

MUNICIPALITY OF MADISON
MADISON, SOUTH DAKOTA

AUDIT REPORT

FOR THE YEAR JANUARY 1, 2021 TO DECEMBER 31, 2021

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF MADISON

MUNICIPAL OFFICIALS
DECEMBER 31, 2021

MAYOR:

Marshall Dennert

GOVERNING BOARD:

Jeremiah Corbin
Kelly Dybdahl
Adam Shaw
Jerae Wire

CITY ADMINISTRATOR:

Jameson Berreth

FINANCE OFFICER:

Sonja Wilt

ATTORNEY:

David Jencks

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TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.....	3-5
Schedule of Prior Audit Findings and Questioned Costs.....	6
Schedule of Current Audit Findings and Questioned Costs.....	7
Independent Auditor's Report	8-11
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
As of December 31, 2021:	
Statement of Net Position.....	12
For the Year Ended December 31, 2021:	
Statement of Activities.....	13
Fund Financial Statements:	
Governmental Funds:	
As of December 31, 2021:	
Balance Sheet.....	14-17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	18
For the Year Ended December 31, 2021:	
Statement of Revenues, Expenditures, and Changes In Fund Balance.....	19-20
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances to the Government-Wide Statement of Activities.....	21
Proprietary Funds:	
As of December 31, 2021:	
Statement of Net Position.....	22-23
For the Year Ended December 31, 2021:	
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	24
Statement of Cash Flows.....	25-26
Fiduciary Funds:	
As of December 31, 2021:	
Statement of Fiduciary Net Position.....	27
Statement of Changes in Fiduciary Net Position.....	28

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TABLE OF CONTENTS

Notes to the Financial Statements.....	29-56
Required Supplementary Information Other than MD&A:	
For the Year Ended December 31, 2021:	
Budgetary Comparison Schedules – Budgetary Basis:	
General Fund.....	57-58
Park & Recreation.....	59
3rd Cent Fund.....	60
Community Development Fund.....	61
2nd Cent Fund.....	62
Business Improvement Fund.....	63
Special Maintenance Fee Fund.....	64
2019 September Flood Fund.....	65
Notes to the Required Supplementary Information – Budgetary Comparison Schedules.....	66
Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset).....	67
Schedule of the Municipality Contributions - South Dakota Retirement System.....	68
Notes to the Required Supplementary Information – Pension Schedules.....	69
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	70-71

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**INDEPENDENT AUDITOR'S 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**

Governing Board
Municipality of Madison
Madison, South Dakota

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Madison, South Dakota (Municipality), as of December 31, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated September 9, 2022. We did not audit the financial statements of the Madison Housing and Redevelopment Commission, which represents 100 percent of the assets, liabilities, net position, revenue and expenses of the discretely presented component unit on the government-wide statement of net position and statement of activities. We have issued a disclaimer of opinion on the discretely presented component unit. We have also issued a qualified opinion for the governmental activities, business-type activities, and major proprietary funds because we were unable to determine if the liability for other post-employment benefits (OPEB) is properly calculated.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipality's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

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 statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify

any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality'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 financial statements. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.
Certified Public Accountants
September 9, 2022

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board
Municipality of Madison
Madison, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Municipality of Madison, South Dakota (Municipality), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Municipality's major federal programs for the year ended December 31, 2021. The Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

The Municipality of Madison's basic financial statements include the operations of the Madison Housing and Redevelopment Commission. Our audit, described below, and the Schedule of Expenditures of Federal Awards of The Municipality of Madison does not include the federal funds of the Madison Housing and Redevelopment Commission because the Commission has arranged for a separate audit of its federal awards, if applicable.

In our opinion, the Municipality of Madison complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Municipality and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Municipality's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Municipality's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Municipality's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Municipality's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Municipality's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Municipality's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 a combination of deficiencies, in internal control over compliance, such

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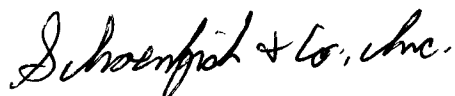
that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.



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Certified Public Accountants
September 9, 2022

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR FEDERAL AUDIT FINDINGS:

There were no written federal compliance audit findings to report.

