

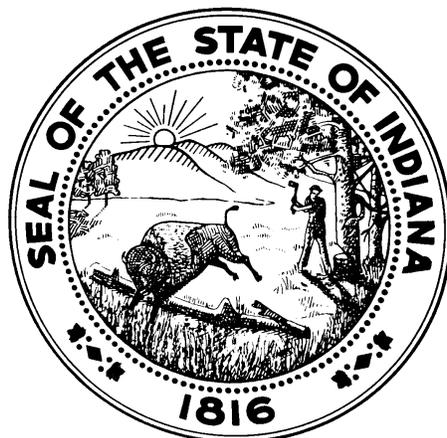
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2008

CITY OF MADISON

JEFFERSON COUNTY, INDIANA



FILED
12/08/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dave Adams	01-01-08 to 12-31-11
Mayor	Tim Armstrong	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Tim Armstrong	01-01-08 to 12-31-11
President of the Common Council	Bob Schoenstein Damon Welch	01-01-08 to 12-31-08 01-01-09 to 12-31-09
Superintendent of Utilities	Randy Eggenpiller	01-01-08 to 12-31-09
Utility Office Manager	Brenda Carpenter David Stucker	01-01-08 to 04-19-09 04-20-09 to 12-31-09



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, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City'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, 2008, 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 October 26, 2009, 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, grant 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's 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

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

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.

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

October 26, 2009



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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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 26, 2009. 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

October 26, 2009

CITY OF MADISON
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

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	\$ 2,579,037	\$ 181,570	\$ 146,218	\$ 663,345	\$ (1,587,904)	\$ -	\$ (1,587,904)
Public safety	2,079,463	17,081	46,055	-	(2,016,327)	-	(2,016,327)
Highways and streets	1,585,961	-	324,600	62,096	(1,199,265)	-	(1,199,265)
Sanitation	826,553	900,669	12,777	-	86,893	-	86,893
Culture and recreation	1,699,755	703,196	77,576	9,433	(909,550)	-	(909,550)
Urban redevelopment and housing	635,398	-	14,500	2,667	(618,231)	-	(618,231)
Aviation	1,531,389	47,783	7,451	1,368,985	(107,170)	-	(107,170)
Principal and interest on indebtedness	175,163	-	-	-	(175,163)	-	(175,163)
Total governmental activities	11,112,719	1,850,299	629,177	2,106,526	(6,526,717)	-	(6,526,717)
Business-type activities:							
Water	2,571,859	1,738,557	-	780,217	-	(53,085)	(53,085)
Wastewater	3,281,184	2,605,036	-	101,960	-	(574,188)	(574,188)
Total business-type activities	5,853,043	4,343,593	-	882,177	-	(627,273)	(627,273)
Total primary government	\$ 16,965,762	\$ 6,193,892	\$ 629,177	\$ 2,988,703	(6,526,717)	(627,273)	(7,153,990)
General receipts:							
Property taxes					6,542,355	-	6,542,355
Intergovernmental					243,061	-	243,061
Other local sources					745,262	47,203	792,465
Net proceeds from borrowings					773,171	146,452	919,623
Investment earnings					253,168	22,502	275,670
Total general receipts					8,557,017	216,157	8,773,174
Change in net assets					2,030,300	(411,116)	1,619,184
Net assets - beginning					10,630,594	2,833,216	13,463,810
Net assets - ending					\$ 12,660,894	\$ 2,422,100	\$ 15,082,994
<u>Assets</u>							
Cash and investments					\$ 5,233,405	\$ 447,217	\$ 5,680,622
Cash with fiscal agent					452,821	-	452,821
Restricted assets:							
Cash and investments					6,974,668	1,974,883	8,949,551
Total assets					\$ 12,660,894	\$ 2,422,100	\$ 15,082,994
<u>Net Assets</u>							
Restricted for:							
General government					\$ 263,995	\$ -	\$ 263,995
Public safety					34,644	-	34,644
Highways and streets					214,242	-	214,242
Sanitation					117,955	-	117,955
Culture and recreation					840,512	-	840,512
Urban redevelopment and housing					5,012,963	-	5,012,963
Aviation					210,733	-	210,733
Debt service					-	1,934,337	1,934,337
Capital outlay					462,257	-	462,257
Other purposes					270,188	40,546	310,734
Unrestricted					5,233,405	447,217	5,680,622
Total net assets					\$ 12,660,894	\$ 2,422,100	\$ 15,082,994

