

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF MADISON

JEFFERSON COUNTY, INDIANA

January 1, 2011 to December 31, 2011



**FILED**  
09/27/2012



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report .....	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards .....	5-6
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	8
Notes to Financial Statement .....	9-14
Supplementary Information:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	16-25
Schedule of Payables and Receivables .....	26
Schedule of Leases and Debt .....	27
Schedule of Capital Assets .....	28
Audit Results and Comments:	
Credit Card .....	29
Expenditures Paid From Tax Increment Financing Fund .....	29-31
Positions Paid From Multiple Funds .....	31
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	34-35
Schedule of Expenditures of Federal Awards .....	38
Note to Schedule of Expenditures of Federal Awards .....	39
Schedule of Findings and Questioned Costs .....	40
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings .....	41
Exit Conference .....	42
Official Response .....	43

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	David Adams William Kalb	01-01-08 to 12-31-11 01-01-12 to 12-31-15
Mayor	Tim Armstrong Damon Welch	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Tim Armstrong Damon Welch	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Common Council	Darrell Henderson Laura Hodges	01-01-11 to 12-31-11 01-01-12 to 12-31-12
Superintendent of Utilities	Randy Eggenpiller	01-01-11 to 12-31-12
Utility Office Manager	Brian Jackson	01-01-11 to 12-31-12



**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](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the City of Madison (City), for the year ended December 31, 2011. This financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 7, 2012, 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 integral part of 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 an opinion on the City's financial statement. 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 financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

The City's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, 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

August 7, 2012



**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](http://www.in.gov/sboa)

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

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

We have audited the financial statement of the City of Madison (City), for the year ended December 31, 2011, and have issued our report thereon dated August 7, 2012. 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 opinion on the financial statement, 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Compliance and Other Matters

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

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

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, 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

August 7, 2012

## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF MADISON  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 2,047,184	\$ 5,041,495	\$ 4,854,526	\$ 2,234,153
Motor Vehicle Highway	13,575	316,031	273,555	56,051
Local Road And Street	55,170	52,864	53,697	54,337
Aviation	105,616	79,184	104,699	80,101
Park Nonreverting Operating	83,498	195,969	176,875	102,592
Police Continuing Education	11,590	10,168	15,533	6,225
Unsafe Building	-	37,506	20,389	17,117
Riverboat Distribution Fund	604,071	75,122	-	679,193
Park & Recreations-General	592,258	1,016,353	1,090,943	517,668
Rainy Day	612,959	-	77,768	535,191
Police K-9	2,331	1,731	1,004	3,058
Levy Excess	15,167	-	15,167	-
Cumulative Capital Development	375,788	201,599	175,158	402,229
SCBA Fire Dept Grant	-	1,000	-	1,000
Cumulative Capital Improvement	69,475	34,473	43,441	60,507
County Tax Fund	620,650	512,426	934,161	198,915
Police Pension	492,753	531,387	455,353	568,787
Clearinghouse Project	-	200,000	200,000	-
Madison Railroad	-	600,000	600,000	-
Public Service Video (CH 15)	-	37,607	27,446	10,161
Petty Cash	385	-	-	385
Park Donation	3,925	11,356	6,669	8,612
Police Donation	3,800	5,895	3,038	6,657
Revolving Loan	484,086	31,582	75,000	440,668
Sunrise Golf Course Nro	595	-	-	595
Riverfront Development Grant	3,000	-	-	3,000
Madison City Tree Board	1,866	254	2,078	42
City Employee Donation Fund	2,046	11,010	11,193	1,863
Real Estate Sales Proceeds	14,360	-	-	14,360
Community Of Compassion	7,439	-	-	7,439
Micro-Enterprise Grant#Mp94-003	29,974	-	-	29,974
Owner Occupied Rehab Grant	-	119,791	119,791	-
Madison Beautification Fund	116	-	-	116
Bi-Centennial Fund	72,119	5,682	5,259	72,542
Stage Fund NRO	2,904	800	-	3,704
Senior Citizens Fund	8,616	9,236	5,854	11,998
Fire Department Federal Grant	-	272,357	265,707	6,650
Micro Loan Fund	23,582	59,668	25,213	58,037
Heritage Trails Fund	201	-	-	201
Farmers Market Grant Fund	395	2,480	1,887	988
Urban Forestry Fund	416	-	416	-
Scenic Byway Fund	1,265	2,149	2,149	1,265
Disaster Mitigation (Fema)	43,314	50,178	3,875	89,617
Community Development Action Grant	793,552	-	180,375	613,177
Fire Company Investment	579,884	42,000	-	621,884
Utility Insufficient Check Fund	500	-	-	500
Transfer Station Operating	60,826	789,071	798,326	51,571
Aviation-NRO	108,354	38,803	9,737	137,420
Broadway Fountain Donation	1,610	507	-	2,117
Railroad Clean-Up	274	-	274	-
Comm. Dev & Event Fund	1,166	3,000	3,663	503
TIF	4,945,135	1,269,249	1,759,081	4,455,303
Aviation State Grant #3900101	3	224,360	224,360	3
Payroll	175,364	6,747,382	6,772,116	150,630
Insurance Fund	38,116	109,346	108,631	38,831
Sewage Operating	378,624	3,132,444	3,067,834	443,234
Sewage Bond & Interest	346,254	814,771	723,378	437,647
Sewage Debt Reserve	667,023	37,676	7,407	697,292
Jefferson County Sewage Operating	386,865	508,034	453,579	441,320
Water Utility-Operating	332,443	1,864,840	2,042,965	154,318
Water Utility-Bond And Interest	269,259	438,981	438,538	269,702
Water Utility-Customer Deposit	8,251	30,950	17,950	21,251
Water Utility-Debt Reserve	399,908	10,151	-	410,059
Water Meter Investment	35,424	-	-	35,424
Sewage SRF Loan Construction	-	2,106,526	2,106,526	-
<b>Totals</b>	<b>\$ 15,935,324</b>	<b>\$ 27,695,444</b>	<b>\$ 28,362,584</b>	<b>\$ 15,268,184</b>

