496	\$33,258,128	\$9,052,632	72.8%	\$14,636,269	61.9%

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

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

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

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

***** Reflects changes in actuarial assumptions

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

**CITY OF MADISON, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,822,083	\$ -	\$ 4,979	\$ 1,827,062
Cash with fiscal agent	-	472,568	-	472,568
Receivables, net				
Taxes and tax equivalent	298,238	-	-	298,238
Grants	3,863	-	-	3,863
Other	139,431	-	-	139,431
Due from other funds	424,202	-	41,898	466,100
	<u>2,687,817</u>	<u>472,568</u>	<u>46,877</u>	<u>3,207,262</u>
Total assets	\$ 2,687,817	\$ 472,568	\$ 46,877	\$ 3,207,262
LIABILITIES				
Accounts payable	\$ 128,240	\$ -	\$ -	\$ 128,240
Due to other funds	223,541	-	-	223,541
Deferred revenue	270,375	-	-	270,375
	<u>622,156</u>	<u>-</u>	<u>-</u>	<u>622,156</u>
Total liabilities	622,156	-	-	622,156
FUND BALANCES				
Reserved for:				
Encumbrances	80,405	-	-	80,405
Restricted assets	1,971,584	-	-	1,971,584
Debt Service	-	472,568	-	472,568
Capital projects	-	-	46,877	46,877
Unreserved	13,672	-	-	13,672
	<u>2,065,661</u>	<u>472,568</u>	<u>46,877</u>	<u>2,585,106</u>
Total fund balances	2,065,661	472,568	46,877	2,585,106
Total liabilities and fund balances	\$ 2,687,817	\$ 472,568	\$ 46,877	\$ 3,207,262

CITY OF MADISON, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Taxes:				
Property and payment in lieu of taxes	\$ 269,278	\$ -	\$ -	\$ 269,278
Local gasoline taxes	379,019	-	-	379,019
Intergovernmental	674,231	-	-	674,231
Fines	274,863	-	-	274,863
Charges for services	56,360	-	-	56,360
Contributions and donations	2,795	-	-	2,795
Investment earnings	9,648	615	37	10,300
Other revenues	366,721	-	550	367,271
	<u>2,032,915</u>	<u>615</u>	<u>587</u>	<u>2,034,117</u>
Total revenues	2,032,915	615	587	2,034,117
EXPENDITURES				
General Administration	574,050	-	-	574,050
Police	27,296	-	-	27,296
Public Works	878,216	-	-	878,216
Fire	9,935	-	-	9,935
Debt service:				
Principle	-	445,000	-	445,000
Interest	-	2,617,907	-	2,617,907
Capital outlay	126,461	-	-	126,461
	<u>1,615,958</u>	<u>3,062,907</u>	<u>-</u>	<u>4,678,865</u>
Total expenditures	1,615,958	3,062,907	-	4,678,865
Excess (deficiency) of revenues over (under) expenditures	416,957	(3,062,292)	587	(2,644,748)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	275,871	3,026,314	-	3,302,185
Transfers to other funds	(365,225)	-	(1,492)	(366,717)
	<u>(89,354)</u>	<u>3,026,314</u>	<u>(1,492)</u>	<u>2,935,468</u>
Total other financing sources (uses)	(89,354)	3,026,314	(1,492)	2,935,468
Net change in fund balances	327,603	(35,978)	(905)	290,720
Fund balances - beginning of year	1,738,058	508,546	47,782	2,294,386
Fund balances - end of year	<u>\$ 2,065,661</u>	<u>\$ 472,568</u>	<u>\$ 46,877</u>	<u>\$ 2,585,106</u>

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

The City's 2-cent gasoline tax is used for the operation and maintenance of streets.

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

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

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

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

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

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

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

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

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

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

Recreation Tournament Fund - This fund used to account for revenues received from recreational tournaments. There is no approved budget for this fund.

CITY OF MADISON, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	Gasoline Taxes and Inspection Fees Fund	TVA Tax Distribution Fund	Senior Center Donation Fund	Library Fund	Correctional Fund	Municipal Government Capital Improvement Fund	Federal Forfeiture Fund	Cemetery Fund	Domestic Violence Fund	Police Block Grant Fund	Fire CPR Fund	Recreation Tournament Fund	Total Nonmajor Governmental Funds
ASSETS													
Cash and cash equivalents	\$ 347,706	\$ 72,719	\$ 4,693	\$ 56,089	\$ -	\$ 1,280,000	\$ 59,491	\$ -	\$ -	\$ 1	\$ 1,384	\$ -	\$ 1,822,083
Receivables, net													
Tax and tax equivalents	-	-	-	298,238	-	-	-	-	-	-	-	-	298,238
Grants	-	-	-	-	-	-	-	-	3,863	-	-	-	3,863
Other	126,194	13,237	-	-	-	-	-	-	-	-	-	-	139,431
Due from other funds	-	6,437	2	-	368,428	-	-	42,450	2,385	-	-	4,500	424,202
Total assets	\$ 473,900	\$ 92,393	\$ 4,695	\$ 354,327	\$ 368,428	\$ 1,280,000	\$ 59,491	\$ 42,450	\$ 6,248	\$ 1	\$ 1,384	\$ 4,500	\$ 2,687,817
LIABILITIES													
Accounts payable	\$ 71,263	\$ 51,169	\$ -	\$ 1,828	\$ -	\$ -	\$ -	\$ 3,890	\$ -	\$ -	\$ 90	\$ -	\$ 128,240
Due to other funds	142,598	27,552	-	49,528	-	-	-	-	3,863	-	-	-	223,541
Deferred revenue	-	-	-	270,375	-	-	-	-	-	-	-	-	270,375
Total liabilities	213,861	78,721	-	321,731	-	-	-	3,890	3,863	-	90	-	622,156
FUND BALANCES													
Reserved for:													
Encumbrances	80,405	-	-	-	-	-	-	-	-	-	-	-	80,405
Restricted assets	179,634	-	4,695	32,596	368,428	1,280,000	59,491	38,560	2,385	1	1,294	4,500	1,971,584
Unreserved	-	13,672	-	-	-	-	-	-	-	-	-	-	13,672
Total fund balances	260,039	13,672	4,695	32,596	368,428	1,280,000	59,491	38,560	2,385	1	1,294	4,500	2,065,661
Total liabilities and fund balances	\$ 473,900	\$ 92,393	\$ 4,695	\$ 354,327	\$ 368,428	\$ 1,280,000	\$ 59,491	\$ 42,450	\$ 6,248	\$ 1	\$ 1,384	\$ 4,500	\$ 2,687,817