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, 2008

	General Fund	TIF District	Aviation Grant	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 4,029,423	\$ 1,346,749	\$ -	\$ 1,166,183	\$ 6,542,355
Licenses and permits	60,064	-	-	4,450	64,514
Intergovernmental	369,046	2,667	1,368,985	1,542,336	3,283,034
Charges for services	109,505	-	-	1,645,580	1,755,085
Fines and forfeits	6,798	-	-	-	6,798
Interfund loans	1,000,000	1,000,000	-	301,617	2,301,617
Other	271,257	181,511	-	265,294	718,062
Total receipts	5,846,093	2,530,927	1,368,985	4,925,460	14,671,465
Disbursements:					
General government	1,683,809	-	-	178,931	1,862,740
Public safety	2,050,383	-	-	29,080	2,079,463
Highways and streets	985,509	-	-	600,452	1,585,961
Sanitation	-	-	-	826,553	826,553
Culture and recreation	27,000	-	-	1,672,755	1,699,755
Urban redevelopment and housing	-	126,119	-	19,801	145,920
Aviation	-	-	-	162,407	162,407
Interfund loans	1,000,000	1,000,000	-	301,617	2,301,617
Debt service:					
Principal	-	-	-	130,895	130,895
Interest	-	-	-	44,268	44,268
Capital outlay:					
General government	-	-	-	716,297	716,297
Urban redevelopment and housing	-	489,478	-	-	489,478
Aviation	-	-	1,368,982	-	1,368,982
Total disbursements	5,746,701	1,615,597	1,368,982	4,683,056	13,414,336
Excess of receipts over disbursements	99,392	915,330	3	242,404	1,257,129
Other financing sources (uses):					
Net proceeds from borrowings	-	-	-	773,171	773,171
Transfers in	-	-	-	145,997	145,997
Transfers out	-	(50,000)	-	(95,997)	(145,997)
Total other financing sources (uses)	-	(50,000)	-	823,171	773,171
Excess of receipts and other financing sources over disbursements and other financing uses	99,392	865,330	3	1,065,575	2,030,300
Cash and investment fund balance - beginning	2,465,777	3,324,075	-	4,840,742	10,630,594
Cash and investment fund balance - ending	\$ 2,565,169	\$ 4,189,405	\$ 3	\$ 5,906,317	\$ 12,660,894
Cash and Investment Assets - Ending					
Cash and investments	\$ 2,565,169	\$ -	\$ -	\$ 2,668,236	\$ 5,233,405
Cash with fiscal agent	-	-	-	452,821	452,821
Restricted assets:					
Cash and investments	-	4,189,405	3	2,785,260	6,974,668
Total cash and investment assets	\$ 2,565,169	\$ 4,189,405	\$ 3	\$ 5,906,317	\$ 12,660,894
Cash and Investment Fund Balance - Ending					
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ 263,995	\$ 263,995
Public safety	-	-	-	34,644	34,644
Highways and streets	-	-	-	214,242	214,242
Sanitation	-	-	-	117,955	117,955
Culture and recreation	-	-	-	840,512	840,512
Urban redevelopment and housing	-	4,189,405	-	823,558	5,012,963
Aviation	-	-	-	210,733	210,733
Capital outlay	-	-	3	462,254	462,257
Other purposes	-	-	-	270,188	270,188
Unrestricted	2,565,169	-	-	2,668,236	5,233,405
Total cash and investment fund balance	\$ 2,565,169	\$ 4,189,405	\$ 3	\$ 5,906,317	\$ 12,660,894

