

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2006

CITY OF MADISON

JEFFERSON COUNTY, INDIANA



FILED
12/26/2007

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|--|---|--|
| Clerk-Treasurer | Beverly Armstrong | 01-01-04 to 12-31-07 |
| Mayor | Albert G. Huntington | 01-01-04 to 12-31-07 |
| President of the Board of Public Works and Safety | Albert G. Huntington | 01-01-06 to 12-31-07 |
| President of the Common Council | David W. Carlow | 01-01-06 to 12-31-07 |
| Superintendent of Utilities | James Turner (Vacant) Randy Eggenpiller | 01-01-06 to 02-28-07 03-01-07 to 04-30-07 05-01-07 to 12-31-07 |



STATE OF INDIANA
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**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

TO: THE OFFICIALS OF THE CITY OF MADISON, JEFFERSON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Madison (City), as of and for the year ended December 31, 2006, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2006, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated November 7, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. 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 Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities as listed in the Table of Contents, are not required parts 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.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, 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 Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

November 7, 2007



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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

TO: THE OFFICIALS OF THE CITY OF MADISON, JEFFERSON COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Madison (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 7, 2007. 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.

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 opinions 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.

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 significant deficiencies or material weaknesses, as defined above.

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
(Continued)

Compliance and Other Matters

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

This report is intended solely for the information and use of the City's management 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. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 7, 2007

CITY OF MADISON
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2006

| Functions/Programs | Disbursements | Program Receipts | | | Net (Disbursement) Receipt and Changes in Net Assets | | |
|----------------------------------|---------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|---------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Totals |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 1,863,560 | \$ 148,220 | \$ 62,278 | \$ 662,171 | \$ (990,891) | \$ - | \$ (990,891) |
| Public safety | 2,429,113 | 19,447 | 65,387 | - | (2,344,279) | - | (2,344,279) |
| Highways and streets | 2,362,225 | 1,998 | 438,342 | 127,628 | (1,794,257) | - | (1,794,257) |
| Sanitation | 734,442 | 740,036 | 12,777 | 2,363 | 20,734 | - | 20,734 |
| Culture and recreation | 1,665,257 | 583,122 | 204,786 | - | (877,349) | - | (877,349) |
| Urban redevelopment | 556,344 | 8,184 | 190,159 | 20,976 | (337,025) | - | (337,025) |
| Aviation | 1,280,462 | 74,599 | 8,010 | 1,040,518 | (157,335) | - | (157,335) |
| Total governmental activities | 10,891,403 | 1,575,606 | 981,739 | 1,853,656 | (6,480,402) | - | (6,480,402) |
| Business-type activities: | | | | | | | |
| Water | 1,504,189 | 1,413,898 | - | 92,367 | - | 2,076 | 2,076 |
| Wastewater | 5,132,600 | 2,643,256 | - | - | - | (2,489,344) | (2,489,344) |
| Total business-type activities | 6,636,789 | 4,057,154 | - | 92,367 | - | (2,487,268) | (2,487,268) |
| Total primary government | \$ 17,528,192 | \$ 5,632,760 | \$ 981,739 | \$ 1,946,023 | (6,480,402) | (2,487,268) | (8,967,670) |
| General receipts: | | | | | | | |
| Property taxes | | | | | 5,359,005 | - | 5,359,005 |
| Other local sources | | | | | 483,332 | 16,101 | 499,433 |
| Bonds and loans | | | | | - | 2,548,833 | 2,548,833 |
| Unrestricted investment earnings | | | | | 364,678 | 89,168 | 453,846 |
| Total general receipts | | | | | 6,207,015 | 2,654,102 | 8,861,117 |
| Change in net assets | | | | | (273,387) | 166,834 | (106,553) |
| Net assets - beginning | | | | | 9,760,145 | 2,735,818 | 12,495,963 |
| Net assets - ending | | | | | \$ 9,486,758 | \$ 2,902,652 | \$ 12,389,410 |
| <u>Assets</u> | | | | | | | |
| Cash and investments | | | | | \$ 4,297,439 | \$ 1,029,298 | \$ 5,326,737 |
| Restricted assets: | | | | | | | |
| Cash and investments | | | | | 5,189,319 | 1,873,354 | 7,062,673 |
| Total assets | | | | | \$ 9,486,758 | \$ 2,902,652 | \$ 12,389,410 |
| <u>Net Assets</u> | | | | | | | |
| Restricted for: | | | | | | | |
| General government | | | | | \$ 24,693 | \$ - | \$ 24,693 |
| Public safety | | | | | 40,838 | - | 40,838 |
| Highways and streets | | | | | 410,521 | - | 410,521 |
| Sanitation | | | | | 35,013 | - | 35,013 |
| Culture and recreation | | | | | 720,872 | - | 720,872 |
| Urban redevelopment and housing | | | | | 3,540,359 | - | 3,540,359 |
| Aviation | | | | | 110,834 | - | 110,834 |
| Debt service | | | | | - | 1,733,858 | 1,733,858 |
| Capital outlay | | | | | - | 65,325 | 65,325 |
| Customer deposits | | | | | - | 74,171 | 74,171 |
| Other purposes | | | | | 306,189 | - | 306,189 |
| Unrestricted | | | | | 4,297,439 | 1,029,298 | 5,326,737 |
| Total net assets | | | | | \$ 9,486,758 | \$ 2,902,652 | \$ 12,389,410 |