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

CITY OF MADISON  
NOTES TO FINANCIAL STATEMENT

**Note 1. 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 some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF MADISON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, recycling fees, dog pound fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

CITY OF MADISON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF MADISON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The City may be 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; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement any replacement items purchased.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) 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 members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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. That report may be obtained by contacting:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

CITY OF MADISON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

*B. 1925 Police Officers' Pension Plan*

*Plan Description*

The 1925 Police Officers' Pension Plan 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.

*Funding Policy*

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

*On Behalf Payments*

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

*C. 1977 Police Officers' and Firefighters' Pension and Disability Fund*

*Plan Description*

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

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 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

CITY OF MADISON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy*

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF MADISON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road And Street	Aviation	Park Nonreverting Operating	Police Continuing Education	Unsafe Building
Cash and investments - beginning	\$ 2,047,184	\$ 13,575	\$ 55,170	\$ 105,616	\$ 83,498	\$ 11,590	\$ -
Receipts:							
Taxes	4,388,337	-	-	63,455	-	-	-
Licenses and permits	48,873	-	-	-	-	5,450	-
Intergovernmental	302,204	315,723	52,711	3,931	-	-	-
Charges for services	121,499	-	-	11,645	195,969	2,695	-
Fines and forfeits	460	-	-	-	-	2,023	-
Utility fees	-	-	-	-	-	-	-
Other receipts	180,122	308	153	153	-	-	37,506
Total receipts	<u>5,041,495</u>	<u>316,031</u>	<u>52,864</u>	<u>79,184</u>	<u>195,969</u>	<u>10,168</u>	<u>37,506</u>
Disbursements:							
Personal services	3,184,682	273,555	-	5,521	68,448	-	-
Supplies	428,803	-	53,697	650	90,675	9,894	-
Other services and charges	715,880	-	-	88,512	13,185	5,639	20,389
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	105,419	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	419,742	-	-	10,016	4,567	-	-
Total disbursements	<u>4,854,526</u>	<u>273,555</u>	<u>53,697</u>	<u>104,699</u>	<u>176,875</u>	<u>15,533</u>	<u>20,389</u>
Excess (deficiency) of receipts over disbursements	<u>186,969</u>	<u>42,476</u>	<u>(833)</u>	<u>(25,515)</u>	<u>19,094</u>	<u>(5,365)</u>	<u>17,117</u>
Cash and investments - ending	<u>\$ 2,234,153</u>	<u>\$ 56,051</u>	<u>\$ 54,337</u>	<u>\$ 80,101</u>	<u>\$ 102,592</u>	<u>\$ 6,225</u>	<u>\$ 17,117</u>