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, 2008

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Metered/measured	\$ 1,701,985	\$ 2,577,860	\$ 4,279,845
Miscellaneous	36,572	27,176	63,748
Total operating receipts	<u>1,738,557</u>	<u>2,605,036</u>	<u>4,343,593</u>
Operating disbursements:			
Insurance claims and expense	46,357	50,793	97,150
Source of supply	635,562	-	635,562
Water treatment	41,897	-	41,897
Transmission and distribution	241,909	-	241,909
Customer accounts	2,037	12,733	14,770
Administration and general	321,866	488,622	810,488
Collection system	-	73,388	73,388
Pumping	-	319,728	319,728
Treatment and disposal	-	1,184,635	1,184,635
Equipment and capital improvements	819,651	246,984	1,066,635
Miscellaneous	70,133	-	70,133
Total operating disbursements	<u>2,179,412</u>	<u>2,376,883</u>	<u>4,556,295</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(440,855)</u>	<u>228,153</u>	<u>(212,702)</u>
Nonoperating receipts (disbursements):			
Miscellaneous receipts	47,203	-	47,203
Investment income	6,640	15,862	22,502
Net proceeds from borrowings	-	146,452	146,452
Miscellaneous disbursements	(13,317)	-	(13,317)
Debt service of principal	(264,000)	(624,700)	(888,700)
Interest disbursements	(115,130)	(279,601)	(394,731)
Total nonoperating disbursements	<u>(338,604)</u>	<u>(741,987)</u>	<u>(1,080,591)</u>
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	<u>(779,459)</u>	<u>(513,834)</u>	<u>(1,293,293)</u>
Capital contributions	780,217	101,960	882,177
Transfers in	414,540	965,325	1,379,865
Transfers out	(414,540)	(965,325)	(1,379,865)
Excess (deficiency) of receipts, contributions and transfers in over (under) disbursements and transfers out	758	(411,874)	(411,116)
Cash and investment fund balance - beginning	<u>1,070,589</u>	<u>1,762,627</u>	<u>2,833,216</u>
Cash and investment fund balance - ending	<u>\$ 1,071,347</u>	<u>\$ 1,350,753</u>	<u>\$ 2,422,100</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 410,062	\$ 37,155	\$ 447,217
Restricted assets:			
Cash and investments	661,285	1,313,598	1,974,883
Total cash and investment assets - December 31	<u>\$ 1,071,347</u>	<u>\$ 1,350,753</u>	<u>\$ 2,422,100</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 620,739	\$ 1,313,598	\$ 1,934,337
Other purposes	40,546	-	40,546
Unrestricted	410,062	37,155	447,217
Total cash and investment fund balance - December 31	<u>\$ 1,071,347</u>	<u>\$ 1,350,753</u>	<u>\$ 2,422,100</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, 2008

	<u>Pension Trust Fund</u>	<u>Agency Fund</u>
Additions:		
Contributions:		
Employer	\$ 181,201	
Plan members	1,811	
State	<u>247,071</u>	
Total contributions	<u>430,083</u>	
Investment earnings:		
Interest	<u>3,036</u>	
Total additions	<u>433,119</u>	
Deductions:		
Benefits	452,429	
Administrative and general	<u>1,100</u>	
Total deductions	<u>453,529</u>	
Deficiency of total additions over total deductions	(20,410)	
Cash and investment fund balance - beginning	<u>496,034</u>	
Cash and investment fund balance - ending	<u>\$ 475,624</u>	<u>\$ 131,185</u>

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, 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 TIF district fund accounts for urban redevelopment of certain areas financed by tax increment financing.

The aviation grant fund accounts for federal grant monies received to be used for improvements at the airport.

The City reports the following major proprietary funds:

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

CITY OF MADISON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

The agency fund accounts for assets held by the City as an agent for various entities for whom payroll deductions are withheld and serves as a 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. 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 nonoperating 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.

CITY OF MADISON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

3. 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.

4. 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.

5. 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.

CITY OF MADISON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

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

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 government-wide 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 City does not have a deposit policy for custodial credit risk. At December 31, 2008, the City had deposit balances in the amount of \$15,413,827.

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.

CITY OF MADISON
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

As of December 31, 2008, the City had the following investments:

Investment Type	Primary Government Market Value
Mutual funds	\$ 452,821

Statutory Authorization for Investments

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.

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.

CITY OF MADISON
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, were as follows:

Transfer From	Transfer To	2008
TIF District	Other governmental funds	\$ 50,000
Other governmental funds	Other governmental funds	<u>95,997</u>
 Total		 <u><u>\$ 145,997</u></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.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; 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.

CITY OF MADISON
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Loans Receivable

As of December 31, 2008, the City has loans receivable in the total amount of \$382,532. This amount consists of ten separate loans to local businesses for the purpose of promoting economic development.