**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, 2009**

	Gasoline Taxes and Inspection Fees Fund	TVA Tax Distribution Fund	Senior Center Donation Fund	Library Fund	Correctional Fund	Municipal Government Capital Improvement Fund	Federal Forfeiture Fund	Cemetery Fund	Domestic Violence Fund	Police Block Grant Fund	Fire CPR Fund	Recreation Tournament Fund	Total Nonmajor Governmental Funds
REVENUES													
Intergovernmental:													
Gasoline taxes	\$ 581,291	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 581,291
Local gasoline taxes	379,019	-	-	-	-	-	-	-	-	-	-	-	379,019
TVA tax proceeds	-	72,468	-	-	-	-	-	-	-	-	-	-	72,468
Property tax	-	-	-	269,278	-	-	-	-	-	-	-	-	269,278
Grant	-	-	-	-	-	-	-	-	20,472	-	-	-	20,472
Charges for services	-	-	-	-	-	-	-	43,300	-	-	8,560	4,500	56,360
Fines	-	-	-	-	274,863	-	-	-	-	-	-	-	274,863
Contributions and donations	-	-	-	2,500	-	-	-	-	-	-	295	-	2,795
Other	-	-	-	-	-	356,771	8,870	-	-	-	1,080	-	366,721
Investment earnings	1,387	378	27	791	-	6,692	354	-	-	-	19	-	9,648
Total revenues	961,697	72,846	27	272,569	274,863	363,463	9,224	43,300	20,472	-	9,954	4,500	2,032,915
EXPENDITURES													
Current:													
General Administration	-	47,104	-	526,946	-	-	-	-	-	-	-	-	574,050
Police	-	-	-	-	-	-	-	-	27,296	-	-	-	27,296
Public Works	848,669	-	-	-	-	-	-	29,548	-	-	-	-	878,217
Fire	-	-	-	-	-	-	-	-	-	-	9,935	-	9,935
Capital outlay	72,122	-	-	-	-	21,550	-	31,042	-	-	1,746	-	126,460
Total expenditures	920,791	47,104	-	526,946	-	21,550	-	60,590	27,296	-	11,681	-	1,615,958
Excess (deficiency) of revenues over (under) expenditures	40,906	25,742	27	(254,377)	274,863	341,913	9,224	(17,290)	(6,824)	-	(1,727)	4,500	416,957
OTHER FINANCING SOURCES (USES)													
Transfers from other funds	-	-	-	269,047	-	-	-	-	6,824	-	-	-	275,871
Transfers to other funds	-	(25,364)	-	-	(339,861)	-	-	-	-	-	-	-	(365,225)
Total other financing sources (uses)	-	(25,364)	-	269,047	(339,861)	-	-	-	6,824	-	-	-	(89,354)
Net change in fund balances	40,906	378	27	14,670	(64,998)	341,913	9,224	(17,290)	-	-	(1,727)	4,500	327,603
Fund balances - beginning of year	219,133	13,294	4,668	17,926	433,426	938,087	50,267	55,850	2,385	1	3,021	-	1,738,058
Fund balances - end of year	\$ 260,039	\$ 13,672	\$ 4,695	\$ 32,596	\$ 368,428	\$ 1,280,000	\$ 59,491	\$ 38,560	\$ 2,385	\$ 1	\$ 1,294	\$ 4,500	\$ 2,065,661

CITY OF MADISON, ALABAMA
GASOLINE TAXES AND INSPECTION FEES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Intergovernmental:			
State gasoline taxes	\$ 562,266	\$ 581,291	\$ 19,025
Local 2-cent gasoline taxes	362,338	379,019	16,681
Investment earnings	1,000	1,387	387
Total revenues	925,604	961,697	36,093
EXPENDITURES			
Current:			
Public Works	1,119,800	848,669	271,131
Capital Outlay	20,000	72,122	(52,122)
Total expenditures	1,139,800	920,791	219,009
Net change in fund balance	(214,196)	40,906	255,102
Fund balance - beginning of year	219,133	219,133	-
Fund balance - end of year	\$ 4,937	\$ 260,039	\$ 255,102

CITY OF MADISON, ALABAMA
TVA TAX DISTRIBUTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Intergovernmental:			
TVA tax proceeds	\$ 79,104	\$ 72,468	\$ (6,636)
Investment earnings	1,828	378	(1,450)
Total revenues	80,932	72,846	(8,086)
EXPENDITURES			
Current:			
General Administration	51,478	47,104	4,374
Total expenditures	51,478	47,104	4,374
Excess (deficiency) of revenues over (under) expenditures	29,454	25,742	(3,712)
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(27,626)	(25,364)	2,262
Total other financing sources (uses)	(27,626)	(25,364)	2,262
Net change in fund balance	1,828	378	(1,450)
Fund balance - beginning of year	13,294	13,294	-
Fund balance - end of year	\$ 15,122	\$ 13,672	\$ (1,450)

CITY OF MADISON, ALABAMA
 SENIOR CENTER DONATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES			
Investment earnings	\$ 15	\$ 27	\$ 12
Total revenues	15	27	12
Net change in fund balance	15	27	12
Fund balance - beginning of year	<u>4,668</u>	<u>4,668</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,683</u>	<u>\$ 4,695</u>	<u>\$ 12</u>

CITY OF MADISON, ALABAMA
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Intergovernmental:			
Property tax	\$ 260,967	\$ 269,278	\$ 8,311
Donations	-	2,500	2,500
Investment earnings	2,188	791	(1,397)
	Total revenues	272,569	9,414
	263,155	272,569	9,414
EXPENDITURES			
Current:			
General Administration	524,561	526,946	(2,385)
	Total expenditures	526,946	(2,385)
	524,561	526,946	(2,385)
Excess (deficiency) of revenues over (under) expenditures	(261,406)	(254,377)	7,029
OTHER FINANCING SOURCES			
Transfers from other funds	269,047	269,047	-
	Total other financing sources	269,047	-
	269,047	269,047	-
Net change in fund balance	7,641	14,670	7,029
Fund balance - beginning of year	17,926	17,926	-
	17,926	17,926	-
Fund balance - end of year	\$ 25,567	\$ 32,596	\$ 7,029

CITY OF MADISON, ALABAMA
CORRECTIONAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Fines	\$ 306,729	\$ 274,863	\$ (31,866)
Total revenues	306,729	274,863	(31,866)
 OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(339,861)	(339,861)	-
Total other financing sources (uses)	(339,861)	(339,861)	-
Net change in fund balance	(33,132)	(64,998)	(31,866)
Fund balance - beginning of year	433,426	433,426	-
Fund balance - end of year	\$ 400,294	\$ 368,428	\$ (31,866)

CITY OF MADISON, ALABAMA
MUNICIPAL GOVERNMENT CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES			
Other revenues	\$ 356,771	\$ 356,771	\$ -
Investment earnings	3,200	6,692	3,492
Total revenues	359,971	363,463	3,492
EXPENDITURES			
Capital Outlay	77,550	21,550	56,000
Total expenditures	77,550	21,550	56,000
Excess (deficiency) of revenues over (under) expenditures	282,421	341,913	59,492
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(1,050,000)	-	1,050,000
Total other financing sources (uses)	(1,050,000)	-	1,050,000
Net change in fund balance	(767,579)	341,913	1,109,492
Fund balance - beginning of year	938,087	938,087	-
Fund balance - end of year	\$ 170,508	\$ 1,280,000	\$ 1,109,492