PRIOR OTHER AUDIT FINDINGS:

There were no written other audit findings to report.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTSSummary of the Independent Auditor's Results:Financial Statements:

- a. An unmodified opinion was issued on the financial statements of each major governmental fund and aggregate remaining fund opinion units. An opinion qualified for OPEB Benefits was issued on the financial statements of the governmental activities, business-type activities and major proprietary fund opinion units. A disclaimer of opinion was issued on the financial statements of the aggregate discretely presented component opinion unit.
- b. No material weaknesses or significant deficiencies were disclosed by our audit of the financial statements.
- c. No material noncompliance instances were disclosed by our audit of the financial statements.

Federal Awards:

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with 2 CFR 200.516(a).
- f. The federal awards tested as major programs were:
 1. Assistance Listing No. 10.760 Water & Waste Disposal Systems for Rural Communities
 2. Assistance Listing No. 20.106 Airport Improvement Program
 3. Assistance Listing No. 97.036 Disaster Grants – Public Assistance
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. The Municipality of Madison did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:

There are no written current federal compliance audit findings to report.

CURRENT OTHER AUDIT FINDINGS:

There are no written other current audit findings to report.

CLOSING CONFERENCE

The audit was discussed with one commissioner, the city administrator, the finance officer and the human resources director on September 15, 2022.

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Madison
Madison, South Dakota

Disclaimer of Opinion, Qualified Opinions and Unmodified Opinions

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 Municipality of Madison, South Dakota, (Municipality), as of and for the year ended December 31, 2021, and the related notes to the financial statements. We were not engaged to audit the financial statements of the aggregate discretely presented component units. These financial statements collectively comprise the Municipality's basic financial statements as listed in the table of contents.

Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

Because of the significance of the matter described in the Basis for Disclaimer of Opinion, Qualified Opinions, and Unmodified Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the Municipality of Madison, South Dakota. Accordingly, we do not express an opinion on these financial statements.

Qualified Opinion on Governmental Activities, Business-Type Activities, and Each Major Proprietary Fund

In our opinion, except for the effects of the matter discussed in the Basis for Disclaimer of Opinion, Qualified Opinion, and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major proprietary fund of the Municipality of Madison, South Dakota as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Each Major Governmental Fund and the Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the Municipality of Madison, South Dakota as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion, Qualified Opinions, and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Municipality, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinions.

Matter Giving Rise to Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

We were not engaged to audit, and we were unable to obtain audited financial statements supporting the financial balances and activities of the Madison Housing and Redevelopment Commission, and we did not attempt to satisfy ourselves as to those amounts by other auditing procedures. Those financial activities are included on the basic financial statements referred to above as a component unit of the Municipality of Madison and represent one hundred percent of the December 31, 2021, balances and activities for the year then ended of the component unit column.

Matter Giving Rise to Qualified Opinions on the Governmental Activities, Business-Type Activities, and Each Major Proprietary Fund

The Municipality did not determine the liability for other post-employment benefits based on actuarially determined amounts in the governmental activities, business-type activities, and major proprietary funds. The annual required contribution of the employer was not actuarially determined in accordance with GASB Statement 45 and the liability at December 31, 2021 could not be verified.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Because of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component units. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the Municipality's Contributions, on pages 57 through 65, 67, and 68, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Municipality has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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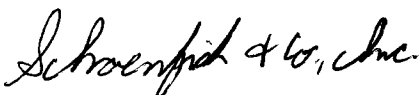
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of Municipal Officials as listed in the Table of Contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 9, 2022, on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 in considering the Municipality's internal control over financial reporting and compliance.