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

CITY OF MADISON
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2006

| | General | Park and Recreation | North Madison Economic Development Area | Other Governmental Funds | Totals |
|---|---------------------|------------------------|--|--------------------------------|---------------------|
| Receipts: | | | | | |
| Taxes | \$ 3,330,731 | \$ 682,698 | \$ 1,042,681 | \$ 302,895 | \$ 5,359,005 |
| Licenses and permits | 26,813 | - | - | 2,010 | 28,823 |
| Intergovernmental | 294,519 | 50,088 | 66,488 | 2,592,011 | 3,003,106 |
| Charges for services | 110,158 | 420,334 | - | 939,701 | 1,470,193 |
| Fines and forfeits | 9,809 | - | - | - | 9,809 |
| Other | 440,517 | 3,786 | 123,293 | 175,654 | 743,250 |
| Total receipts | 4,212,547 | 1,156,906 | 1,232,462 | 4,012,271 | 10,614,186 |
| Disbursements: | | | | | |
| General government | 1,463,863 | - | - | 18,839 | 1,482,702 |
| Public safety | 2,000,593 | - | - | 28,520 | 2,029,113 |
| Highways and streets | 940,043 | - | - | 511,527 | 1,451,570 |
| Sanitation | - | - | - | 734,442 | 734,442 |
| Culture and recreation | 28,000 | 1,217,599 | - | 208,438 | 1,454,037 |
| Urban redevelopment and housing | - | - | 207,275 | 349,069 | 556,344 |
| Aviation | - | - | - | 1,226,465 | 1,226,465 |
| Debt service: | | | | | |
| Principal | - | - | - | 80,149 | 80,149 |
| Interest | - | - | - | 95,298 | 95,298 |
| Capital outlay: | | | | | |
| General government | - | - | - | 205,411 | 205,411 |
| Public safety | - | - | 400,000 | - | 400,000 |
| Highways and streets | - | - | 855,705 | 54,950 | 910,655 |
| Culture and recreation | - | - | - | 211,220 | 211,220 |
| Aviation | - | - | 53,997 | - | 53,997 |
| Total disbursements | 4,432,499 | 1,217,599 | 1,516,977 | 3,724,328 | 10,891,403 |
| Excess (deficiency) of receipts over disbursements | (219,952) | (60,693) | (284,515) | 287,943 | (277,217) |
| Other financing sources (uses): | | | | | |
| Interfund loans received | - | - | - | 1,872 | 1,872 |
| Interfund loans made | - | - | - | (1,872) | (1,872) |
| Transfers in | - | - | - | 78,029 | 78,029 |
| Transfers out | (56,540) | (14,533) | - | (6,956) | (78,029) |
| Other receipts | - | - | - | 3,830 | 3,830 |
| Total other financing sources (uses) | (56,540) | (14,533) | - | 74,903 | 3,830 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (276,492) | (75,226) | (284,515) | 362,846 | (273,387) |
| Cash and investment fund balance - beginning | 2,532,751 | 775,471 | 2,980,209 | 3,471,714 | 9,760,145 |
| Cash and investment fund balance - ending | <u>\$ 2,256,259</u> | <u>\$ 700,245</u> | <u>\$ 2,695,694</u> | <u>\$ 3,834,560</u> | <u>\$ 9,486,758</u> |
| <u>Cash and Investment Assets - December 31</u> | | | | | |
| Cash and investments | \$ 2,256,259 | \$ - | \$ - | \$ 2,041,180 | \$ 4,297,439 |
| Restricted assets: | | | | | |
| Cash and investments | - | 700,245 | 2,695,694 | 1,793,380 | 5,189,319 |
| Total cash and investment assets - December 31 | <u>\$ 2,256,259</u> | <u>\$ 700,245</u> | <u>\$ 2,695,694</u> | <u>\$ 3,834,560</u> | <u>\$ 9,486,758</u> |
| <u>Cash and Investment Fund Balance - December 31</u> | | | | | |
| Restricted for: | | | | | |
| General government | \$ - | \$ - | \$ - | \$ 24,693 | \$ 24,693 |
| Public safety | - | - | - | 40,838 | 40,838 |
| Highways and streets | - | - | - | 410,521 | 410,521 |
| Sanitation | - | - | - | 35,013 | 35,013 |
| Culture and recreation | - | 700,245 | - | 20,627 | 720,872 |
| Urban redevelopment and housing | - | - | 2,695,694 | 844,665 | 3,540,359 |
| Aviation | - | - | - | 110,834 | 110,834 |
| Other purposes | - | - | - | 306,189 | 306,189 |
| Unrestricted | 2,256,259 | - | - | 2,041,180 | 4,297,439 |
| Total cash and investment fund balance - December 31 | <u>\$ 2,256,259</u> | <u>\$ 700,245</u> | <u>\$ 2,695,694</u> | <u>\$ 3,834,560</u> | <u>\$ 9,486,758</u> |