CITY OF MADISON, ALABAMA
CEMETERY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Charges for services	\$ 20,000	\$ 43,300	\$ 23,300
Total revenues	20,000	43,300	23,300
EXPENDITURES			
Current:			
Public Works	40,500	29,548	10,952
Capital Outlay	26,900	31,042	(4,142)
Total expenditures	67,400	60,590	6,810
Net change in fund balance	(47,400)	(17,290)	30,110
Fund balance - beginning of year	55,850	55,850	-
Fund balance - end of year	\$ 8,450	\$ 38,560	\$ 30,110

CITY OF MADISON, ALABAMA
DOMESTIC VIOLENCE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES			
Intergovernmental:			
Grant	\$ 6,230	\$ 20,472	\$ 14,242
Total revenues	6,230	20,472	14,242
EXPENDITURES			
Current:			
Police	26,930	27,296	(366)
Total expenditures	26,930	27,296	(366)
Excess (deficiency) of revenues over (under) expenditures	(20,700)	(6,824)	13,876
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	20,700	6,824	(13,876)
Total other financing sources (uses)	20,700	6,824	(13,876)
Net change in fund balance	-	-	-
Fund balance - beginning of year	2,385	2,385	-
Fund balance - end of year	<u>\$ 2,385</u>	<u>\$ 2,385</u>	<u>\$ -</u>

NON-MAJOR 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.

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

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

**CITY OF MADISON, ALABAMA
DEBT SERVICE FUND
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

	<u>2005 Bond Fund</u>	<u>2006 Bond Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash with fiscal agent	\$ 472,355	\$ 213	\$ 472,568
Total assets	<u>\$ 472,355</u>	<u>\$ 213</u>	<u>\$ 472,568</u>
 FUND BALANCES			
Reserved	\$ 472,355	\$ 213	\$ 472,568
Total fund balances	<u>\$ 472,355</u>	<u>\$ 213</u>	<u>\$ 472,568</u>

CITY OF MADISON, ALABAMA
DEBT SERVICE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	2005 Bond Fund	2006 Bond Fund	Total Nonmajor Governmental Funds
REVENUES			
Investment earnings	\$ 377	\$ 238	\$ 615
Total revenues	377	238	615
EXPENDITURES			
Debt service:			
Principal	445,000	-	445,000
Interest	908,988	1,708,919	2,617,907
Total expenditures	1,353,988	1,708,919	3,062,907
Excess (deficiency) of revenues over (under) expenditures	(1,353,611)	(1,708,681)	(3,062,292)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	1,341,194	1,685,120	3,026,314
Total other financing sources (uses)	1,341,194	1,685,120	3,026,314
Net change in fund balances	(12,417)	(23,561)	(35,978)
Fund balances - beginning of year	484,772	23,774	508,546
Fund balances - end of year	<u>\$ 472,355</u>	<u>\$ 213</u>	<u>\$ 472,568</u>

CITY OF MADISON, ALABAMA
2005 BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment earnings	\$ 325	\$ 377	\$ 52
Total revenues	325	377	52
EXPENDITURES			
Current:			
General Administration	200	-	200
Debt Service:			
Principal	445,000	445,000	-
Interest	908,988	908,988	-
Total expenditures	1,354,188	1,353,988	200
Excess (deficiency) of revenues over (under) expenditures	(1,353,863)	(1,353,611)	252
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	1,353,988	1,341,194	(12,794)
Total other financing sources (uses)	1,353,988	1,341,194	(12,794)
Net change in fund balance	125	(12,417)	(12,542)
Fund balance - beginning of year	484,772	484,772	-
Fund balance - end of year	\$ 484,897	\$ 472,355	\$ (12,542)

CITY OF MADISON, ALABAMA
2006 BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Investment earnings	\$ 214	\$ 238	\$ 24
Total revenues	214	238	24
EXPENDITURES			
Current:			
General Administration	200	-	200
Debt Service:			
Principal	-	-	-
Interest	1,708,920	1,708,919	1
Total expenditures	1,709,120	1,708,919	201
Excess (deficiency) of revenues over (under) expenditures	(1,708,906)	(1,708,681)	225
OTHER FINANCING SOURCES AND (USES)			
Transfers from other funds	1,708,920	1,685,120	(23,800)
Total other financing sources and (uses)	1,708,920	1,685,120	(23,800)
Net change in fund balance	14	(23,561)	(23,575)
Fund balance - beginning of year	23,774	23,774	-
Fund balance - end of year	<u>\$ 23,788</u>	<u>\$ 213</u>	<u>\$ (23,575)</u>

NON-MAJOR 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.

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

2001 Capital Improvement Fund - This fund 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. Financing was provided by the sale of general obligation warrants date June 1, 2001, \$10,890,000 (advance refunding of the general obligation warrants dated August 1, 1997).

**CITY OF MADISON, ALABAMA
 CAPITAL PROJECTS FUNDS
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2009**

	Forward Purchase Bond Fund	2001 Capital Improvement Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 4,979	\$ 4,979
Due from other funds	35,289	6,609	41,898
Total assets	\$ 35,289	\$ 11,588	\$ 46,877
 FUND BALANCES			
Reserved for:			
Capital projects	\$ 35,289	\$ 11,588	\$ 46,877
Total fund balances	35,289	11,588	46,877
Total fund balances	\$ 35,289	\$ 11,588	\$ 46,877

**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, 2009**

	Forward Purchase Bond Account	2001 Capital Improvement Fund	Total Nonmajor Governmental Funds
REVENUES			
Investment earnings	\$ 5	\$ 32	\$ 37
Other revenues	-	550	550
Total revenues	5	582	587
EXPENDITURES			
Capital outlay	-	-	-
Total expenditures	-	-	-
Excess of revenues over expenditures	5	582	587
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(1,492)	-	(1,492)
Total other financing sources (uses)	(1,492)	-	(1,492)
Net change in fund balances	(1,487)	582	(905)
FUND BALANCES AT BEGINNING OF YEAR	36,776	11,006	47,782
FUND BALANCES AT END OF YEAR	\$ 35,289	\$ 11,588	\$ 46,877

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

CITY OF MADISON, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
SEPTEMBER 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Governmental funds capital assets:		
Land	\$ 25,975,390	\$ 24,187,702
Buildings	10,933,085	10,933,085
Improvements to buildings	1,754,947	1,555,702
Improvements other than buildings	1,636,421	1,870,289
Machinery and equipment	14,909,773	14,522,782
Infrastructure	135,309,998	132,199,512
Other	7,000	7,000
Construction in progress	<u>6,079,522</u>	<u>3,060,645</u>
 Total governmental funds capital assets	 <u>\$ 196,606,136</u>	 <u>\$ 188,336,717</u>
 Investments in governmental funds capital assets by source:		
Current revenues	\$ 56,203,539	\$ 52,704,358
Federal and state grants	2,011,417	1,804,095
Donations	<u>138,391,180</u>	<u>134,376,286</u>
 Total investments in governmental funds capital assets	 <u>\$ 196,606,136</u>	 <u>\$ 188,884,739</u>