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September 9, 2022

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MUNICIPALITY OF MADISON
STATEMENT OF NET POSITION
December 31, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and Cash Equivalents	11,242,989.30	9,456,459.71	20,699,449.01	429,624.62
Investments	590.75		590.75	425,075.47
Accounts Receivable, Net	656,704.92	2,301,361.91	2,958,066.83	27,407.87
Inventories	220,829.07	1,131,193.48	1,352,022.55	
Other Assets	24,587.55	27,774.17	52,361.72	4,933.72
Restricted Assets:				
Deposits Lewis & Clark		1,994,375.60	1,994,375.60	
Cash and Cash Equivalents	281,864.45	304,431.33	586,295.78	42,198.77
Net Pension Asset	751,036.76	631,069.89	1,382,106.65	294.00
Capital Assets:				
Land and Construction Work in Progress	4,123,461.24	8,511,031.42	12,634,492.66	404,910.58
Other Capital Assets, Net of Depreciation	24,275,544.13	28,131,167.64	52,406,711.77	2,692,364.22
TOTAL ASSETS	41,577,608.17	52,488,865.15	94,066,473.32	4,026,809.25
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	961,469.01	807,888.76	1,769,357.77	44,562.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	961,469.01	807,888.76	1,769,357.77	44,562.00
LIABILITIES :				
Accounts Payable	197,488.22	1,069,242.57	1,266,730.79	36,643.24
Other Current Liabilities	103,278.35	215,271.54	318,549.89	76,138.32
Unearned Revenue	560,768.47		560,768.47	985.00
Noncurrent Liabilities:				
Due Within One Year	510,286.33	1,007,012.97	1,517,299.30	1,089,654.01
Due in More than One Year	1,017,910.56	10,855,646.15	11,873,556.71	
TOTAL LIABILITIES	2,389,731.93	13,147,173.23	15,536,905.16	1,203,420.57
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	1,459,402.40	1,226,284.73	2,685,687.13	40,005.00
TOTAL DEFERRED INFLOWS OF RESOURCES	1,459,402.40	1,226,284.73	2,685,687.13	40,005.00
NET POSITION:				
Net Investment in Capital Assets	26,870,808.48	25,021,630.75	51,892,439.23	2,023,868.23
Restricted for:				
Capital Projects Purposes	1,359,190.92		1,359,190.92	
Debt Service Purposes	500,057.68	995,168.24	1,495,225.92	42,198.77
SDRS Pension Purposes	253,103.37	212,673.92	465,777.29	4,851.00
Community Development Purposes	27,063.43		27,063.43	
City Promotion Purposes	48,885.29		48,885.29	
Parks and Recreation Purposes	801,649.41		801,649.41	
100 Year Anniversary Purposes	590.75		590.75	
Community Building Purposes	450,000.66		450,000.66	
Lewis & Clark Rural Water		1,994,375.60	1,994,375.60	
Unrestricted (Deficit)	8,378,592.86	10,699,447.44	19,078,040.30	757,027.68
TOTAL NET POSITION	38,689,942.85	38,923,295.95	77,613,238.80	2,827,945.68

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

**MUNICIPALITY OF MADISON
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General Government	1,677,644.66	103,461.49			(1,574,183.17)		(1,574,183.17)
Public Safety	1,672,361.28	1,195.26			(1,671,166.02)		(1,671,166.02)
Public Works	1,401,702.21	291,565.95	310,338.78	2,796,893.29	1,997,095.81		1,997,095.81
Health and Welfare	12,465.69	790.00	3,973.00		(7,702.69)		(7,702.69)
Culture and Recreation	1,392,657.98	9,067.82			(1,383,590.16)		(1,383,590.16)
Conservation and Development	1,809,373.24				(1,809,373.24)		(1,809,373.24)
*Interest on Long-term Debt	21,283.03				(21,283.03)		(21,283.03)
Total Governmental Activities	7,987,488.09	406,080.52	314,311.78	2,796,893.29	(4,470,202.50)		0.00
Business-type Activities:							
Water	1,797,079.73	2,050,462.00				253,382.27	253,382.27
Sewer	1,284,893.18	1,721,186.17				436,292.99	436,292.99
Electric	9,373,614.78	11,160,711.33	11,809.34			1,798,905.89	1,798,905.89
Community Center	992,213.75	577,934.39	8,063.30	156,466.05		(249,750.01)	(249,750.01)
Solid Waste	282,243.17	323,138.28	860.67			61,755.78	61,755.78
Recycling	142,638.44	176,238.25				33,599.81	33,599.81
Total Business-type Activities	13,852,683.05	16,009,670.42	20,733.31	156,466.05		2,334,186.73	2,334,186.73
Total Primary Government	21,840,171.14	16,415,750.94	335,045.09	2,953,359.34	(4,470,202.50)	(2,136,015.77)	0.00
Component Units:							
Housing and Redevelopment Commission	1,472,634.74	384,089.70	774,242.29	83,664.70			(230,638.05)
General Revenues:							
Taxes:							
Property Taxes					2,434,496.62		2,434,496.62
Sales Taxes					4,014,950.98		4,014,950.98
State Shared Revenues					71,212.40		71,212.40
Unrestricted Investment Earnings					34,157.99	6,560.36	40,718.35
Miscellaneous Revenue					9,667.03	27,974.76	37,641.79
Special Items					291,588.99		291,588.99
Transfers					(35,669.57)	35,669.57	0.00
Total General Revenues, Special Items, and Transfers					6,820,404.44	70,204.69	6,890,609.13
Change in Net Position					2,350,201.94	2,404,391.42	4,754,593.36
Change in Accounting Estimate (See Note 21.)					(152,093.06)	(185,160.94)	(337,254.00)
Net Position - Beginning Restatements:					36,464,493.89	36,574,995.12	73,039,489.01
Prior Year Corrections and Voiding Old Checks (See Note 17)					27,340.08	129,070.35	156,410.43
Adjustment to Reconcile with Provided Financial Statements							0.00
Restated Net Position - Beginning					36,491,833.97	36,704,065.47	73,195,899.44
NET POSITION - ENDING					38,689,942.85	38,923,295.95	77,613,238.80