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

CITY OF MADISON
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2006

| | Water Utility | Wastewater Utility | Totals |
|---|-------------------|-----------------------|---------------------|
| Operating receipts: | | | |
| Metered water receipts | \$ 1,290,636 | \$ - | \$ 1,290,636 |
| Fire protection receipts | 96,518 | - | 96,518 |
| Other water receipts | 26,744 | - | 26,744 |
| Measured revenue | - | 2,567,606 | 2,567,606 |
| Other | - | 75,650 | 75,650 |
| | <u>1,413,898</u> | <u>2,643,256</u> | <u>4,057,154</u> |
| Total operating receipts | | | |
| Operating disbursements: | | | |
| Equipment and capital improvements | 82,714 | 2,591,041 | 2,673,755 |
| Source of supply and disbursements - operations and maintenance | 383,426 | - | 383,426 |
| Water treatment disbursements - operations and maintenance | 50,271 | - | 50,271 |
| Transmission and distribution | 185,944 | - | 185,944 |
| Collection system - operations and maintenance | - | 41,294 | 41,294 |
| Pumping - operations and maintenance | - | 271,484 | 271,484 |
| Treatment and disposal disbursements - operations and maintenance | - | 909,447 | 909,447 |
| Customer accounts | 2,037 | 17,056 | 19,093 |
| Administration and general | 298,170 | 463,165 | 761,335 |
| Insurance claims and premiums | 54,526 | 59,215 | 113,741 |
| Other | 53,738 | - | 53,738 |
| | <u>1,110,826</u> | <u>4,352,702</u> | <u>5,463,528</u> |
| Total operating disbursements | | | |
| Excess (deficiency) of operating receipts over operating disbursements | <u>303,072</u> | <u>(1,709,446)</u> | <u>(1,406,374)</u> |
| Nonoperating receipts (disbursements): | | | |
| State revolving loan fund proceeds | - | 2,548,833 | 2,548,833 |
| Interest and investment receipts | 69,983 | 19,185 | 89,168 |
| Miscellaneous receipts | 16,101 | - | 16,101 |
| Debt service of principal | (249,000) | (570,700) | (819,700) |
| Interest and investment disbursement | (130,021) | (209,033) | (339,054) |
| Miscellaneous disbursements | (14,342) | (165) | (14,507) |
| | <u>(307,279)</u> | <u>1,788,120</u> | <u>1,480,841</u> |
| Total nonoperating receipts (disbursements) | | | |
| Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements) | (4,207) | 78,674 | 74,467 |
| Capital contributions | <u>92,367</u> | <u>-</u> | <u>92,367</u> |
| Excess of receipts, contributions and transfers in over disbursements and transfers out | 88,160 | 78,674 | 166,834 |
| Cash and investment fund balance - beginning | <u>780,763</u> | <u>1,955,055</u> | <u>2,735,818</u> |
| Cash and investment fund balance - ending | <u>\$ 868,923</u> | <u>\$ 2,033,729</u> | <u>\$ 2,902,652</u> |
| <u>Cash and Investment Assets - December 31</u> | | | |
| Cash and investments | \$ 199,649 | \$ 829,649 | \$ 1,029,298 |
| Restricted assets: | | | |
| Cash and investments | <u>669,274</u> | <u>1,204,080</u> | <u>1,873,354</u> |
| Total cash and investment assets - December 31 | <u>\$ 868,923</u> | <u>\$ 2,033,729</u> | <u>\$ 2,902,652</u> |
| <u>Cash and Investment Fund Balance - December 31</u> | | | |
| Restricted for: | | | |
| Debt service | \$ 602,653 | \$ 1,131,205 | \$ 1,733,858 |
| Capital outlay | - | 65,325 | 65,325 |
| Customer deposits | 66,621 | 7,550 | 74,171 |
| Unrestricted | <u>199,649</u> | <u>829,649</u> | <u>1,029,298</u> |
| Total cash and investment fund balance - December 31 | <u>\$ 868,923</u> | <u>\$ 2,033,729</u> | <u>\$ 2,902,652</u> |

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

CITY OF MADISON
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2006

| | Pension Trust Fund | Agency Funds |
|--|-----------------------|-----------------|
| Additions: | | |
| Contributions: | | |
| Employer | \$ 340,206 | \$ - |
| Plan members | 2,559 | - |
| State | 193,055 | - |
| Total contributions | 535,820 | - |
| Investment earnings: | | |
| Interest | 3,108 | - |
| Agency fund additions | - | 6,431,245 |
| Total additions | 538,928 | 6,431,245 |
| Deductions: | | |
| Benefits | 404,181 | - |
| Administrative and general | 5,030 | - |
| Agency fund deductions | - | 6,428,870 |
| Total deductions | 409,211 | 6,428,870 |
| Excess of total additions over total deductions | 129,717 | 2,375 |
| Cash and investment fund balance - beginning | 463,807 | 135,537 |
| Cash and investment fund balance - ending | \$ 593,524 | \$ 137,912 |

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

CITY OF MADISON
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, municipal airport, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment.

The City's financial reporting entity is composed of the following:

Primary Government: City of Madison

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. 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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The park and recreation fund is used to account for the operating receipts and disbursements made in connection with the City provided recreation programs and facilities.

The North Madison economic development area fund accounts for urban redevelopment of certain areas financed by tax increment financing.

CITY OF MADISON
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

Additionally, the City reports the following fund types:

The pension trust fund accounts for the activities of the 1925 police pension fund, which accumulates resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for various entities for whom payroll deductions are withheld and serve as control of accounts for certain cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City and Utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services.

CITY OF MADISON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF MADISON
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

CITY OF MADISON
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13.

Investment Policies

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the City to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

CITY OF MADISON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the City's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, were as follows:

| <u>Transfer From</u> | <u>Transfer To</u> | <u>2006</u> |
|----------------------|--------------------|------------------|
| General Fund | Other governmental | \$ 56,540 |
| Park and Recreation | Other governmental | 14,533 |
| Other governmental | Other governmental | <u>6,956</u> |
| Total | | <u>\$ 78,029</u> |

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. 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; job related illnesses or injuries to employees; and natural disasters.

CITY OF MADISON
NOTES TO FINANCIAL STATEMENTS
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illnesses or Injuries to Employees

During 1991, the City joined with other governmental entities in the Indiana Public Employer's Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of worker's compensation claims. The City pays an annual premium to the risk pool for its job related illnesses or injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. City Pledged EDIT Revenues

During 2004, the City Council adopted Ordinance No. 2004-9 irrevocably pledging a portion of the City's distributive share of Economic Development Income Tax (EDIT) revenues to the payment of a lease entered into by Jefferson County to finance the renovation and addition to Jefferson County's jail facility. The amount pledged by the City is the lesser of: (1) 20% of the City's distributive share; (2) \$128,177; or (3) 15% of the lease rental payments due under the lease ("Lease Pledge"). The "Lease Pledge" is irrevocable during the term of the lease.

C. Loans Receivable

As of December 31, 2006, the City has loans receivable in the total amount of \$394,314. This amount consists of nine separate loans to local businesses for the purpose of promoting economic development.

Payments on seven of the nine loans noted are currently in delinquent status and are doubtful of collection. The value of the property securing the loans may not be sufficient to satisfy all liens. These seven loans in delinquent status account for \$175,745 of the total loans receivable noted above.

D. Rate Structure – Enterprise Funds

Water Utility

On December 6, 2005, the City Council adopted Ordinance No. 2005-18 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on February 6, 2007.

Wastewater Utility

The current rate structure for Madison division customers was approved by the City Council on January 21, 2003. The current rate structure for customers in the former Jefferson County Regional Sewage District was approved October 3, 1994.