CITY OF MADISON, ALABAMA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 September 30, 2009

Function and Activity	Land	Buildings	Improvements to Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Other	Construction in Progress	Total
General Government:									
General Administration	\$ 1,642,270	\$ 3,275,439	\$ 1,312,382	\$ 22,552	\$ 521,138	\$ 3,694	\$ -	\$ 46,845	\$ 6,824,320
City Clerk	-	-	-	-	70,725	-	-	-	70,725
Court Clerk	-	-	19,442	-	77,768	-	-	-	97,210
City Council	-	-	-	-	66,894	-	-	-	66,894
Finance	-	2,175	-	22,707	166,468	-	-	-	191,350
Human Resources	-	-	-	-	34,145	-	-	-	34,145
Mayor's Office	-	-	-	-	55,493	-	-	-	55,493
Revenue	-	-	5,512	-	21,285	-	-	-	26,797
Information Technology	-	-	-	-	137,943	-	-	-	137,943
Legal	-	-	-	-	6,226	-	-	-	6,226
Total General Government	1,642,270	3,277,614	1,337,336	45,259	1,158,085	3,694	-	46,845	7,511,103
Public Safety:									
Police	-	6,139	50,146	-	3,776,589	-	7,000	78,750	3,918,624
Fire	264,712	2,133,097	151,085	153,501	4,417,220	-	-	69,519	7,189,134
Planning and Building	-	-	-	-	205,264	-	-	-	205,264
Total Public Safety	264,712	2,139,236	201,231	153,501	8,399,073	-	7,000	148,269	11,313,022
Highways and Streets:									
Public Works	22,355,399	240,753	7,732	75,333	3,849,441	135,303,304	-	5,594,068	167,426,030
Engineering	-	-	-	-	137,494	-	-	-	137,494
Total Highways and Streets	22,355,399	240,753	7,732	75,333	3,986,935	135,303,304	-	5,594,068	167,563,524
Culture and Recreation:									
Parks and Recreation	1,713,009	5,275,482	128,668	1,360,538	1,208,394	3,000	-	266,340	9,955,431
Senior Center	-	-	79,980	1,790	157,286	-	-	24,000	263,056
Total Culture and Recreation	1,713,009	5,275,482	208,648	1,362,328	1,365,680	3,000	-	290,340	10,218,487
Total Governmental Funds									
Capital Assets	\$ 25,975,390	\$ 10,933,085	\$ 1,754,947	\$ 1,636,421	\$ 14,909,773	\$ 135,309,998	\$ 7,000	\$ 6,079,522	\$ 196,606,136

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, 2009

Function and Activity	Governmental Funds Capital Assets Oct. 1, 2008	Additions	Transfers In (Out)	Deductions	Governmental Funds Capital Assets Sept. 30, 2009
General Government:					
General Administration	\$ 6,774,566	\$ 49,754	\$ -	\$ -	\$ 6,824,320
City Clerk	70,725	-	-	-	70,725
Court Clerk	62,297	52,548	(13,931)	(3,704)	97,210
City Council	68,592	-	(1,698)	-	66,894
Finance	215,172	-	(23,822)	-	191,350
Human Resources	36,631	-	-	(2,486)	34,145
Mayor's Office	39,240	16,253	-	-	55,493
Revenue	34,402	-	4,513	(12,118)	26,797
Information Technology	103,703	-	34,240	-	137,943
Legal	6,226	-	-	-	6,226
Total General Government	7,411,554	118,555	(698)	(18,308)	7,511,103
Public Safety:					
Police	3,785,557	195,942	(5,217)	(57,658)	3,918,624
Fire	6,703,468	488,289	4,052	(6,675)	7,189,134
Planning and Building	220,316	-	(15,052)	-	205,264
Total Public Safety	10,709,341	684,231	(16,217)	(64,333)	11,313,022
Highways and Streets:					
Public Works	160,360,649	7,077,803	-	(12,422)	167,426,030
Engineering	118,607	4,210	14,677	-	137,494
Total Highways and Streets	160,479,256	7,082,013	14,677	(12,422)	167,563,524
Culture and Recreation:					
Parks and Recreation	10,093,160	138,129	2,238	(278,096)	9,955,431
Senior Center	191,428	78,553	-	(6,925)	263,056
Total Culture and Recreation	10,284,588	216,682	2,238	(285,021)	10,218,487
Total Governmental Funds Capital Assets	\$ 188,884,739	\$ 8,101,481	\$ -	\$ (380,084)	\$ 196,606,136

STATISTICAL SECTION - PART III

STATISTICAL SECTION

This statistical section of the City of Madison's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends The financial trend schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time	98
Revenue Capacity The revenue capacity schedules contain information to help the reader assess the City's most significant local revenue sources	104
Debt Capacity The debt capacity schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future	107
Demographic and Economic Information The demographic and economic schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities occur	110
Operating Information The operating information schedules contain service infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs	113

Schedule 1
CITY OF MADISON, ALABAMA
Net Assets by Component
Last Seven Years

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Primary government							
Invested in capital assets, net of related debt	\$ 13,924,216	\$ 22,619,851	\$ 29,629,406	\$ 39,911,335	\$ 127,888,947	\$ 135,040,184	\$ 139,555,695
Restricted	11,321,571	8,912,225	8,734,990	9,054,091	15,559,292	15,011,198	12,321,754
Unrestricted	<u>(92,949,757)</u>	<u>(90,415,420)</u>	<u>(87,960,100)</u>	<u>(82,616,266)</u>	<u>(88,119,158)</u>	<u>(98,298,064)</u>	<u>(118,016,464)</u>
Total primary government net assets	<u><u>\$ (67,703,970)</u></u>	<u><u>\$ (58,883,344)</u></u>	<u><u>\$ (49,595,704)</u></u>	<u><u>\$ (33,650,840)</u></u>	<u><u>\$ 55,329,081</u></u>	<u><u>\$ 51,753,318</u></u>	<u><u>\$ 33,860,985</u></u>

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

Information prior to fiscal year 2003 is not available.