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

* The Municipality does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

MUNICIPALITY OF MADISON
BALANCE SHEET
GOVERNMENTAL FUNDS
 December 31, 2021

	General Fund	Parks & Recreation Fund	3rd Cent Fund	Community Development Fund	2nd Cent Fund	Business Improvement Fund
ASSETS:						
Cash and Cash Equivalents	7,832,657.57	755,527.98	24,403.91	27,063.43	1,106,070.07	24,594.00
Investments	590.75					
Taxes Receivable--Delinquent	31,215.86					
Accounts Receivable, Net	21,652.26					
Special Assessments Receivable--Current	2,067.65					
Special Assessments Receivable--Delinquent	8,478.97					
Special Assessments Receivable--Deferred	13,263.21					
Due from 2019 September Flood	42,225.68					
Due from Other Governments	308,562.90		24,481.38		239,651.82	
Inventory of Supplies	148,264.12	43,140.65				
Inventory of Stores Purchased for Resale	29,424.30					
Prepaid Expenses	21,606.77	2,980.78				
Restricted Cash and Cash Equivalents						
TOTAL ASSETS	8,460,010.04	801,649.41	48,885.29	27,063.43	1,345,721.89	24,594.00
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	130,217.36	30,825.23				1,405.50
Due to State Government	366.46					
Accrued Wages Payable	93,712.79	4,317.46				
Due to General Fund						
Deposits	4,000.00					
Unearned Revenue	560,768.47					
Total Liabilities	789,065.08	35,142.69	0.00	0.00	0.00	1,405.50
Deferred Inflows of Resources:						
Unavailable Revenue--Property Taxes	31,215.86					
Unavailable Revenue--Special Assessments	23,809.83					
Total Deferred Inflows of Resources	55,025.69	0.00	0.00	0.00	0.00	0.00

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

MUNICIPALITY OF MADISON
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	General Fund	Parks & Recreation Fund	3rd Cent Fund	Community Development Fund	2nd Cent Fund	Business Improvement Fund
Fund Balances:						
Nonspendable for Inventory	177,688.42	43,140.65				
Nonspendable for Prepaid Expenses	21,606.77	2,980.78				
Restricted for Community Building Maintenance	450,000.66					
Restricted for 100 Year Fund	590.75					
Restricted for Parks & Recreation		720,385.29				
Restricted for City Promotion			48,885.29			
Restricted for Community Development				27,063.43		
Restricted for Debt Service					147,900.00	
Restricted for Gerry Maloney Nature Capital Projects						23,188.50
Restricted for Capital Project Purposes					1,197,821.89	
Committed for Capital Improvements						
Committed for Library Friends	15,007.44					
Committed for Maloney Reserve	4,997.18					
Committed for Hillian Trust	15,898.58					
Committed for Library Building	21,811.05					
Assigned for Next Year's Budget	660,530.00					
Assigned for Capital Outlay Accumulation	4,908,238.26					
Unassigned	1,339,550.16					
Total Fund Balances	7,615,919.27	766,506.72	48,885.29	27,063.43	1,345,721.89	23,188.50
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	8,460,010.04	801,649.41	48,885.29	27,063.43	1,345,721.89	24,594.00