CITY OF MADISON
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

CITY OF MADISON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

Actuarial Information for the Above Plans

| | PERF | 1925 Police Officers' Pension |
|---|-------------|-------------------------------------|
| Annual required contribution | \$ 110,827 | \$ 560,500 |
| Interest on net pension obligation | (6,788) | 206,400 |
| Adjustment to annual required contribution | 7,736 | (225,000) |
| Annual pension cost | 111,775 | 541,900 |
| Contributions made | 99,260 | 416,487 |
| Increase (decrease) in net pension obligation | 12,515 | 125,413 |
| Net pension obligation, beginning of year | (93,634) | 3,057,097 |
| Net pension obligation, end of year | \$ (81,119) | \$ 3,182,510 |

| | PERF | 1925 Police Officers' Pension |
|---------------------------------|---|--|
| Contribution rates: | | |
| City | 4.13% | 456% |
| Plan members | 3% | 6% |
| Actuarial valuation date | 07-01-06 | 01-01-06 |
| Actuarial cost method | Entry age | Entry age |
| Amortization method | Level percentage of projected payroll, closed | Level percentage of projected payroll, closed |
| Amortization period | 40 years | 30 years |
| Amortization period (from date) | 07-01-97 | 01-01-05 |
| Asset valuation method | 75% of expected actuarial value plus 25% of market value | 4 year phase in of unrealized and realized capital |

CITY OF MADISON
NOTES TO FINANCIAL STATEMENTS
(Continued)

| Actuarial Assumptions | PERF | 1925 Police Officers' Pension |
|------------------------------------|-------|-------------------------------|
| Investment rate of return | 7.25% | 6% |
| Projected future salary increases: | | |
| Total | 5% | 4% |
| Attributed to inflation | 4% | 4% |
| Attributed to merit/seniority | 1% | 0% |
| Cost-of-living adjustments | 2% | 2.75/4%* |

*2.75% converted members; 4% nonconverted members

Three Year Trend Information

| | Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|------------------------------------|-------------|---------------------------|-------------------------------|------------------------|
| PERF | 06-30-04 | \$ 76,869 | 114% | \$ (66,566) |
| | 06-30-05 | 66,696 | 141% | (93,634) |
| | 06-30-06 | 111,775 | 89% | (81,119) |
| 1925 Police Officers' Pension Plan | 12-31-03 | 649,400 | 26% | 2,684,064 |
| | 12-31-04 | 645,400 | 42% | 3,057,097 |
| | 12-31-05 | 541,900 | 77% | 3,182,510 |

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2006, was comprised of the following:

| | 1925 Police Officers' Pension |
|---|-------------------------------|
| Retirees and beneficiaries currently receiving benefits | 19 |
| Current active employees | 3 |

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

CITY OF MADISON
NOTES TO FINANCIAL STATEMENTS
(Continued)

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2006, 2005, and 2004, were \$209,499, \$202,035, and \$160,692, respectively, equal to the required contributions for each year.

CITY OF MADISON
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Excess of Assets Over (Unfunded) AAL (a-b) | Funded Ratio (a/b) | Covered Payroll (c) | Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c) |
|--------------------------------|--|---|--|--------------------------|---------------------------|--|
| 07-01-04 | \$ 2,328,411 | \$ 1,982,439 | \$ 345,972 | 117% | \$ 2,021,232 | 17% |
| 07-01-05 | 2,402,634 | 2,408,707 | (6,073) | 100% | 2,244,206 | (0%) |
| 07-01-06 | 2,385,175 | 2,468,405 | (83,230) | 97% | 2,157,969 | (4%) |

1925 Police Officers' Pension Plan

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (a-b) | Funded Ratio (a/b) | Covered Payroll (c) | Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c) |
|--------------------------------|--|---|--------------------------|--------------------------|---------------------------|--|
| 01-01-01 | \$ 243,568 | \$ 6,501,400 | \$ (6,257,832) | 4% | \$ 170,700 | (3,666%) |
| 01-01-02 | 424,620 | 6,286,100 | (5,861,480) | 7% | 177,500 | (3,302%) |
| 01-01-03 | 552,137 | 6,410,200 | (5,858,063) | 9% | 219,500 | (2,669%) |
| 01-01-04 | 437,971 | 6,443,300 | (6,005,329) | 7% | 185,900 | (3,230%) |
| 01-01-05 | 400,904 | 5,554,400 | (5,153,496) | 7% | 117,100 | (4,401%) |
| 01-01-06 | 463,807 | 7,303,500 | (6,839,693) | 6% | 123,000 | (5,561%) |

CITY OF MADISON
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

| | Year Ending | Annual Required Contribution (ARC) | Percentage of ARC Contributed | |
|------------------------------------|----------------|---|----------------------------------|-------|
| | | | City | State |
| 1925 Police Officers' Pension Plan | 12-31-00 | \$ 617,000 | 15% | 16% |
| | 12-31-01 | 695,100 | 23% | 41% |
| | 12-31-02 | 698,100 | 33% | 26% |
| | 12-31-03 | 748,800 | 0% | 23% |
| | 12-31-04 | 780,700 | 14% | 21% |
| | 12-31-05 | 560,500 | 44% | 30% |