Payments on 8 of the 10 loans 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 8 loans in delinquent status account for \$196,569 of the total loans receivable noted above.

D. Subsequent Events

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

On January 29, 2009, the City was awarded \$1,509,995 in Federal Highway Administration (FHWA) Group III funds for the project extending Hutchinson Road from State Road 7 to Wilson Avenue.

The City was awarded \$1.23 million in stimulus funds to install a sidewalk on Michigan Road. The project was the first "shovel ready" project to be submitted to the state for stimulus dollars under the American Recovery and Reinvestment Act. Originally, the project was to be financed with Federal Highway Administration (FHWA) Group III funds.

On May 19, 2009, the water infrastructure improvement project was awarded to Sedam Construction in the amount of \$855,474. To finance the project, the City planned to receive financial assistance from the State's Drinking Water Revolving Loan Program (SRF Loan). The original SRF Loan amount was not to exceed \$1,095,000; however, in 2009 the city received \$328,500 in stimulus money from the American Recovery and Reinvestment Act and may now need to only borrow up to \$766,500 from the SRF Loan.

E. 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 December 16, 2008.

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 December 16, 2008.

CITY OF MADISON
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. 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

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>
Annual required contribution	\$ 150,012	\$ 498,300
Interest on net pension obligation	(4,268)	191,000
Adjustment to annual required contribution	<u>4,863</u>	<u>(240,900)</u>
Annual pension cost	150,607	448,400
Contributions made	<u>130,660</u>	<u>428,273</u>
Increase in net pension obligation	19,947	20,127
Net pension obligation, beginning of year	<u>(58,863)</u>	<u>3,182,930</u>
Net pension obligation, end of year	<u>\$ (38,916)</u>	<u>\$ 3,203,057</u>
	<u>PERF</u>	<u>1925 Police Officers' Pension</u>
Contribution rates:		
City	5.13%	1143%
Plan members	3%	6%
Actuarial valuation date	07-01-08	01-01-08
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	30 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	06-30-06	\$ 111,775	89%	\$ (81,119)
	06-30-07	129,497	83%	(58,863)
	06-30-08	150,607	87%	(38,916)
1925 Police Officers' Pension Plan	12-31-06	519,300	103%	3,016,349
	12-31-07	483,300	66%	3,182,930
	12-31-08	448,400	96%	3,203,057

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2008, was comprised of the following:

	1925 Police Officers' Pension
Retirees and beneficiaries currently receiving benefits	20
Current active employees	1

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, 2008, 2007, and 2006, were \$214,062, \$216,757, and \$209,499, 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)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 2,385,175	\$ 2,468,405	\$ (83,230)	97%	\$ 2,157,969	(4%)
07-01-07	2,628,409	2,766,975	(138,566)	95%	2,395,751	(6%)
07-01-08	2,797,524	2,822,048	(24,524)	99%	2,355,366	(1%)

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)
01-01-03	\$ 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%)
01-01-07	593,524	6,925,700	(6,332,176)	9%	84,600	(7,485%)
01-01-08	496,034	6,628,700	(6,132,666)	7%	43,600	(14,066%)

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	12-31-03	\$ 748,800	0%	23%
	12-31-04	780,700	14%	21%
	12-31-05	428,500	58%	39%
	12-31-06	560,500	61%	34%
	12-31-07	527,200	17%	43%
	12-31-08	498,300	36%	50%