CITY OF MADISON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Riverboat Distribution Fund	Park & Recreations-General	Rainy Day	Police K-9	Levy Excess	Cumulative Capital Development	SCBA Fire Dept Grant
Cash and investments - beginning	\$ 604,071	\$ 592,258	\$ 612,959	\$ 2,331	\$ 15,167	\$ 375,788	\$ -
Receipts:							
Taxes	-	481,633	-	-	-	189,844	-
Licenses and permits	-	1,272	-	-	-	-	-
Intergovernmental	75,122	29,774	-	-	-	11,755	-
Charges for services	-	480,898	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	22,776	-	1,731	-	-	1,000
Total receipts	75,122	1,016,353	-	1,731	-	201,599	1,000
Disbursements:							
Personal services	-	700,923	-	-	-	-	-
Supplies	-	148,170	56,444	539	-	35,273	-
Other services and charges	-	214,544	21,324	465	-	84,806	-
Debt service - principal and interest	-	-	-	-	-	55,079	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	27,306	-	-	15,167	-	-
Total disbursements	-	1,090,943	77,768	1,004	15,167	175,158	-
Excess (deficiency) of receipts over disbursements	75,122	(74,590)	(77,768)	727	(15,167)	26,441	1,000
Cash and investments - ending	\$ 679,193	\$ 517,668	\$ 535,191	\$ 3,058	\$ -	\$ 402,229	\$ 1,000

CITY OF MADISON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Cumulative Capital Improvement	County Tax Fund	Police Pension	Clearinghouse Project	Madison Railroad	Public Service Video (CH 15)	Petty Cash
Cash and investments - beginning	\$ 69,475	\$ 620,650	\$ 492,753	\$ -	\$ -	\$ -	\$ 385
Receipts:							
Taxes	-	-	85,820	-	600,000	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	34,473	512,426	444,862	200,000	-	-	-
Charges for services	-	-	-	-	-	37,607	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	705	-	-	-	-
Total receipts	<u>34,473</u>	<u>512,426</u>	<u>531,387</u>	<u>200,000</u>	<u>600,000</u>	<u>37,607</u>	<u>-</u>
Disbursements:							
Personal services	-	-	1,000	-	-	-	-
Supplies	11,976	73,096	-	-	-	2,777	-
Other services and charges	31,465	852,828	100	-	-	24,643	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	8,237	454,253	200,000	600,000	26	-
Total disbursements	<u>43,441</u>	<u>934,161</u>	<u>455,353</u>	<u>200,000</u>	<u>600,000</u>	<u>27,446</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(8,968)</u>	<u>(421,735)</u>	<u>76,034</u>	<u>-</u>	<u>-</u>	<u>10,161</u>	<u>-</u>
Cash and investments - ending	<u>\$ 60,507</u>	<u>\$ 198,915</u>	<u>\$ 568,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,161</u>	<u>\$ 385</u>

CITY OF MADISON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Park Donation	Police Donation	Revolving Loan	Sunrise Golf Course Nro	Riverfront Development Grant	Madison City Tree Board	City Employee Donation Fund
Cash and investments - beginning	\$ 3,925	\$ 3,800	\$ 484,086	\$ 595	\$ 3,000	\$ 1,866	\$ 2,046
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	11,356	5,895	31,582	-	-	254	11,010
Total receipts	<u>11,356</u>	<u>5,895</u>	<u>31,582</u>	<u>-</u>	<u>-</u>	<u>254</u>	<u>11,010</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	6,669	3,038	-	-	-	-	11,193
Other services and charges	-	-	-	-	-	2,078	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	75,000	-	-	-	-
Total disbursements	<u>6,669</u>	<u>3,038</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>2,078</u>	<u>11,193</u>
Excess (deficiency) of receipts over disbursements	<u>4,687</u>	<u>2,857</u>	<u>(43,418)</u>	<u>-</u>	<u>-</u>	<u>(1,824)</u>	<u>(183)</u>
Cash and investments - ending	<u>\$ 8,612</u>	<u>\$ 6,657</u>	<u>\$ 440,668</u>	<u>\$ 595</u>	<u>\$ 3,000</u>	<u>\$ 42</u>	<u>\$ 1,863</u>