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Expenses							
Primary government:							
Governmental activities:							
General Administration	\$ 1,394,540	\$ 1,498,013	\$ 1,843,331	\$ 1,637,763	\$ 2,243,804	\$ 13,864,248	\$ 24,400,173
Police Protection	3,597,210	3,792,077	4,224,855	4,492,227	5,076,097	5,777,771	6,288,131
Public Works	3,128,318	3,195,581	3,519,441	3,683,936	6,512,629	7,542,282	7,288,697
City Clerk	509,185	497,313	514,980	593,326	600,855	716,232	701,582
Recreation	1,648,624	1,722,553	1,735,813	1,807,848	2,139,803	2,428,165	2,517,331
Fire	2,535,675	3,083,500	3,415,526	3,794,817	4,346,954	4,827,449	5,040,372
Planning and Building	646,654	670,844	1,113,999	1,108,540	950,345	1,044,590	1,033,775
Court	733,894	782,283	728,975	820,348	977,773	1,141,156	1,009,392
City Council	194,887	148,081	166,347	166,233	164,042	136,565	139,128
Finance	336,586	325,728	412,043	676,174	933,230	975,935	783,590
Human Resources	1,668,221	2,001,359	2,334,041	2,607,912	2,943,704	3,197,955	3,513,666
Mayor's Office	215,210	221,062	205,702	222,821	294,973	240,042	534,363
Revenue	164,043	172,564	177,909	193,477	271,231	267,950	267,595
Engineering	317,077	508,776	-	-	370,309	475,749	522,673
Senior Center	192,828	205,440	221,414	240,054	247,233	264,757	291,083
Information Technology	165,658	264,432	195,542	-	-	-	-
Legal	321,162	331,916	238,394	270,325	342,431	353,696	358,047
Interest on long-term debt	5,242,670	5,339,585	5,187,096	5,052,733	5,325,401	5,561,260	6,210,471
Total primary government expenses	<u>23,012,442</u>	<u>24,761,107</u>	<u>26,235,408</u>	<u>27,368,534</u>	<u>33,740,814</u>	<u>48,815,802</u>	<u>60,900,069</u>
Program Revenues							
Governmental activities:							
Charges for services:							
General Administration	2,276,788	2,527,571	3,291,409	3,883,220	4,309,020	4,386,155	4,667,747
Police Protection	815,943	775,629	726,247	929,819	1,301,002	1,431,594	1,096,954
Public Works	268,497	281,387	557,889	701,200	885,562	959,913	990,721
Recreation	203,199	213,074	212,315	199,431	196,753	211,911	211,029
Fire	-	-	876	1,820	1,750	195,696	8,560
Planning and Building	47,487	70,134	68,826	116,540	63,093	46,985	39,985
Operating grants and contributions	275,534	462,353	571,702	719,661	798,730	538,991	552,339
Capital grants and contributions	5,694,581	7,551,944	5,818,671	10,809,511	6,007,246	11,684,556	4,823,739
Total governmental activities program revenues	<u>9,582,029</u>	<u>11,882,092</u>	<u>11,247,935</u>	<u>17,361,202</u>	<u>13,563,156</u>	<u>19,455,801</u>	<u>12,391,074</u>

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
General Revenues and other Changes in Net Assets							
Property taxes and payments in lieu of taxes	4,038,035	4,363,486	4,977,999	5,840,049	6,365,870	7,841,325	7,411,800
Sales and use taxes	8,950,553	9,594,767	10,262,568	11,415,565	12,243,150	12,505,291	12,330,960
Franchise taxes	223,573	221,689	254,292	264,641	272,468	221,258	327,829
Motor fuel taxes	864,166	855,290	901,617	901,443	953,992	934,719	960,310
Alcoholic beverage taxes	749,075	683,839	714,943	769,249	828,045	839,850	855,690
Rental taxes	362,116	339,205	323,682	355,019	408,314	452,728	424,872
Lodging taxes	420,887	669,228	766,627	872,677	909,090	968,545	939,661
Other taxes	172,257	318,803	377,061	483,421	218,401	264,834	288,481
Unrestricted investment earnings	237,034	130,950	241,056	447,027	1,168,713	724,089	371,540
Miscellaneous	-	4,618,776	5,614,248	4,761,282	18,314,482	5,355,535	6,726,170
Gain (Loss) on sale of fixed assets	(504)	(96,392)	(158,980)	(158,177)	(99,468)	15,581	(20,651)
Transfers	(17,076,132)	-	-	-	-	-	-
Total governmental activities	<u>(1,058,940)</u>	<u>21,699,641</u>	<u>24,275,113</u>	<u>25,952,196</u>	<u>41,583,057</u>	<u>30,123,755</u>	<u>30,616,662</u>
Total primary government	8,523,089	33,581,733	35,523,048	43,313,398	55,146,213	49,579,556	43,007,736
Changes in Net Assets							
Governmental activities	(14,489,353)	8,820,626	9,287,640	15,944,864	21,405,399	763,754	(17,892,333)
Total primary government	<u><u>\$(14,489,353)</u></u>	<u><u>\$ 8,820,626</u></u>	<u><u>\$ 9,287,640</u></u>	<u><u>\$ 15,944,864</u></u>	<u><u>\$ 21,405,399</u></u>	<u><u>\$ 763,754</u></u>	<u><u>\$(17,892,333)</u></u>

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

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
General Fund							
Reserved	\$ 376,410	\$ 1,180,616	\$ 821,403	\$ 1,271,389	\$ 1,307,743	\$ 1,251,195	\$ 831,902
Unreserved	2,323,275	1,555,491	2,190,712	3,855,965	5,667,055	5,858,033	6,211,608
Total general fund	<u>\$ 2,699,685</u>	<u>\$ 2,736,107</u>	<u>\$ 3,012,115</u>	<u>\$ 5,127,354</u>	<u>\$ 6,974,798</u>	<u>\$ 7,109,228</u>	<u>\$ 7,043,510</u>
All Other Governmental Funds							
Reserved	\$ 8,394,699	\$ 5,944,429	\$ 5,614,365	\$ 6,082,274	\$ 15,870,504	\$ 14,517,312	12,063,577
Unreserved, reported in							
Special revenue funds	389,544	204,314	200,855	491,002	10,400	13,294	13,672
Debt service funds	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 8,784,243</u>	<u>\$ 6,148,743</u>	<u>\$ 5,815,220</u>	<u>\$ 6,573,276</u>	<u>\$ 15,880,904</u>	<u>\$ 14,530,606</u>	<u>\$ 12,077,249</u>
Total all governmental funds	<u>\$ 11,483,928</u>	<u>\$ 8,884,850</u>	<u>\$ 8,827,335</u>	<u>\$ 11,700,630</u>	<u>\$ 22,855,702</u>	<u>\$ 21,639,834</u>	<u>\$ 19,120,759</u>