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, 2008

	Motor Vehicle Highway	Local Road and Street	Aviation	Park Special Nonreverting	Community Development Action Grant	Law Enforcement Continuing Education	Riverboat
Receipts:							
Taxes	\$ -	\$ -	\$ 113,805	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	4,450	-
Intergovernmental	322,602	55,959	7,451	24,000	-	-	75,302
Charges for services	-	-	12,614	141,480	-	5,833	-
Interfund loans	-	-	-	-	21,617	-	-
Other	466	466	466	4,073	-	-	-
Total receipts	323,068	56,425	134,336	169,553	21,617	10,283	75,302
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	16,893	-
Highways and streets	557,045	37,270	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	154,064	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Aviation	-	-	124,649	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Aviation	-	-	-	-	-	-	-
Total disbursements	557,045	37,270	124,649	154,064	-	16,893	-
Excess (deficiency) of receipts over disbursements	(233,977)	19,155	9,687	15,489	21,617	(6,610)	75,302
Other financing sources (uses):							
Net proceeds from borrowings	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(233,977)	19,155	9,687	15,489	21,617	(6,610)	75,302
Cash and investment fund balance - beginning	374,038	53,187	85,330	4,721	847,401	30,458	378,527
Cash and investment fund balance - ending	\$ 140,061	\$ 72,342	\$ 95,017	\$ 20,210	\$ 869,018	\$ 23,848	\$ 453,829
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 869,018	\$ -	\$ 453,829
Cash with fiscal agent	-	-	-	-	-	-	-
Restricted assets:							
Cash and investments	140,061	72,342	95,017	20,210	-	23,848	-
Total cash and investment assets - ending	\$ 140,061	\$ 72,342	\$ 95,017	\$ 20,210	\$ 869,018	\$ 23,848	\$ 453,829
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	23,848	-
Highways and streets	140,061	72,342	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	20,210	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Aviation	-	-	95,017	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	869,018	-	453,829
Total cash and investment fund balance - ending	\$ 140,061	\$ 72,342	\$ 95,017	\$ 20,210	\$ 869,018	\$ 23,848	\$ 453,829

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, 2008
 (Continued)

	Park and Recreation	Park Donation	Donation City Employee	Railroad Clean-Up	Broadway Fountain Donation	Madison Beautification	Farmers Market Grant
Receipts:							
Taxes	\$ 818,374	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	57,062	-	-	-	-	-	-
Charges for services	483,209	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	5,372	17,650	5,651	4,308	533	30,642	8,670
Total receipts	1,364,017	17,650	5,651	4,308	533	30,642	8,670
Disbursements:							
General government	-	-	7,625	3,863	-	-	7,379
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	1,257,473	35,420	-	-	639	29,495	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Aviation	-	-	-	-	-	-	-
Interfund loans	21,617	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Aviation	-	-	-	-	-	-	-
Total disbursements	1,279,090	35,420	7,625	3,863	639	29,495	7,379
Excess (deficiency) of receipts over disbursements	84,927	(17,770)	(1,974)	445	(106)	1,147	1,291
Other financing sources (uses):							
Net proceeds from borrowings	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	84,927	(17,770)	(1,974)	445	(106)	1,147	1,291
Cash and investment fund balance - beginning	634,413	24,590	12,985	-	985	-	-
Cash and investment fund balance - ending	\$ 719,340	\$ 6,820	\$ 11,011	\$ 445	\$ 879	\$ 1,147	\$ 1,291
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ -	\$ 445	\$ -	\$ -	\$ -
Cash with fiscal agent	-	-	-	-	-	-	-
Restricted assets:							
Cash and investments	719,340	6,820	11,011	-	879	1,147	1,291
Total cash and investment assets - ending	\$ 719,340	\$ 6,820	\$ 11,011	\$ 445	\$ 879	\$ 1,147	\$ 1,291
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ 11,011	\$ -	\$ -	\$ -	\$ 1,291
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	719,340	6,820	-	-	879	1,147	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Aviation	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	-	-	-	445	-	-	-
Total cash and investment fund balance - ending	\$ 719,340	\$ 6,820	\$ 11,011	\$ 445	\$ 879	\$ 1,147	\$ 1,291

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, 2008
 (Continued)