CITY OF MADISON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Real Estate Sales Proceeds	Community Of Compassion	Micro-Enterprise Grant#Mp94-003	Owner Occupied Rehab Grant	Madison Beautification Fund	Bi-Centennial Fund	Stage Fund NRO
Cash and investments - beginning	\$ 14,360	\$ 7,439	\$ 29,974	\$ -	\$ 116	\$ 72,119	\$ 2,904
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	119,791	-	-	-
Charges for services	-	-	-	-	-	-	800
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	5,682	-
Total receipts	-	-	-	119,791	-	5,682	800
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	810	-
Other services and charges	-	-	-	119,791	-	4,449	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	-	119,791	-	5,259	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	423	800
Cash and investments - ending	\$ 14,360	\$ 7,439	\$ 29,974	\$ -	\$ 116	\$ 72,542	\$ 3,704

CITY OF MADISON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Senior Citizens Fund	Fire Department Federal Grant	Micro Loan Fund	Heritage Trails Fund	Farmers Market Grant Fund	Urban Forestry Fund	Scenic Byway Fund
Cash and investments - beginning	\$ 8,616	\$ -	\$ 23,582	\$ 201	\$ 395	\$ 416	\$ 1,265
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	272,357	-	-	-	-	2,149
Charges for services	-	-	-	-	2,480	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	9,236	-	59,668	-	-	-	-
Total receipts	<u>9,236</u>	<u>272,357</u>	<u>59,668</u>	<u>-</u>	<u>2,480</u>	<u>-</u>	<u>2,149</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	5,113	-	-	-	1,733	-	-
Other services and charges	741	-	-	-	154	416	2,149
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	265,707	25,213	-	-	-	-
Total disbursements	<u>5,854</u>	<u>265,707</u>	<u>25,213</u>	<u>-</u>	<u>1,887</u>	<u>416</u>	<u>2,149</u>
Excess (deficiency) of receipts over disbursements	<u>3,382</u>	<u>6,650</u>	<u>34,455</u>	<u>-</u>	<u>593</u>	<u>(416)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 11,998</u>	<u>\$ 6,650</u>	<u>\$ 58,037</u>	<u>\$ 201</u>	<u>\$ 988</u>	<u>\$ -</u>	<u>\$ 1,265</u>

CITY OF MADISON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Disaster Mitigation (Fema)	Community Development Action Grant	Fire Company Investment	Utility Insufficient Check Fund	Transfer Station Operating	Aviation-NRO
Cash and investments - beginning	\$ 43,314	\$ 793,552	\$ 579,884	\$ 500	\$ 60,826	\$ 108,354
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	50,178	-	-	-	-	-
Charges for services	-	-	42,000	-	789,071	30,626
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	8,177
Total receipts	<u>50,178</u>	<u>-</u>	<u>42,000</u>	<u>-</u>	<u>789,071</u>	<u>38,803</u>
Disbursements:						
Personal services	-	-	-	-	485,279	-
Supplies	-	6,121	-	-	37,744	9,737
Other services and charges	3,875	137,493	-	-	260,140	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	36,761	-	-	15,163	-
Total disbursements	<u>3,875</u>	<u>180,375</u>	<u>-</u>	<u>-</u>	<u>798,326</u>	<u>9,737</u>
Excess (deficiency) of receipts over disbursements	<u>46,303</u>	<u>(180,375)</u>	<u>42,000</u>	<u>-</u>	<u>(9,255)</u>	<u>29,066</u>
Cash and investments - ending	<u>\$ 89,617</u>	<u>\$ 613,177</u>	<u>\$ 621,884</u>	<u>\$ 500</u>	<u>\$ 51,571</u>	<u>\$ 137,420</u>