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

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Revenues							
Taxes	\$ 13,968,476	\$ 15,230,729	\$ 16,324,294	\$ 19,085,131	\$ 20,733,461	\$ 22,371,904	\$ 22,697,157
Licenses and permits	2,162,875	2,299,540	2,950,878	3,752,459	4,157,453	4,386,155	4,667,747
Intergovernmental	1,910,436	2,448,784	2,289,579	1,906,605	1,947,433	1,886,180	1,423,801
Charges for services	585,407	636,908	918,152	1,083,486	1,312,147	1,429,827	1,266,720
Fines	785,322	752,292	708,177	913,974	1,287,580	1,416,272	1,080,529
Investment earnings	237,034	130,950	241,056	447,027	1,168,713	724,089	363,160
Contributions and donations	17,745	79,092	11,178	10,471	48,606	24,058	6,077
Other revenues	185,253	5,633,724	5,342,174	5,685,364	5,556,776	5,717,872	6,868,135
Total revenues	19,852,548	27,212,019	28,785,488	32,884,517	36,212,169	37,956,357	38,373,326
Expenditures							
General administration	1,179,019	1,342,417	1,175,864	1,360,195	1,250,802	1,580,257	1,557,569
Police	3,437,120	3,620,001	4,048,121	4,337,096	4,888,887	5,477,041	5,896,845
Public works	2,965,584	2,940,409	3,075,737	3,118,878	3,950,504	4,723,666	4,355,183
City clerk	504,695	492,853	510,793	589,262	596,897	711,846	697,422
Recreation	1,460,023	1,502,170	1,513,105	1,599,819	1,928,529	2,177,594	2,267,307
Fire	2,418,808	2,920,934	3,201,289	3,579,012	4,127,248	4,460,077	4,647,639
Planning and Building	636,677	660,742	1,096,434	1,088,186	935,285	1,015,373	1,008,823
Court	730,278	778,990	725,414	816,962	973,634	1,136,203	1,004,457
City council	193,299	146,493	164,692	163,735	161,141	127,562	129,429
Finance	327,814	316,854	403,115	658,035	914,484	964,909	775,708
Human resources	1,665,838	1,998,967	2,331,458	2,605,761	2,941,506	3,195,076	3,511,294
Mayor's office	213,934	219,818	204,634	221,642	293,795	234,878	527,103
Revenue	164,043	170,955	174,212	191,697	269,254	265,641	266,791
Engineering	312,273	502,861	-	-	365,580	466,412	505,271
Senior center	187,685	198,251	214,903	230,697	238,550	255,041	276,566
Information technology	159,160	256,366	186,124	-	-	-	-
Legal	321,014	331,768	238,057	269,951	342,057	353,696	358,047
Capital outlay	8,767,979	10,245,968	8,117,969	11,964,904	5,099,131	4,935,808	4,086,587
Debt service							
Interest	5,210,496	5,329,072	5,241,344	5,080,475	4,923,795	5,545,422	6,073,235
Principal	2,197,496	2,681,158	2,767,134	2,923,409	3,074,792	2,939,880	3,212,316
Bond issuance costs	260,316	-	206,213	-	559,525	264,695	124,665
Total expenditures	33,313,551	36,657,047	35,596,612	40,799,716	37,835,396	40,831,077	41,282,257
Excess of revenues over (under) expenditures	(13,461,003)	(9,445,028)	(6,811,124)	(7,915,199)	(1,623,227)	(2,874,720)	(2,908,931)

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Other Financing - Sources and (Uses)							
Transfers in	4,185,594	4,640,911	5,076,988	5,085,410	17,698,428	5,618,438	6,168,902
Transfers in - component unit	3,988,552	-	-	-	-	-	-
Transfers out	(4,185,594)	(4,640,911)	(5,076,988)	(5,085,410)	(17,698,428)	(5,618,438)	(6,168,902)
Donated assets	5,415,607	6,195,060	5,283,826	9,975,519	-	-	-
Sales of capital assets	60,740	40,890	13,270	36,014	35,059	23,809	7,153
Proceeds from borrowing	21,325,000	-	1,250,000	-	-	12,235,000	-
Refunding bond issued	-	-	18,775,000	-	37,980,000	-	51,110,000
Payment to refund bond issue	-	-	(18,568,787)	-	(25,707,746)	-	(27,389,525)
Bond proceeds transferred to component unit	(21,064,684)	-	-	-	-	(12,002,089)	(22,488,567)
Premium on debt issued	-	-	-	-	285,481	31,784	-
Bond issue discount	-	-	-	-	-	-	(849,205)
Capital leases	1,166,090	610,000	-	776,961	185,305	1,370,348	-
Other	-	-	300	-	200	-	-
Total other financing - sources and uses	10,891,305	6,845,950	6,753,609	10,788,494	12,778,299	1,658,852	389,856
Net change in fund balances	\$ (2,569,698)	\$ (2,599,078)	\$ (57,515)	\$ 2,873,295	\$ 11,155,072	\$ (1,215,868)	\$ (2,519,075)
Debt service as a percentage of noncapital expenditures	30.18%	30.33%	29.14%	27.76%	24.66%	23.28%	24.96%

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

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

Fiscal Year	Property Tax	Sales and Use Tax	Franchise Tax	(1)	Rental Tax	Lodging Tax	(2)	Total
				Alcoholic Beverage Tax			Other Taxes	
2003	\$ 3,796,378	\$ 8,898,555	\$ 223,573	\$ 191,026	\$ 362,116	\$ 416,387	\$ 80,441	\$ 13,968,476
2004	\$ 4,029,419	\$ 9,605,607	\$ 221,689	\$ 212,508	\$ 339,205	\$ 673,728	\$ 148,573	\$ 15,230,729
2005	\$ 4,299,572	\$ 10,278,865	\$ 254,292	\$ 212,516	\$ 323,682	\$ 766,627	\$ 188,740	\$ 16,324,294
2006	\$ 5,266,723	\$ 11,374,722	\$ 264,641	\$ 769,249	\$ 355,019	\$ 872,677	\$ 182,100	\$ 19,085,131
2007	\$ 5,813,150	\$ 12,283,993	\$ 272,468	\$ 828,045	\$ 408,314	\$ 909,090	\$ 218,401	\$ 20,733,461
2008	\$ 7,128,698	\$ 12,505,291	\$ 221,258	\$ 839,850	\$ 452,728	\$ 968,545	\$ 255,534	\$ 22,371,904
2009	\$ 7,178,217	\$ 12,303,388	\$ 327,829	\$ 855,690	\$ 424,872	\$ 939,661	\$ 667,500	\$ 22,697,157

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

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

(2) Cigarette tax, tobacco tax

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

<u>Fiscal Year Ended September 30</u>	<u>Assessed Valuation</u> <u>Amount</u>
2003	\$ 307,166,440
2004	\$ 324,910,320
2005	\$ 405,172,480
2006	\$ 434,744,620
2007	\$ 485,303,840
2008	\$ 510,952,780
2009	\$ 525,315,060