CITY OF MADISON
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006

| | Levy Excess | Riverboat | Motor Vehicle Highway | Local Road and Street | Aviation | Parking Meter | Police Asset Forfeiture |
|--|------------------|-------------------|-----------------------------|--------------------------|------------------|------------------|-------------------------------|
| Receipts: | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 108,921 | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - | - |
| Intergovernmental | - | 75,539 | 438,343 | 56,263 | 8,010 | - | 1,978 |
| Charges for services | - | - | - | - | - | - | - |
| Other | - | - | 4,551 | 1,144 | 17,380 | - | - |
| Total receipts | - | 75,539 | 442,894 | 57,407 | 134,311 | - | 1,978 |
| Disbursements: | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - | - |
| Highways and streets | - | - | 395,900 | 100,116 | - | - | - |
| Sanitation | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - | - |
| Aviation | - | - | - | - | 86,202 | - | - |
| Debt service: | | | | | | | |
| Principal | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - |
| Capital outlay: | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - |
| Total disbursements | - | - | 395,900 | 100,116 | 86,202 | - | - |
| Excess (deficiency) of receipts over disbursements | - | 75,539 | 46,994 | (42,709) | 48,109 | - | 1,978 |
| Other financing sources (uses): | | | | | | | |
| Interfund loans received | - | - | - | - | - | - | - |
| Interfund loans made | - | - | - | - | - | - | - |
| Transfers in | 78,029 | - | - | - | - | - | - |
| Transfers out | - | - | - | - | (806) | - | - |
| Other receipts | 3,830 | - | - | - | - | - | - |
| Total other financing sources (uses) | 81,859 | - | - | - | (806) | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 81,859 | 75,539 | 46,994 | (42,709) | 47,303 | - | 1,978 |
| Cash and investment fund balance - beginning | 4,010 | 227,293 | 304,806 | 98,400 | 32,154 | 2,830 | 8 |
| Cash and investment fund balance - ending | <u>\$ 85,869</u> | <u>\$ 302,832</u> | <u>\$ 351,800</u> | <u>\$ 55,691</u> | <u>\$ 79,457</u> | <u>\$ 2,830</u> | <u>\$ 1,986</u> |
| Cash and Investment Assets - December 31 | | | | | | | |
| Cash and investments | \$ 85,869 | \$ 302,832 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted assets: | | | | | | | |
| Cash and investments | - | - | 351,800 | 55,691 | 79,457 | 2,830 | 1,986 |
| Total cash and investment assets - December 31 | <u>\$ 85,869</u> | <u>\$ 302,832</u> | <u>\$ 351,800</u> | <u>\$ 55,691</u> | <u>\$ 79,457</u> | <u>\$ 2,830</u> | <u>\$ 1,986</u> |
| Cash and Investment Fund Balance - December 31 | | | | | | | |
| Restricted for: | | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | - | - | - | - | - | 2,830 | 1,986 |
| Highways and streets | - | - | 351,800 | 55,691 | - | - | - |
| Sanitation | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - | - |
| Aviation | - | - | - | - | 79,457 | - | - |
| Other purposes | - | - | - | - | - | - | - |
| Unrestricted | 85,869 | 302,832 | - | - | - | - | - |
| Total cash and investment fund balance - December 31 | <u>\$ 85,869</u> | <u>\$ 302,832</u> | <u>\$ 351,800</u> | <u>\$ 55,691</u> | <u>\$ 79,457</u> | <u>\$ 2,830</u> | <u>\$ 1,986</u> |

CITY OF MADISON
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

| | Law Enforcement Continuing Education | Police Donation | Park Special Nonreverting | Broadway Fountain Donation | Park Donation | Tree Board |
|--|---|--------------------|---------------------------------|----------------------------------|------------------|---------------|
| Receipts: | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | 2,010 | - | - | - | - | - |
| Intergovernmental | - | 3,875 | - | - | - | - |
| Charges for services | 7,628 | - | 171,820 | - | - | - |
| Other | - | 5,509 | 17,334 | 115 | 4,873 | 975 |
| Total receipts | 9,638 | 9,384 | 189,154 | 115 | 4,873 | 975 |
| Disbursements: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | 6,826 | 7,987 | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Culture and recreation | - | - | 180,573 | 470 | 2,972 | 560 |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Aviation | - | - | - | - | - | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Capital outlay: | | | | | | |
| General government | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Total disbursements | 6,826 | 7,987 | 180,573 | 470 | 2,972 | 560 |
| Excess (deficiency) of receipts over disbursements | 2,812 | 1,397 | 8,581 | (355) | 1,901 | 415 |
| Other financing sources (uses): | | | | | | |
| Interfund loans received | - | - | - | - | - | - |
| Interfund loans made | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 2,812 | 1,397 | 8,581 | (355) | 1,901 | 415 |
| Cash and investment fund balance - beginning | 25,776 | 6,037 | 6,325 | 2,190 | 1,038 | 329 |
| Cash and investment fund balance - ending | <u>\$ 28,588</u> | <u>\$ 7,434</u> | <u>\$ 14,906</u> | <u>\$ 1,835</u> | <u>\$ 2,939</u> | <u>\$ 744</u> |
| Cash and Investment Assets - December 31 | | | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted assets: | | | | | | |
| Cash and investments | 28,588 | 7,434 | 14,906 | 1,835 | 2,939 | 744 |
| Total cash and investment assets - December 31 | <u>\$ 28,588</u> | <u>\$ 7,434</u> | <u>\$ 14,906</u> | <u>\$ 1,835</u> | <u>\$ 2,939</u> | <u>\$ 744</u> |
| Cash and Investment Fund Balance - December 31 | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | 28,588 | 7,434 | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Culture and recreation | - | - | 14,906 | 1,835 | 2,939 | 744 |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Aviation | - | - | - | - | - | - |
| Other purposes | - | - | - | - | - | - |
| Unrestricted | - | - | - | - | - | - |
| Total cash and investment fund balance - December 31 | <u>\$ 28,588</u> | <u>\$ 7,434</u> | <u>\$ 14,906</u> | <u>\$ 1,835</u> | <u>\$ 2,939</u> | <u>\$ 744</u> |