CITY OF MADISON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Broadway Fountain Donation	Railroad Clean-Up	Comm. Dev & Event Fund	TIF	Aviation State Grant #3900101	Payroll
Cash and investments - beginning	\$ 1,610	\$ 274	\$ 1,166	\$ 4,945,135	\$ 3	\$ 175,364
Receipts:						
Taxes	-	-	-	1,001,641	-	-
Licenses and permits	-	-	-	64,151	-	-
Intergovernmental	-	-	-	-	224,360	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	507	-	3,000	203,457	-	6,747,382
<b>Total receipts</b>	<b>507</b>	<b>-</b>	<b>3,000</b>	<b>1,269,249</b>	<b>224,360</b>	<b>6,747,382</b>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	274	-	-	-	-
Other services and charges	-	-	3,663	1,580,581	224,360	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	178,500	-	6,772,116
<b>Total disbursements</b>	<b>-</b>	<b>274</b>	<b>3,663</b>	<b>1,759,081</b>	<b>224,360</b>	<b>6,772,116</b>
Excess (deficiency) of receipts over disbursements	507	(274)	(663)	(489,832)	-	(24,734)
Cash and investments - ending	<u>\$ 2,117</u>	<u>\$ -</u>	<u>\$ 503</u>	<u>\$ 4,455,303</u>	<u>\$ 3</u>	<u>\$ 150,630</u>

CITY OF MADISON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Insurance Fund	Sewage Operating	Sewage Bond & Interest	Sewage Debt Reserve	Jefferson County Sewage Operating	Water Utility-Operating
Cash and investments - beginning	\$ 38,116	\$ 378,624	\$ 346,254	\$ 667,023	\$ 386,865	\$ 332,443
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	3,087,003	-	-	508,034	1,864,042
Other receipts	109,346	45,441	814,771	37,676	-	798
Total receipts	<u>109,346</u>	<u>3,132,444</u>	<u>814,771</u>	<u>37,676</u>	<u>508,034</u>	<u>1,864,840</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	852,405	723,377	-	-	449,126
Capital outlay	-	44,300	-	-	58,218	28,195
Utility operating expenses	-	2,136,702	-	-	395,165	1,457,954
Other disbursements	108,631	34,427	1	7,407	196	107,690
Total disbursements	<u>108,631</u>	<u>3,067,834</u>	<u>723,378</u>	<u>7,407</u>	<u>453,579</u>	<u>2,042,965</u>
Excess (deficiency) of receipts over disbursements	<u>715</u>	<u>64,610</u>	<u>91,393</u>	<u>30,269</u>	<u>54,455</u>	<u>(178,125)</u>
Cash and investments - ending	<u>\$ 38,831</u>	<u>\$ 443,234</u>	<u>\$ 437,647</u>	<u>\$ 697,292</u>	<u>\$ 441,320</u>	<u>\$ 154,318</u>

CITY OF MADISON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Water Utility-Bond And Interest	Water Utility-Customer Deposit	Water Utility-Debt Reserve	Water Meter Investment	Sewage SRF Loan Construction	Totals
Cash and investments - beginning	\$ 269,259	\$ 8,251	\$ 399,908	\$ 35,424	\$ -	\$ 15,935,324
Receipts:						
Taxes	-	-	-	-	-	6,810,730
Licenses and permits	-	-	-	-	-	119,746
Intergovernmental	-	-	-	-	2,106,526	4,758,342
Charges for services	-	-	-	-	-	1,715,290
Fines and forfeits	-	-	-	-	-	2,483
Utility fees	-	-	-	-	-	5,459,079
Other receipts	438,981	30,950	10,151	-	-	8,829,774
<b>Total receipts</b>	<b>438,981</b>	<b>30,950</b>	<b>10,151</b>	<b>-</b>	<b>2,106,526</b>	<b>27,695,444</b>
Disbursements:						
Personal services	-	-	-	-	-	4,719,408
Supplies	-	-	-	-	-	994,426
Other services and charges	-	-	-	-	-	4,413,670
Debt service - principal and interest	438,538	-	-	-	-	2,518,525
Capital outlay	-	-	-	-	2,106,526	2,342,658
Utility operating expenses	-	-	-	-	-	3,989,821
Other disbursements	-	17,950	-	-	-	9,384,076
<b>Total disbursements</b>	<b>438,538</b>	<b>17,950</b>	<b>-</b>	<b>-</b>	<b>2,106,526</b>	<b>28,362,584</b>
Excess (deficiency) of receipts over disbursements	443	13,000	10,151	-	-	(667,140)
Cash and investments - ending	<u>\$ 269,702</u>	<u>\$ 21,251</u>	<u>\$ 410,059</u>	<u>\$ 35,424</u>	<u>\$ -</u>	<u>\$ 15,268,184</u>