	Scenic Byway	Rainy Day	Bi-Centennial Event	Madison Police K-9	Police Donation	Aviation Nonreverting Operating	City Downtown Golf Course
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	6,137	50,707	-	-	-	-	-
Charges for services	-	-	-	-	-	35,169	66,606
Interfund loans	-	-	-	-	-	-	140,000
Other	-	-	123,625	8,882	4,454	42,042	354
Total receipts	6,137	50,707	123,625	8,882	4,454	77,211	206,960
Disbursements:							
General government	-	156,151	-	-	-	-	-
Public safety	-	-	-	-	12,187	-	-
Highways and streets	6,137	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	50,935	-	-	-	144,729
Urban redevelopment and housing	-	-	-	-	-	-	-
Aviation	-	-	-	-	-	37,758	-
Interfund loans	-	-	-	-	-	-	140,000
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Aviation	-	-	-	-	-	-	-
Total disbursements	6,137	156,151	50,935	-	12,187	37,758	284,729
Excess (deficiency) of receipts over disbursements	-	(105,444)	72,690	8,882	(7,733)	39,453	(77,769)
Other financing sources (uses):							
Net proceeds from borrowings	-	-	-	-	-	-	-
Transfers in	-	-	15,997	-	-	50,000	80,000
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	15,997	-	-	50,000	80,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(105,444)	88,687	8,882	(7,733)	89,453	2,231
Cash and investment fund balance - beginning	1,839	276,667	202	-	9,647	26,263	-
Cash and investment fund balance - ending	<u>\$ 1,839</u>	<u>\$ 171,223</u>	<u>\$ 88,889</u>	<u>\$ 8,882</u>	<u>\$ 1,914</u>	<u>\$ 115,716</u>	<u>\$ 2,231</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 171,223	\$ -	\$ -	\$ -	\$ -	\$ -
Cash with fiscal agent	-	-	-	-	-	-	-
Restricted assets:							
Cash and investments	1,839	-	88,889	8,882	1,914	115,716	2,231
Total cash and investment assets - ending	<u>\$ 1,839</u>	<u>\$ 171,223</u>	<u>\$ 88,889</u>	<u>\$ 8,882</u>	<u>\$ 1,914</u>	<u>\$ 115,716</u>	<u>\$ 2,231</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	8,882	1,914	-	-
Highways and streets	1,839	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	88,889	-	-	-	2,231
Urban redevelopment and housing	-	-	-	-	-	-	-
Aviation	-	-	-	-	-	115,716	-
Capital outlay	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	-	171,223	-	-	-	-	-
Total cash and investment fund balance - ending	<u>\$ 1,839</u>	<u>\$ 171,223</u>	<u>\$ 88,889</u>	<u>\$ 8,882</u>	<u>\$ 1,914</u>	<u>\$ 115,716</u>	<u>\$ 2,231</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, 2008
 (Continued)

	Madison City Tree Board	Real Estate Sales Proceeds	Community of Compassion	Micro- Enterprise Grant	Investment Incentive Program	Economic Development Commission
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	19,801
Aviation	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Aviation	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	19,801
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	(19,801)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(15,997)	-
Total other financing sources (uses)	-	-	-	-	(15,997)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	(15,997)	(19,801)
Cash and investment fund balance - beginning	794	14,360	7,439	29,973	15,997	113,663
Cash and investment fund balance - ending	<u>\$ 794</u>	<u>\$ 14,360</u>	<u>\$ 7,439</u>	<u>\$ 29,973</u>	<u>\$ -</u>	<u>\$ 93,862</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash with fiscal agent	-	-	-	-	-	-
Restricted assets:						
Cash and investments	794	14,360	7,439	29,973	-	93,862
Total cash and investment assets - ending	<u>\$ 794</u>	<u>\$ 14,360</u>	<u>\$ 7,439</u>	<u>\$ 29,973</u>	<u>\$ -</u>	<u>\$ 93,862</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ 7,439	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	794	-	-	-	-	-
Urban redevelopment and housing	-	14,360	-	29,973	-	93,862
Aviation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - ending	<u>\$ 794</u>	<u>\$ 14,360</u>	<u>\$ 7,439</u>	<u>\$ 29,973</u>	<u>\$ -</u>	<u>\$ 93,862</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, 2008
 (Continued)