Source: License Commissioner and Tax Assessor of Madison County

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

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
Intergraph Corporation	Computer sales	\$ 10,938,600	1	2.08%
Colonial Realty Limited Partnership	Apartment rental	4,842,200	2	0.92%
Flagstone Investors Limited Partnership	Apartment rental	4,251,020	3	0.81%
Grand Reserve at Madison LLC	Apartment rental	3,422,320	4	0.65%
Lexington Apartments	Apartment rental	2,843,780	5	0.54%
MV Apartment LLC	Apartment rental	2,119,300	6	0.40%
Wal-Mart Stores East, #332	Department store	2,092,160	7	0.40%
Lowe's Homes Centers, Inc.	Home improvement store	1,845,320	8	0.35%
Madison Surgery Center, LLC	Medical Care	1,804,420	9	0.34%
BellSouth Telecommunications, Inc.	Telecommunications	<u>1,683,600</u>	<u>10</u>	<u>0.32%</u>
Total		<u>\$ 35,842,720</u>		<u>6.82%</u>

Assessed Valuation of City at September 30, 2009
\$ 525,315,060

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

Fiscal Year	General Obligation Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income*	Per Capita*
2003	\$ 108,155,000	\$ 1,386,715	\$ 109,541,715	9.11%	3,357.50
2004	\$ 105,785,000	\$ 1,685,557	\$ 107,470,557	6.97%	3,112.47
2005	\$ 104,650,000	\$ 1,363,423	\$ 106,013,423	6.35%	2,958.87
2006	\$ 102,045,000	\$ 1,821,975	\$ 103,866,975	5.71%	2,697.84
2007	\$ 112,420,000	\$ 1,514,987	\$ 113,934,987	0.00%	2,844.11
2008	\$ 122,285,000	\$ 2,315,455	\$ 124,600,455	0.00%	3,046.47
2009	\$ 143,715,000	\$ 1,653,138	\$ 145,368,138	0.00%	3,396.45

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

* See Schedule 11 for personal income and population

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

Fiscal Year	General Obligation Bonds	Total	Percentage of Actual Taxable Value of Property*	Per Capita**
2003	\$ 108,155,000	\$ 108,155,000	35.21%	3,314.99
2004	\$ 105,785,000	\$ 105,785,000	32.56%	3,063.66
2005	\$ 104,650,000	\$ 104,650,000	25.83%	2,920.82
2006	\$ 102,045,000	\$ 102,045,000	23.47%	2,650.52
2007	\$ 112,420,000	\$ 112,420,000	23.16%	2,806.29
2008	\$ 122,285,000	\$ 122,285,000	23.93%	2,989.85
2009	\$ 143,715,000	\$ 143,715,000	27.36%	3,357.83

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

*See Schedule 6 for property value data.

**Population data can be found in Schedule 11.

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt limit	\$46,944,118	\$55,022,504	\$ 59,002,296	\$61,433,288	\$64,982,064	\$81,034,496	\$ 86,948,924	\$97,060,768	\$ 102,190,556	\$ 105,063,012
Total net debt applicable to limit	<u>31,309,100</u>	<u>38,500,058</u>	<u>37,520,081</u>	<u>36,795,081</u>	<u>36,443,499</u>	<u>35,280,755</u>	<u>36,325,910</u>	<u>48,570,910</u>	<u>47,957,729</u>	<u>57,050,965</u>
Legal debt margin	<u>\$15,635,018</u>	<u>\$16,522,446</u>	<u>\$ 21,482,215</u>	<u>\$24,638,207</u>	<u>\$28,538,565</u>	<u>\$45,753,741</u>	<u>\$ 50,623,014</u>	<u>\$48,489,858</u>	<u>\$ 54,232,827</u>	<u>\$ 48,012,047</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>66.69%</u>	<u>69.97%</u>	<u>63.59%</u>	<u>59.89%</u>	<u>56.08%</u>	<u>43.54%</u>	<u>41.78%</u>	<u>50.04%</u>	<u>46.93%</u>	<u>54.30%</u>

Legal Debt Margin Calculation for Fiscal 2009:

Assessed Value	\$ 525,315,060
Debt limit (20% of total assessed value)	105,063,012
Debt Applicable to limit	
General obligation bonds	143,715,000
Less: Exempt Debt	<u>95,702,953</u>
Total net debt applicable to limit	<u>48,012,047</u>
Legal debt margin	<u>\$ 57,050,965</u>

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

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

Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate*
2003	32,626	\$ 1,202,355,000	\$ 36,853	4.40%
2004	34,529	\$ 1,542,555,000	\$ 44,674	3.40%
2005	35,829	\$ 1,670,025,000	\$ 46,611	2.80%
2006	38,500	\$ 1,818,180,000	\$ 47,225	2.70%
2007	40,060	-	-	4.50%
2008	40,900	-	-	2.50%
2009	42,800	-	-	-

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

Schedule 12
CITY OF MADISON, ALABAMA
Principal Employers
Current Year

<u>Employer</u>	<u>Product</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Intergraph Corporation	Computer sales	1,000	1	307.69%
Madison City School System	Education	800	2	246.15%
Wal-Mart Super Center	Department Store	430	3	132.31%
City of Madison	Municipal	342	4	105.23%
Kroger Company	Grocery Store	170	5	52.31%
Lowe's Home Improvement Warehouse	Home Improvement Store	160	6	49.23%
Winn-Dixie	Grocery Store	125	7	38.46%
Cracker Barrel	Restaurant	120	8	36.92%
Valleyview Nursing Home	Nursing Home	120	9	36.92%
Packaging Materials	Containers	115	10	35.38%
Ruby Tuesday's	Restaurant	110	11	33.85%
Bruno's	Grocery Store	100	12	30.77%
Holiday Inn	Hotel	90	13	27.69%
Halsey Grocery Company	Wholesale Food	90	14	27.69%
Madison Manor	Nursing Home	86	15	26.46%
Excellance Corporation	Ambulances	75	16	23.08%
Nextel	Electronic Equipment	74	17	22.77%
Applebee's	Restaurant	60	18	18.46%
Water and Wastewater Board	Water and Sewer Services	48	19	14.77%
SEA Wire & Cable Corporation	Computer Cable	45	20	13.85%
Label-Aid Corporation	Labels	40	21	12.31%
Total		<u>4,200</u>		<u>1292.31%</u>

Sources: City Planning Division and Finance Department
Total City Full Equivalent Employment: 325

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

Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government:										
City Clerk	4	4	4	4	4	5	5	5	5	5
Court Clerk	5	6	6	6	6	6	6	6	6	6
City Council	3	3	3	4	4	4	4	3	4	4
Finance	5	5	5	6	6	7	8	13	13	13
Human Resources	6	7	7	4	4	4	7	4	4	5
Mayor's Office	6	7	4	3	3	3	3	3	3	4
Revenue	3	3	3	3	3	3	3	4	4	4
Legal*	0	0	2	2	2	2	2	2	2	2
Public Safety:										
Police	70	75	80	80	84	92	98	106	107	107
Fire	39	42	42	51	51	52	58	70	70	70
Planning and Building	13	13	13	15	15	24	21	19	19	19
Streets and Highways										
Public Works	42	46	46	51	51	51	51	58	58	58
Engineering**	4	5	5	6	11	0	0	7	6	6
Parks and Recreation										
Recreation	40	37	19	32	32	32	32	33	33	33
Senior Center***	0	0	8	6	6	6	6	6	7	7
Total	240	253	247	273	282	291	304	339	341	343

Source: City Finance Department

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

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

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

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

Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-Station	1	1	1	1	0	0	0	0	0	0
Fire Stations	2	2	2	3	3	3	3	3	3	3
Parks and Recreation										
Recreation										
Swimming pools	3	3	3	3	3	3	3	3	3	2
Neighborhood parks	32	32	32	32	32	32	32	32	32	32
Tennis Courts	4	4	4	4	4	4	4	4	4	4
Ball fields	12	12	12	12	12	12	12	12	12	12
Soccer fields	6	6	6	6	6	6	6	6	6	6
Senior Center										
Community center (for seniors)	1	1	1	1	1	1	1	1	1	1

Source: Various city departments.