CITY OF MADISON  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ 453,793	\$ -
Wastewater	61,820	281,900
Water	<u>29,439</u>	<u>127,979</u>
Totals	<u>\$ 545,052</u>	<u>\$ 409,879</u>

CITY OF MADISON  
SCHEDULE OF LEASES AND DEBT  
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Key Government Finance	Police Car Lease	\$ 56,091	01-01-11	12-31-11
Leaf	Copy Machine Police Dept	2,349	12-29-09	11-25-13
Leaf	Copy Machine City Hall Lobby	<u>3,070</u>	12-29-09	11-25-13
Total governmental activities		<u>61,510</u>		
Total of annual lease payments		<u>\$ 61,510</u>		
Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year	
Governmental activities:				
Notes and loans payable	Energy Savings Installment Contract/Loan	\$ 1,013,788	\$ 215,065	
Notes and loans payable	Brownfield Loan Payable	132,725	17,305	
Notes and loans payable	City Hall Loan	<u>57,748</u>	<u>55,079</u>	
Total governmental activities		<u>1,204,261</u>	<u>287,449</u>	
Wastewater:				
Notes and loans payable	2003 State Revolving Loan(SRF)	6,097,088	640,479	
Notes and loans payable	2010 State Revolving Forgivable Loan(SRF)	1,000,000	-	
Notes and loans payable	2010 State Revolving Loan (SRF)	484,000	30,288	
Notes and loans payable	2010 State Revolving Loan(SRF)	<u>2,491,768</u>	<u>92,739</u>	
Total Wastewater		<u>10,072,856</u>	<u>763,506</u>	
Water:				
Notes and loans payable	1999 State Revolving Loan (SRF)	2,998,000	382,942	
Notes and loans payable	2009 State Revolving Loan (SRF)	685,500	55,597	
Notes and loans payable	2009 State Revolving Forgivable Loan(SRF)	<u>328,500</u>	<u>-</u>	
Total Water		<u>4,012,000</u>	<u>438,539</u>	
Totals		<u>\$ 15,289,117</u>	<u>\$ 1,489,494</u>	

CITY OF MADISON  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2011

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.

	Ending Balance
Governmental activities:	
Land	\$ 2,234,940
Infrastructure	6,499,137
Buildings	4,116,320
Improvements other than buildings	2,987,663
Machinery, equipment and vehicles	4,267,973
Total governmental activities	20,106,033
Wastewater:	
Land	67,500
Buildings	6,575,738
Improvements other than buildings	919,024
Machinery, equipment and vehicles	1,376,648
Construction in progress	793,987
Total Wastewater	9,732,897
Water:	
Land	9,148,236
Buildings	1,900,522
Improvements other than buildings	800,397
Machinery, equipment and vehicles	2,869,887
Total Water	14,719,042
Total capital assets	\$ 44,557,972

CITY OF MADISON  
AUDIT RESULTS AND COMMENTS

**CREDIT CARD**

A review of three credit card claims paid during the year 2011, totaling \$6,804.60, included charges totaling \$2,349.20 that were not supported by adequate documentation in the form of paid receipts or invoices to identify what was purchased. In addition, a credit card claim totaling \$1,513.28 paid in May of the year 2012, showed one charge in the amount of \$19.99 that was not supported by adequate documentation.

Supporting documentation for credit card charges is needed to help determine that credit card charges are not for personal items or expenses which do not relate to the functions and purposes of the City.

Resolution No. 2- 2006 states in part: ". . . within 48 hours of the purchase, the person using the credit card shall provide the Clerk-Treasurer with a copy of the credit card receipt . . ."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-11-10-1.6(c) states in part: "The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: (1) there is a fully itemized invoice or bill for the claim . . ."