	Microloan	Heritage Trails	Urban Forestry	Disaster Mitigation	Revolving Loan	Transfer Station Operating
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	14,500	-	-	243,061	-	12,777
Charges for services	-	-	-	-	-	900,669
Interfund loans	-	-	-	-	-	-
Other	4,682	-	270	-	2,628	60
Total receipts	19,182	-	270	243,061	2,628	913,506
Disbursements:						
General government	-	-	199	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	826,553
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Aviation	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Aviation	-	-	-	-	-	-
Total disbursements	-	-	199	-	-	826,553
Excess (deficiency) of receipts over disbursements	19,182	-	71	243,061	2,628	86,953
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	19,182	-	71	243,061	2,628	86,953
Cash and investment fund balance - beginning	85,407	202	1,122	-	578,146	31,002
Cash and investment fund balance - ending	<u>\$ 104,589</u>	<u>\$ 202</u>	<u>\$ 1,193</u>	<u>\$ 243,061</u>	<u>\$ 580,774</u>	<u>\$ 117,955</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash with fiscal agent	-	-	-	-	-	-
Restricted assets:						
Cash and investments	104,589	202	1,193	243,061	580,774	117,955
Total cash and investment assets - ending	\$ 104,589	\$ 202	\$ 1,193	\$ 243,061	\$ 580,774	\$ 117,955
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ 1,193	\$ 243,061	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	117,955
Culture and recreation	-	202	-	-	-	-
Urban redevelopment and housing	104,589	-	-	-	580,774	-
Aviation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - ending	\$ 104,589	\$ 202	\$ 1,193	\$ 243,061	\$ 580,774	\$ 117,955

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, 2008
 (Continued)

	Riverfront Development	Cumulative Capital Improvement	Cumulative Capital Development	County Tax (EDIT)	Energy Savings Project	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ 234,004	\$ -	\$ -	\$ 1,166,183
Licenses and permits	-	-	-	-	-	4,450
Intergovernmental	9,433	39,038	15,319	608,988	-	1,542,336
Charges for services	-	-	-	-	-	1,645,580
Interfund loans	-	-	-	140,000	-	301,617
Other	-	-	-	-	-	265,294
Total receipts	9,433	39,038	249,323	748,988	-	4,925,460
Disbursements:						
General government	-	-	-	3,714	-	178,931
Public safety	-	-	-	-	-	29,080
Highways and streets	-	-	-	-	-	600,452
Sanitation	-	-	-	-	-	826,553
Culture and recreation	-	-	-	-	-	1,672,755
Urban redevelopment and housing	-	-	-	-	-	19,801
Aviation	-	-	-	-	-	162,407
Interfund loans	-	-	-	140,000	-	301,617
Debt service:						-
Principal	-	-	42,366	88,529	-	130,895
Interest	-	-	12,673	31,595	-	44,268
Capital outlay:						-
General government	-	43,734	213,850	138,363	320,350	716,297
Aviation	-	-	-	-	-	-
Total disbursements	-	43,734	268,889	402,201	320,350	4,683,056
Excess (deficiency) of receipts over disbursements	9,433	(4,696)	(19,566)	346,787	(320,350)	242,404
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	773,171	773,171
Transfers in	-	-	-	-	-	145,997
Transfers out	-	-	-	(80,000)	-	(95,997)
Total other financing sources (uses)	-	-	-	(80,000)	773,171	823,171
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,433	(4,696)	(19,566)	266,787	452,821	1,065,575
Cash and investment fund balance - beginning	-	45,427	249,023	906,934	-	4,840,742
Cash and investment fund balance - ending	<u>\$ 9,433</u>	<u>\$ 40,731</u>	<u>\$ 229,457</u>	<u>\$ 1,173,721</u>	<u>\$ 452,821</u>	<u>\$ 5,906,317</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ 1,173,721	\$ -	\$ 2,668,236
Cash with fiscal agent	-	-	-	-	452,821	452,821
Restricted assets:						
Cash and investments	9,433	40,731	229,457	-	-	2,785,260
Total cash and investment assets - ending	\$ 9,433	\$ 40,731	\$ 229,457	\$ 1,173,721	\$ 452,821	\$ 5,906,317
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 263,995
Public safety	-	-	-	-	-	34,644
Highways and streets	-	-	-	-	-	214,242
Sanitation	-	-	-	-	-	117,955
Culture and recreation	-	-	-	-	-	840,512
Urban redevelopment and housing	-	-	-	-	-	823,558
Aviation	-	-	-	-	-	210,733
Capital outlay	9,433	-	-	-	452,821	462,254
Other purposes	-	40,731	229,457	-	-	270,188
Unrestricted	-	-	-	1,173,721	-	2,668,236
Total cash and investment fund balance - ending	\$ 9,433	\$ 40,731	\$ 229,457	\$ 1,173,721	\$ 452,821	\$ 5,906,317

CITY OF MADISON
 SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For The Year Ended December 31, 2008