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

MUNICIPALITY OF MADISON
BALANCE SHEET
GOVERNMENTAL FUNDS
 December 31, 2021

	Special Maintenance Fee Fund	2019 September Flood Fund	Swimming Pool Debt Service Fund	Grant Circle TIF Debt Service Fund	TIF #2 Debt Service Fund	Gerry Maloney Nature Capital Projects Fund	Total Governmental Funds
ASSETS:							
Cash and Cash Equivalents	1,052,898.33	39,033.89	336,206.00	16,055.53	28,478.59		11,242,989.30
Investments							590.75
Taxes Receivable--Delinquent			5,081.14				36,297.00
Accounts Receivable, Net							21,652.26
Special Assessments Receivable--Current							2,067.65
Special Assessments Receivable--Delinquent							8,478.97
Special Assessments Receivable--Deferred							13,263.21
Due from 2019 September Flood							42,225.68
Due from Other Governments	1,239.64		1,010.09				574,945.83
Inventory of Supplies							191,404.77
Inventory of Stores Purchased for Resale							29,424.30
Prepaid Expenses							24,587.55
Restricted Cash and Cash Equivalents						281,864.45	281,864.45
TOTAL ASSETS	<u>1,054,137.97</u>	<u>39,033.89</u>	<u>342,297.23</u>	<u>16,055.53</u>	<u>28,478.59</u>	<u>281,864.45</u>	<u>12,469,791.72</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:							
Liabilities:							
Accounts Payable				7,058.60	27,615.07		197,121.76
Due to State Government							366.46
Accrued Wages Payable							98,030.25
Due to General Fund		42,225.68					42,225.68
Deposits							4,000.00
Unearned Revenue							560,768.47
Total Liabilities	<u>0.00</u>	<u>42,225.68</u>	<u>0.00</u>	<u>7,058.60</u>	<u>27,615.07</u>	<u>0.00</u>	<u>902,512.62</u>
Deferred Inflows of Resources:							
Unavailable Revenue--Property Taxes			5,081.14				36,297.00
Unavailable Revenue--Special Assessments							23,809.83
Total Deferred Inflows of Resources	<u>0.00</u>	<u>0.00</u>	<u>5,081.14</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>60,106.83</u>

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

MUNICIPALITY OF MADISON
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	Special Maintenance Fee Fund	2019 September Flood Fund	Swimming Pool Debt Service Fund	Grant Circle TIF Debt Service Fund	TIF #2 Debt Service Fund	Gerry Maloney Nature Capital Projects Fund	Total Governmental Funds
Fund Balances:							
Nonspendable for Inventory							220,829.07
Nonspendable for Prepaid Expenses							24,587.55
Restricted for Community Building Maintenance							450,000.66
Restricted for 100 Year Fund							590.75
Restricted for Parks & Recreation							720,385.29
Restricted for City Promotion							48,885.29
Restricted for Community Development							27,063.43
Restricted for Debt Service			337,216.09	8,996.93	863.52		494,976.54
Restricted for Gerry Maloney Nature Capital Projects						281,864.45	281,864.45
Restricted for Capital Project Purposes	1,054,137.97						1,077,326.47
Committed for Capital Improvements							1,197,821.89
Committed for Library Friends							15,007.44
Committed for Maloney Reserve							4,997.18
Committed for Hillian Trust							15,898.58
Committed for Library Building							21,811.05
Assigned for Next Year's Budget							660,530.00
Assigned for Capital Outlay Accumulation		(3,191.79)					4,908,238.26
Unassigned							1,336,358.37
Total Fund Balances	1,054,137.97	(3,191.79)	337,216.09	8,996.93	863.52	281,864.45	11,507,172.27
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	1,054,137.97	39,033.89	342,297.23	16,055.53	28,478.59	281,864.45	12,469,791.72

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

MUNICIPALITY OF MADISON
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2021

Total Fund Balances - Governmental Funds	<u>11,507,172.27</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>751,036.76</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>28,399,005.37</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>961,469.01</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,528,196.89)</u>
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>60,106.83</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(1,459,402.40)</u>
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.	<u>(1,248.10)</u>
Net Position - Governmental Activities	<u><u>38,689,942.85</u></u>