**SINGLE AUDIT ACT AND OTHER
COMPLIANCE INFORMATION**

MDA PROFESSIONAL GROUP, P.C.

Certified Public Accountants and Business Consultants

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

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

Honorable Mayor and City Council
City of Madison
Madison, Alabama

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Madison (the City) as of and for the year ended September 30, 2009, which collectively comprise the City of Madison's basic financial statements and have issued our report thereon dated June 22, 2010. We did not audit the financial statements of the Water and Wastewater Board of the City of Madison and the Madison Board of Education. Those financial statements were audited by another auditor whose report has been furnished to us. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Internal Control over Financial Reporting - Continued -

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

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

Compliance and Other Matters

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

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

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

MDA Professional Group, P.C.

Huntsville, Alabama
June 22, 2010

MDA PROFESSIONAL GROUP, P.C.

Certified Public Accountants and Business Consultants

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

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

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

Compliance

We have audited the compliance of the City of Madison, Alabama with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The City of Madison, Alabama's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Madison, Alabama's management. Our responsibility is to express an opinion on the City of Madison, Alabama's compliance based on our audit.

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

In our opinion, the City of Madison, Alabama complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

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

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2009-1 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We do not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The City of Madison's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Madison's response and, accordingly, we express no opinion on it.

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

MDA Professional Group, P.C.

Huntsville, Alabama
June 22, 2010

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF MADISON, ALABAMA

Year ended September 30, 2009

	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Direct Programs:</i>			
Bulletproof Vest Program (2007BUBX07037251)	16.607	-	\$ 2,835
Bulletproof Vest Program (2009BUBX08044545)	16.607	-	4,480
Cops Technology Grant (2006CKWX0186)	16.710	-	10,625
Cops Technology Grant (2006CKWX0136)	16.710	-	69,750
Domestic Violence	16.753	-	35,063
 <i>Passed through Alabama Department of Economic and Community Affairs:</i>			
Law Enforcement Traffic Safety	16.738	07-DH-05-111	21,762
Domestic Violence Program (Violence Against Women)	16.588	07-WF-LE-009	2,391
Domestic Violence Program (Violence Against Women)	16.588	08-WF-PR-006	<u>18,081</u>
<i>TOTAL U.S. DEPARTMENT OF JUSTICE</i>			164,987
 <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Direct Programs:</i>			
Staffing for Adequate Fire and Emergency Response (SAFER) Grant (EMW-2006-FF-03166)	97.044	-	147,828
Staffing for Adequate Fire and Emergency Response (SAFER) Grant (EMW-2007-FF-00153)	97.044	-	215,517
Assistance to Firefighters (EMW-2007-FP-00787)	97.044	-	71,928
Assistance to Firefighters (EMW-2008-FO-00775)	97.044	-	38,250
 <i>Passed through City of Huntsville:</i>			
Homeland Security Grant Program	97.067	07-MAL	25,200
Homeland Security Grant Program	97.067	07-SHL	2,596
Homeland Security Grant Program	97.067	08-SHL	67,603
Homeland Security Grant Program	97.067	08-MAL	<u>17,926</u>
<i>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</i>			586,848
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 751,835</u>

The Accompanying Notes are an Integral Part of this Schedule

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued

CITY OF MADISON, ALABAMA

Year ended September 30, 2009

(1) **Basis of Presentation**

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

(2) **Major Programs**

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF MADISON, ALABAMA

Year ended September 30, 2009

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs:	
Staffing for Adequate Fire and Emergency Response Grant (EMW-2006-FF-03166)	Unqualified
Staffing for Adequate Fire and Emergency Response Grant (EMW-2007-FF-0153)	Unqualified
Assistance to Firefighters (EMW-2007-FP-00787)	Unqualified
Assistance to Firefighters (EMW-2008-FO-00775)	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
97.044	Staffing for Adequate Fire and Emergency Response Grant (EMW-2006-FF-03166)
97.044	Staffing for Adequate Fire and Emergency Response Grant (EMW-2007-FF-0153)
97.044	Assistance to Firefighters (EMW-2007-FP-00787)
97.044	Assistance to Firefighters (EMW-2008-FO-00775)

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

Auditee qualified as low-risk auditee? No

(continued)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF MADISON, ALABAMA

Year Ended September 30, 2009

Section II - Financial Statement Findings:

None noted.

Section III - Federal Award Findings and Questioned Costs - Major Federal Award Programs Audit:

U.S. DEPARTMENT OF HOMELAND SECURITY

2009-1 Assistance to Firefighters-CFDA No. 97.044;
Grant No. EMW-2007-FP-00787;
Grant period-Year ended September 30, 2009

Significant Deficiency:

Condition: We noted asset tags were not properly affixed to certain assets (including assets acquired with federal funds) in the Fire Department.

Criteria: Internal controls should be in place to provide reasonable assurance that all assets of the City are properly tagged according to the City's policy.

Cause: There is not one person assigned responsibility for tagging assets in the departments.

Effect: Because of the lack of internal controls, assets of the City could be misplaced or not properly reflected in the City's records.

Recommendation: The City's policies should be updated to provide more detailed information regarding the assignment of appropriate responsibility for asset tagging procedures and responsibility for inventory management.

(continued)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF MADISON, ALABAMA

Year Ended September 30, 2009

Management's Response: The City revised Section VIII - Asset Management of its Fiscal Policy. The revised section reads, "The City will reasonably safeguard, properly account for and prudently insure all of its capital assets. Each Department Head is responsible for the designation of the departmental Property Manager. The Property Manager is responsible for making certain all capital assets within the department are reasonably safeguarded and inventoried at all times. Management will direct communication regarding capital assets to the appropriate Property Manager. The Property Manager will properly inventory and affix identification tags to all capital assets within the department. Each departmental Property Manager will provide the Finance Department an Annual Inventory Report by October 30 of each year. The report will disclose data to show all capital assets within the department safeguarded and inventoried in compliance with policy. The Finance Department will conduct random inspections of departmental capital assets to verify the accuracy of the data in the Annual Inventory Reports.

The implementation of this revised policy provides the City further assurance that all capital assets are accounted for and properly identified at all times.