	Payroll
Additions:	
Agency fund additions	\$ 6,349,964
Deductions:	
Agency fund deductions	6,343,916
Excess of total additions over total deductions	6,048
Cash and investment fund balance - beginning	125,137
Cash and investment fund balance - ending	\$ 131,185

CITY OF MADISON
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
December 31, 2008

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	\$ 2,234,940
Infrastructure	6,264,761
Buildings	4,116,320
Improvements other than buildings	2,987,663
Machinery and equipment	<u>4,016,507</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 19,620,191</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	919,024
Machinery and equipment	<u>1,063,224</u>
 Total Water Utility capital assets	 <u>9,624,137</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Construction in progress	9,123,531
 Wastewater collection and distribution system	 2,824,881
Buildings	1,855,680
Improvements other than buildings	764,806
Machinery and equipment	<u>2,818,411</u>
 Total Wastewater Utility capital assets	 <u>17,387,309</u>
 Total business-type activities capital assets	 <u>\$ 27,011,446</u>

CITY OF MADISON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
City hall	\$ 200,281	\$ 55,079
Energy savings installment contract	1,492,057	215,065
Loan payable	<u>170,811</u>	<u>17,305</u>
Total governmental activities debt	<u>\$ 1,863,149</u>	<u>\$ 287,449</u>
Business-type activities:		
Water Utility:		
State revolving loan (SRF)	<u>\$ 3,838,000</u>	<u>\$ 327,651</u>
Wastewater Utility:		
State revolving loan (SRF) (See Note below)	7,319,283	640,795
Revenue bonds:		
1995 Sewage Works	<u>385,000</u>	<u>274,157</u>
Total Wastewater Utility	<u>7,704,283</u>	<u>914,952</u>
Total business-type activities debt:	<u>\$ 11,542,283</u>	<u>\$ 1,242,603</u>

NOTE: The Wastewater Utility's State Revolving Loan (SRF) has an established maximum draw of \$9,229,000. As of December 31, 2008, the Utility had drawn down \$9,203,883 and may still draw an additional \$25,117. Also, as of December 31, 2008, the Utility had repaid principal in the amount of \$1,884,600, which results in the \$7,319,283 balance shown above. The final principal balance will not be determined until the planned construction projects are completed.

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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, 2008. 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, 2008.

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.

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

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)

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

October 26, 2009

CITY OF MADISON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2008

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation:			
Highway Planning and Construction Cluster			
Highway Planning and Construction			
	20.205		
Ohio River Scenic Byway Interpretive Display		STP-9982 (033)	\$ 4,909
Relocation of Water Main on SR 62		Des. No. 9902940	579,880
Relocation of Sewer Main on SR 62		Des. No. 9902940	<u>117,821</u>
Total for program			<u>702,610</u>
Pass-Through Indiana Criminal Justice Institute:			
Highway Safety Cluster			
State and Community Highway Safety			
	20.600		
Operation Pullover		OP 08-01-01-79	3,100
Operation Pullover		OP 09-01-01-82	<u>800</u>
Total for program			<u>3,900</u>
Direct Grant:			
Airport Improvement Program			
	20.106		
		AIP-3-18-0052-0805	23,548
		AIP-3-18-0052-0906	93,632
		AIP-3-18-0052-1006	351,989
		AIP-3-18-0052-1107	465,143
		AIP-3-18-0052-1208	<u>397,740</u>
Total for program			<u>1,332,052</u>
Total for federal grantor agency			<u>2,038,562</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority:			
Capitalization Grants for Clean Water State Revolving Funds			
	66.458		
State Revolving Loan (SRF)		CS18236001	<u>52,826</u>
Total for federal grantor agency			<u>52,826</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security:			
Disaster Grants - Public Assistance			
	97.036		
		DR-1766	27,733
		DR-1795	<u>215,328</u>
Total for federal grantor agency			<u>243,061</u>
Total federal awards expended			<u>\$ 2,334,449</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MADISON
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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.

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
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of 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
20.205	Highway Planning and Construction Cluster

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 October 26, 2009, with Tim Armstrong, Mayor; Dave Adams, Clerk-Treasurer; and Damon Welch, President of the County Council. Our audit disclosed no material items that warrant comment at this time.