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**EXPENDITURES PAID FROM TAX INCREMENT FINANCING FUND  
(Applies to Redevelopment Commission and Board of Works)**

The City has established a redevelopment allocation fund authorized by Indiana Code 36-7-14-39. The title the City uses for their allocation fund is TIF (Tax Increment Financing). The City made the following payments from the TIF Fund during the year 2011:

1. Payments totaling \$80,000 to Economic Development Partners of Jefferson County. The contract with Economic Development Partners showed the scope of services as follows:
  - a. Administrative and marketing services as it pertains to recruitment of new businesses and the expansion of existing businesses.
  - b. Infrastructure Development (supervisory expense related to supervising redevelopment/economic development projects).

Supporting documentation was not presented for audit that showed how much of the total paid was allocated between administrative/marketing services and infrastructure development.

CITY OF MADISON  
AUDIT RESULTS AND COMMENTS  
(Continued)

2. The Redevelopment Commission Board executed an agreement with the Madison Area Chamber of Commerce Foundation (MCCF) on March 24, 2010 to provide \$100,000 for functional capital improvements to Venture Out Business Center (business owned by the MCCF). Payments in the amount of \$7,669.49 were made during the year 2011 under this agreement. Improvements included a heating, ventilation, and air conditioning system.

***Powers of Commission***

Indiana Code 36-7-14-12.2(a) states in part:

"The redevelopment commission may do the following:

- (1) Acquire by purchase, exchange, gift, grant, condemnation, or lease, or any combination of methods, any personal property or interest in real property needed for the redevelopment of areas needing redevelopment . . . that are located within the corporate boundaries of the unit . . .
- (7) Repair and maintain structures acquired for redevelopment purposes . . .
- (8) Remodel, rebuild, enlarge, or make major structural improvements on structures acquired for redevelopment purposes.
- (22) Contract for the construction of:
  - (A) local public improvements . . . or structures that are necessary for redevelopment of areas needing redevelopment or economic development within the corporate boundaries of the unit; or
  - (B) any structure that enhances development or economic development."

***Statutes Regarding Use of Allocation Fund***

Indiana Code 36-7-14-39 provides for an allocation fund to be used for the payment of debt related expenditures (i.e. principle, interest, lease payments) used to finance redevelopment or economic projects.

Indiana Code 36-7-14-39(b)(2)(J)(K) and (L) states in part the following in regards to the payment of other expenditures paid from the allocation fund:

"(2) . . . property tax proceeds in excess of those described in subdivision (1) shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area that may be used by the redevelopment district . . . only to . . . :

- (J) Pay expenses incurred by the redevelopment commission for local public improvements that are in the allocation area or serving the allocation area. Public improvements include buildings, parking facilities, and other items described in section 25.1(a) of this chapter.
- (K) Reimburse public and private entities for expenses incurred in training employees of industrial facilities . . .
- (L) Pay the costs of carrying out an eligible efficiency project (as defined in IC 36-9-41-1.5) within the unit that established the redevelopment commission. . . ."

CITY OF MADISON  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

Indiana Code 36-7-14-39(b)(3) states in part: ". . . The allocation fund may not be used for operating expenses of the commission."

Indiana Code 36-7-14-25.1 states in part: ". . . all expenses reasonably incurred in connection with the acquisition and redevelopment of the property . . ."

50 Indiana Administrative Code 8-2-13(e) states in part: ". . . Supervisory expenses related to redevelopment projects in the allocation area that are paid to individuals retained to supervise such projects qualify as expenditures for which reimbursement can be made."

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was reported in Report B39391.

**POSITIONS PAID FROM MULTIPLE FUNDS (Applies to City Council and Board of Public Works)**

The City prorates the salary of the Community Development Director and the Mayor's Secretary from the following funds:

Fund	Community Development Director Salary	Mayor's Secretary Salary
General	\$ 10,935.99	\$ 6,273.02
Park & Receptions-General	10,935.99	-
Transfer Station Operating	-	4,219.02
Water-Utility Operating	10,935.99	11,799.32
Sewage Operating	10,935.99	11,799.32
Totals	<u>\$ 43,743.96</u>	<u>\$ 34,090.68</u>

No time records were presented for audit supporting the above proration.

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was reported in Report B39391.