CITY OF MADISON
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

| | Donation City Employee | Real Estate Sales Proceeds | Community of Compassion | Mirco- Enterprise Grant | Aviation Nonreverting Operating | Investment Incentive Program |
|--|---------------------------|----------------------------------|-------------------------------|-------------------------------|---------------------------------------|------------------------------------|
| Receipts: | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | 20,262 | - |
| Other | 13,829 | - | 7,933 | - | 41,650 | - |
| Total receipts | 13,829 | - | 7,933 | - | 61,912 | - |
| Disbursements: | | | | | | |
| General government | 3,339 | - | 15,500 | - | - | - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | 7,500 |
| Aviation | - | - | - | - | 79,235 | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Capital outlay: | | | | | | |
| General government | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Total disbursements | 3,339 | - | 15,500 | - | 79,235 | 7,500 |
| Excess (deficiency) of receipts over disbursements | 10,490 | - | (7,567) | - | (17,323) | (7,500) |
| Other financing sources (uses): | | | | | | |
| Interfund loans received | - | - | - | - | - | - |
| Interfund loans made | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 10,490 | - | (7,567) | - | (17,323) | (7,500) |
| Cash and investment fund balance - beginning | 5,642 | 14,360 | 15,006 | 29,973 | 48,653 | 23,497 |
| Cash and investment fund balance - ending | \$ 16,132 | \$ 14,360 | \$ 7,439 | \$ 29,973 | \$ 31,330 | \$ 15,997 |
| <u>Cash and Investment Assets - December 31</u> | | | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted assets: | | | | | | |
| Cash and investments | 16,132 | 14,360 | 7,439 | 29,973 | 31,330 | 15,997 |
| Total cash and investment assets - December 31 | \$ 16,132 | \$ 14,360 | \$ 7,439 | \$ 29,973 | \$ 31,330 | \$ 15,997 |
| <u>Cash and Investment Fund Balance - December 31</u> | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ 16,132 | \$ - | \$ 7,439 | \$ - | \$ - | \$ - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Urban redevelopment and housing | - | 14,360 | - | 29,973 | - | 15,997 |
| Aviation | - | - | - | - | 31,330 | - |
| Other purposes | - | - | - | - | - | - |
| Unrestricted | - | - | - | - | - | - |
| Total cash and investment fund balance - December 31 | \$ 16,132 | \$ 14,360 | \$ 7,439 | \$ 29,973 | \$ 31,330 | \$ 15,997 |

CITY OF MADISON
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

| | Economic Development Commission | Aviation Grant | Owner Occupied Rehab | Historic Madison | County Tax (EDIT) | Turning Point Grant |
|---|---------------------------------------|-------------------|----------------------------|---------------------|----------------------|---------------------------|
| Receipts: | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | 1,026,002 | 190,159 | 105,401 | 605,082 | 13,707 |
| Charges for services | - | - | - | - | - | - |
| Other | - | 1,848 | - | 24,123 | - | - |
| Total receipts | - | 1,027,850 | 190,159 | 129,524 | 605,082 | 13,707 |
| Disbursements: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | 13,707 |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | 199,395 | 142,174 | - | - |
| Aviation | - | 1,061,028 | - | - | - | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | 42,005 | - |
| Interest | - | - | - | - | 78,852 | - |
| Capital outlay: | | | | | | |
| General government | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | 211,220 | - |
| Total disbursements | - | 1,061,028 | 199,395 | 142,174 | 332,077 | 13,707 |
| Excess (deficiency) of receipts over disbursements | - | (33,178) | (9,236) | (12,650) | 273,005 | - |
| Other financing sources (uses): | | | | | | |
| Interfund loans received | - | - | - | - | - | - |
| Interfund loans made | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | (33,178) | (9,236) | (12,650) | 273,005 | - |
| Cash and investment fund balance - beginning | 113,663 | 33,225 | 11,180 | 12,650 | 510,456 | - |
| Cash and investment fund balance - ending | \$ 113,663 | \$ 47 | \$ 1,944 | \$ - | \$ 783,461 | \$ - |
| Cash and Investment Assets - December 31 | | | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ - | \$ 783,461 | \$ - |
| Restricted assets: | | | | | | |
| Cash and investments | 113,663 | 47 | 1,944 | - | - | - |
| Total cash and investment assets - December 31 | \$ 113,663 | \$ 47 | \$ 1,944 | \$ - | \$ 783,461 | \$ - |
| Cash and Investment Fund Balance - December 31 | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Urban redevelopment and housing | 113,663 | - | 1,944 | - | - | - |
| Aviation | - | 47 | - | - | - | - |
| Other purposes | - | - | - | - | - | - |
| Unrestricted | - | - | - | - | 783,461 | - |
| Total cash and investment fund balance - December 31 | \$ 113,663 | \$ 47 | \$ 1,944 | \$ - | \$ 783,461 | \$ - |

CITY OF MADISON
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

| | Micro Loan | Heritage Trails | Farmers Market | Urban Forestry | Scenic Byway | Park Debt Service |
|--|-------------------|--------------------|-------------------|-------------------|-----------------|----------------------|
| Receipts: | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 515 |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | 10,564 | - |
| Charges for services | - | - | - | - | - | - |
| Other | 5,484 | - | - | - | 800 | - |
| Total receipts | 5,484 | - | - | - | 11,364 | 515 |
| Disbursements: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | 15,511 | - |
| Sanitation | - | - | - | - | - | - |
| Culture and recreation | - | - | 4,333 | - | - | 375 |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Aviation | - | - | - | - | - | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Capital outlay: | | | | | | |
| General government | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Total disbursements | - | - | 4,333 | - | 15,511 | 375 |
| Excess (deficiency) of receipts over disbursements | 5,484 | - | (4,333) | - | (4,147) | 140 |
| Other financing sources (uses): | | | | | | |
| Interfund loans received | - | - | 1,872 | - | - | - |
| Interfund loans made | - | - | - | - | - | (1,872) |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | (2,939) |
| Other receipts | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | 1,872 | - | - | (4,811) |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 5,484 | - | (2,461) | - | (4,147) | (4,671) |
| Cash and investment fund balance - beginning | 98,212 | 202 | 2,462 | 1,122 | 7,177 | 6,665 |
| Cash and investment fund balance - ending | \$ 103,696 | \$ 202 | \$ 1 | \$ 1,122 | \$ 3,030 | \$ 1,994 |
| <u>Cash and Investment Assets - December 31</u> | | | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted assets: | | | | | | |
| Cash and investments | 103,696 | 202 | 1 | 1,122 | 3,030 | 1,994 |
| Total cash and investment assets - December 31 | \$ 103,696 | \$ 202 | \$ 1 | \$ 1,122 | \$ 3,030 | \$ 1,994 |
| <u>Cash and Investment Fund Balance - December 31</u> | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ 1,122 | \$ - | \$ - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | 3,030 | - |
| Sanitation | - | - | - | - | - | - |
| Culture and recreation | - | 202 | 1 | - | - | - |
| Urban redevelopment and housing | 103,696 | - | - | - | - | - |
| Aviation | - | - | - | - | - | - |
| Other purposes | - | - | - | - | - | 1,994 |
| Unrestricted | - | - | - | - | - | - |
| Total cash and investment fund balance - December 31 | \$ 103,696 | \$ 202 | \$ 1 | \$ 1,122 | \$ 3,030 | \$ 1,994 |