(This page intentionally left blank.)

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](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 its major federal program for the year ended December 31, 2011. The City's major federal program is 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 its major federal program 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 could have a direct and material effect on its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

A deficiency in 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, and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, 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

August 7, 2012

(This page intentionally left blank.)

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the City. The schedule and note are presented as intended by the City.

CITY OF MADISON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2011

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 HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Housing and Community Development Authority CDBG - State Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Owner Occupied Housing Rehab	14.228	HD-008-017	\$ 119,791
Total for federal grantor agency			<u>119,791</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction Michigan Road Drainage Project Ohio River Scenic Byway Interpretive Display	20.205	0901658 STP-9982(033)	64,151 <u>892</u>
Total for cluster			<u>65,043</u>
Pass-Through Jefferson County Highway Safety Cluster Alcohol Impaired Driving Countermeasures Incentive Grants Operation Pullover	20.601	JT-99-03	<u>5,174</u>
Direct Grant: Airport Improvement Program AIP Project	20.106	3-18-0052-1410	<u>219,860</u>
Total for federal grantor agency			<u>290,077</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds State Revolving Loan (SRF)	66.458	WW09823903	<u>947,938</u>
Total for federal grantor agency			<u>947,938</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through Indiana Office of Faith Based and Community Initiative TANF Cluster Temporary Assistance for Needy Families Clearinghouse Project	93.558	2011	<u>50,000</u>
Total for federal grantor agency			<u>50,000</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1997	<u>50,179</u>
Assistance to Firefighters Grant	97.044	EMW-2009-FO-00634	<u>265,707</u>
Total for federal grantor agency			<u>315,886</u>
Total federal awards expended			<u>\$ 1,723,692</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 and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF MADISON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	no
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
66.458	Capitalization Grants for Clean Water State Revolving Loans

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.

*William J. Kalb*

CLERK - TREASURER

CLERKTREASURER@MADISON-IN.GOV



101 WEST MAIN STREET  
MADISON, INDIANA 47250-3775  
(812) 265-8316  
FAX: (812) 273-6089

## *City of Madison*

July 10, 2012

Indiana State Board of Accounts  
302 W. Washington Street. Room E418  
Indianapolis, IN 46204-2765

RE: Rural Business Enterprise Grant


Finding No. 2010-1 ACTIVITIES UNALLOWED UNAUTHORIZED LOAN

Contact Person: William J. Kalb  
Title: City Clerk Treasurer  
Phone Number: 812-265-8316

Since the City of Madison's corrective action plan was put into place in the fall of 2011, the loan programs were suspended so that the City could review the program procedures with the USDA. The mayor and council finance committee then submitted revised guidelines to the USDA.

On June 21, 2012, authorization was received from the USDA that we could resume accepting applications and processing loan requests. We are waiting for final approval from Charlene Hale of the North Vernon Rural Development office to fulfill reporting requirements so that we may proceed.

Sincerely,



William J. Kalb  
City Clerk Treasurer

CITY OF MADISON  
EXIT CONFERENCE

The contents of this report were discussed on August 7, 2012, with William Kalb, Clerk-Treasurer; Damon Welch, Mayor; Laura Hodges, President of Common Council; and Robert Cooke, Human Resources and Purchasing Director. The Official Response has been made a part of this report and may be found on page 43.

In a separate Exit Conference, the contents of this report were discussed on August 7, 2012, with David Adams, former Clerk-Treasurer. The official concurred with our audit findings.

*William J. Kalb*

CLERK - TREASURER

CLERKTREASURER@MADISON-IN.GOV



101 WEST MAIN STREET  
MADISON, INDIANA 47250-3775  
(812) 265-8318  
FAX: (812) 273-6089

## *City of Madison*

August 14, 2012

The exit conference held on August 7, 2012 with the State Board of Accounts was attended by: Mayor Damon Welch, Clerk Treasurer William J. Kalb, City Council President Laura Hodges and Human Resource Manager Bob Cooke. The conference was for the examination period of 1/01/2011 through 12/31/2011.

The current audit findings have either been corrected or are in the process of being corrected. If there are any questions or concerns, please feel free to contact my office at any time.

Sincerely,

William J. Kalb  
Clerk Treasurer