CITY OF MADISON
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

| | Cumulative Capital Improvement | Community Development Action Grant | Cumulative Capital Development | Revolving Loan | Transfer Station Operating | Totals |
|---|--------------------------------------|--|--------------------------------------|-------------------|----------------------------------|---------------------|
| Receipts: | | | | | | |
| Taxes | \$ - | \$ - | \$ 193,459 | \$ - | \$ - | \$ 302,895 |
| Licenses and permits | - | - | - | - | - | 2,010 |
| Intergovernmental | 42,884 | - | 14,204 | - | - | 2,592,011 |
| Charges for services | - | - | - | - | 739,991 | 939,701 |
| Other | - | - | 948 | 11,974 | 15,184 | 175,654 |
| Total receipts | 42,884 | - | 208,611 | 11,974 | 755,175 | 4,012,271 |
| Disbursements: | | | | | | |
| General government | - | - | - | - | - | 18,839 |
| Public safety | - | - | - | - | - | 28,520 |
| Highways and streets | - | - | - | - | - | 511,527 |
| Sanitation | - | - | - | - | 734,442 | 734,442 |
| Culture and recreation | - | - | 19,155 | - | - | 208,438 |
| Urban redevelopment and housing | - | - | - | - | - | 349,069 |
| Aviation | - | - | - | - | - | 1,226,465 |
| Debt service: | | | | | | |
| Principal | - | - | 38,144 | - | - | 80,149 |
| Interest | - | - | 16,446 | - | - | 95,298 |
| Capital outlay: | | | | | | |
| General government | 58,717 | - | 146,694 | - | - | 205,411 |
| Highways and streets | - | 54,950 | - | - | - | 54,950 |
| Culture and recreation | - | - | - | - | - | 211,220 |
| Total disbursements | 58,717 | 54,950 | 220,439 | - | 734,442 | 3,724,328 |
| Excess (deficiency) of receipts over disbursements | (15,833) | (54,950) | (11,828) | 11,974 | 20,733 | 287,943 |
| Other financing sources (uses): | | | | | | |
| Interfund loans received | - | - | - | - | - | 1,872 |
| Interfund loans made | - | - | - | - | - | (1,872) |
| Transfers in | - | - | - | - | - | 78,029 |
| Transfers out | - | - | (3,211) | - | - | (6,956) |
| Other receipts | - | - | - | - | - | 3,830 |
| Total other financing sources (uses) | - | - | (3,211) | - | - | 74,903 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (15,833) | (54,950) | (15,039) | 11,974 | 20,733 | 362,846 |
| Cash and investment fund balance - beginning | 60,664 | 923,968 | 274,403 | 553,058 | 14,280 | 3,471,714 |
| Cash and investment fund balance - ending | \$ 44,831 | \$ 869,018 | \$ 259,364 | \$ 565,032 | \$ 35,013 | \$ 3,834,560 |
| Cash and Investment Assets - December 31 | | | | | | |
| Cash and investments | \$ - | \$ 869,018 | \$ - | \$ - | \$ - | \$ 2,041,180 |
| Restricted assets: | | | | | | |
| Cash and investments | 44,831 | - | 259,364 | 565,032 | 35,013 | 1,793,380 |
| Total cash and investment assets - December 31 | \$ 44,831 | \$ 869,018 | \$ 259,364 | \$ 565,032 | \$ 35,013 | \$ 3,834,560 |
| Cash and Investment Fund Balance - December 31 | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 24,693 |
| Public safety | - | - | - | - | - | 40,838 |
| Highways and streets | - | - | - | - | - | 410,521 |
| Sanitation | - | - | - | - | 35,013 | 35,013 |
| Culture and recreation | - | - | - | - | - | 20,627 |
| Urban redevelopment and housing | - | - | - | 565,032 | - | 844,665 |
| Aviation | - | - | - | - | - | 110,834 |
| Other purposes | 44,831 | - | 259,364 | - | - | 306,189 |
| Unrestricted | - | 869,018 | - | - | - | 2,041,180 |
| Total cash and investment fund balance - December 31 | \$ 44,831 | \$ 869,018 | \$ 259,364 | \$ 565,032 | \$ 35,013 | \$ 3,834,560 |

CITY OF MADISON
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2006

| | <u>Payroll</u> | <u>Cinergy</u> | <u>Totals</u> |
|---|--------------------------|--------------------|--------------------------|
| Additions: | | | |
| Agency fund additions | <u>\$ 5,815,164</u> | <u>\$ 616,081</u> | <u>\$ 6,431,245</u> |
| Deductions: | | | |
| Agency fund deductions | <u>5,810,860</u> | <u>618,010</u> | <u>6,428,870</u> |
| Excess (deficiency) of total additions over total deductions | 4,304 | (1,929) | 2,375 |
| Cash and investment fund balance - beginning | <u>133,608</u> | <u>1,929</u> | <u>135,537</u> |
| Cash and investment fund balance - ending | <u><u>\$ 137,912</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 137,912</u></u> |

CITY OF MADISON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets completed in the current and prior years have been reported. At this time the City has no plans to implement retroactive reporting of general infrastructure assets.

| <u>Primary Government</u> | <u>Ending Balance</u> |
|--|---------------------------|
| Governmental activities: | |
| Capital assets, not being depreciated: | |
| Land | \$ 1,997,440 |
| Infrastructure | 2,654,942 |
| Buildings | 4,116,320 |
| Improvements other than buildings | 2,275,985 |
| Machinery and equipment | <u>3,867,138</u> |
| Total governmental activities, capital assets not being depreciated | <u>\$ 14,911,825</u> |

| <u>Primary Government</u> | <u>Ending Balance</u> |
|--|---------------------------|
| Business-type activities: | |
| Water Utility: | |
| Capital assets, not being depreciated: | |
| Land | \$ 67,500 |
| Water collection and distribution system | 1,312,074 |
| Buildings | 6,262,315 |
| Improvements other than buildings | 122,403 |
| Machinery and equipment | <u>1,028,278</u> |
| Total Water Utility capital assets | <u>8,792,570</u> |
| Wastewater Utility: | |
| Capital assets, not being depreciated: | |
| Construction in progress | 8,334,482 |
| Wastewater collection and distribution system | 2,824,881 |
| Buildings | 1,855,680 |
| Improvements other than buildings | 664,274 |
| Machinery and equipment | <u>2,773,384</u> |
| Total Wastewater Utility capital assets | <u>16,452,701</u> |
| Total business-type activities capital assets | <u>\$ 25,245,271</u> |

CITY OF MADISON
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2006

The City has entered into the following debt:

| Description of Debt | Ending Principal Balance | Principal and Interest Due Within One Year |
|-------------------------------------|--------------------------------|---|
| Governmental Activities: | | |
| Capital lease: | | |
| City hall | \$ 283,141 | \$ 54,590 |
| Notes and loans payable | 197,216 | 21,631 |
| Energy savings installment contract | <u>886,345</u> | <u>120,857</u> |
| Total governmental activities debt | <u>\$ 1,366,702</u> | <u>\$ 197,078</u> |
| Business-type Activities: | | |
| Water Utility | | |
| State revolving loan | <u>\$ 4,359,000</u> | <u>\$ 320,205</u> |
| Wastewater Utility | | |
| State revolving loan (See Note) | 7,297,534 | 610,976 |
| Revenue bonds: | | |
| 1995 sewage works | <u>835,000</u> | <u>260,737</u> |
| Total Wastewater Utility | <u>8,132,534</u> | <u>871,713</u> |
| Total business-type activities debt | <u>\$ 12,491,534</u> | <u>\$ 1,191,918</u> |

Note: The Wastewater Utility's State Revolving Loan (SRF) has an established maximum draw of \$9,229,000. As of December 31, 2006, the Utility had drawn down \$8,111,700 and may still draw an additional \$1,117,300. Also, as of December 31, 2006, the Utility had repaid principal in the amount of \$184,300, which results in the \$7,297,534 balance shown above. The final principal balance will not be determined until the planned construction projects are completed.

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE CITY OF MADISON, JEFFERSON COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Madison (City) 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 December 31, 2006. The City's major federal programs are identified in the Summary of Auditor's 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's management. Our responsibility is to express an opinion on the City'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'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's compliance with those requirements.

In our opinion, the City 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 December 31, 2006.

Internal Control Over Compliance

The management of the City 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's internal control over compliance with 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's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a City'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 entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information and use of the City's management 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. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 7, 2007

CITY OF MADISON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2006

| Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title | Federal CFDA Number | Pass-Through Entity (or Other) Identifying Number | Total Federal Awards Expended |
|---|---------------------------|--|-------------------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | |
| Direct Grant: | | | |
| Rural Housing Preservation Grants Housing Preservation | 10.433 | 15-039-0356001100 | \$ 28,765 |
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | |
| Pass-Through Indiana Lieutenant Governor's Office of Community and Rural Affairs: | | | |
| Community Development Block Grants/State's Program Community Focus Grant | 14.228 | CF-04-109 | 102,492 |
| Pass-Through Indiana Housing and Community Development Authority: | | | |
| Community Development Block Grants/State's Program Owner-Occupied Rehabilitation | 14.228 | HD-005-006 | 161,394 |
| Total for federal grantor agency | | | <u>263,886</u> |
| <u>U.S. DEPARTMENT OF JUSTICE</u> | | | |
| Pass-Through Indiana Criminal Justice Institute: | | | |
| Crime Victim Assistance Crisis Intervention, Victim Advocacy and Family Safety Program | 16.575 | 2006-VA-GX-0039 | 13,707 |
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | |
| Pass-Through Indiana Department of Transportation: | | | |
| Highway Planning and Construction Cluster | | | |
| Highway Planning and Construction Saddletree Factory Ohio River Scenic Byway Interpretive Display | 20.205 | STP-HIST (14) STP-9962 (033) | 2,909 10,565 |
| Total for cluster | | | <u>13,474</u> |
| Pass-Through Indiana Criminal Justice Institute: | | | |
| Highway Safety Cluster State and Community Highway Safety FY 2006 FY 2007 | 20.600 | OP 06-02-03-67 OP 07-01-01-75 | 2,471 900 |
| Total for cluster | | | <u>3,371</u> |
| Direct Grant: | | | |
| Airport Improvement Program | 20.106 | 3-18-0052-0604 3-18-0052-0705 3-18-0052-0805 | 9,961 107,607 844,249 |
| Total for program | | | <u>961,817</u> |
| Total for federal grantor agency | | | <u>978,662</u> |
| <u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u> | | | |
| Pass-Through Indiana Department of Environmental Management: | | | |
| Capitalization Grants for Clean Water State Revolving Funds State Revolving Fund (SRF) | 66.458 | CS18236001 | 1,122,508 |
| Total federal awards expended | | | <u>\$ 2,407,528</u> |

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MADISON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Madison (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2006:

| Program Title | Federal CFDA Number | 2006 |
|-------------------------|---------------------------|-----------|
| Crime Victim Assistance | 16.575 | \$ 13,707 |

CITY OF MADISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? no
 Reportable conditions 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
 Reportable conditions identified that are not considered to be material weaknesses none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

| CFDA Number | Name of Federal Program or Cluster |
|----------------|------------------------------------|
| 20.106 | Airport Improvement Program |

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF MADISON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF MADISON
EXIT CONFERENCE

The contents of this report were discussed on November 7, 2007, with Albert G. Huntington, Mayor; and Beverly Armstrong, Clerk-Treasurer. Our audit disclosed no material items that warrant comment at this time.