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

MUNICIPALITY OF MADISON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	General Fund	Park & Recreation Fund	3rd Cent Fund	Community Development Fund	2nd Cent Fund	Business Improvement Fund	Special Maintenance Fee Fund	2019 September Flood Fund	Swimming Pool Debt Service Fund	Grant Circle TIF Debt Service Fund	TIF #2 Debt Service Fund	Gerry Maloney Nature Capital Projects Fund	Total Governmental Funds
Revenues:													
Taxes:													
General Property Taxes	2,013,879.99		223,488.70						323,952.82	41,237.48	55,230.14		2,434,300.43
General Sales and Use Taxes	1,879,272.19				1,879,272.09	32,918.00			788.94				4,014,950.98
Penalties and Interest on Delinquent Taxes	4,532.47												5,321.41
Licenses and Permits	74,376.70												74,376.70
Intergovernmental Revenue:													
Federal Grants	2,269,803.18												2,269,803.18
State Grants	283,226.57	3,973.00											287,199.57
State Shared Revenue:													
Bank Franchise Tax	18,779.21												18,779.21
Prorate License Fees	4,722.72												4,722.72
Liquor Tax Reversion	44,905.45												44,905.45
Motor Vehicle Licenses	85,178.75												85,178.75
State Payments in Lieu of Taxes	6,485.01								1,042.73				7,527.74
Local Government Highway and Bridge Fund	208,718.61												208,718.61
County Shared Revenue:													
County Road Tax	11,718.70												11,718.70
Charges for Goods and Services:													
General Government	1,425.00												1,425.00
Public Safety	789.00												789.00
Highways and Streets	15,499.29												15,499.29
Sanitation	100,791.44												100,791.44
Health	790.00												790.00
Culture and Recreation	7,227.82												7,227.82
Other	151,589.96												151,589.96
Fines and Forfeits:													
Court Fines and Costs	406.26												406.26
Other	760.00												760.00
Miscellaneous Revenue:													
Investment Earnings	7,556.11	685.42	2.12	1.59	687.60		26.09		8.24			699.86	9,667.03
Rentals	50,585.05	1,840.00											52,425.05
Special Assessments	27,229.09												27,229.09
Maintenance Assessments							230,469.43						230,469.43
Contributions and Donations from Private Sources	34,157.99												34,157.99
Other	132,782.27	7,935.93											140,718.20
Total Revenue	7,429,961.01	21,662.17	223,490.82	1.59	1,879,959.69	32,918.00	230,495.52	0.00	325,792.73	41,237.48	55,230.14	699.86	10,241,449.01
Expenditures:													
General Government:													
Legislative	158,606.00												158,606.00
Financial Administration	420,194.53												420,194.53
Other	306,356.69												306,356.69
Total General Government	885,157.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	885,157.22

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

MUNICIPALITY OF MADISON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	General Fund	Park & Recreation Fund	3rd Cent Fund	Community Development Fund	2nd Cent Fund	Business Improvement Fund	Special Maintenance Fee Fund	2019 September Flood Fund	Swimming Pool Debt Service Fund	Grant Circle TIF Debt Service Fund	TIF #2 Debt Service Fund	Gerry Maloney Nature Capital Projects Fund	Total Governmental Funds
Expenditures: (continued)													
Public Safety:													
Police	1,573,078.22												1,573,078.22
Fire	205,068.97												205,068.97
Other Protection	562.79												562.79
Total Public Safety	1,778,709.98	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,778,709.98
Public Works:													
Highways and Streets	474,285.35						194,117.39						668,402.74
Sanitation	63,822.45												63,822.45
Airport	257,085.71												257,085.71
Total Public Works	795,193.51	0.00	0.00	0.00	0.00	0.00	194,117.39	0.00	0.00	0.00	0.00	0.00	989,310.90
Health and Welfare:													
Health	3,878.60	8,587.09											12,465.69
Total Health and Welfare	3,878.60	8,587.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,465.69
Culture and Recreation:													
Recreation	3,500.00	164,448.84											167,948.84
Parks		534,212.34											534,212.34
Libraries	469,766.34												469,766.34
Auditorium	30,478.04												30,478.04
Total Culture and Recreation	503,744.38	698,659.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,202,403.56
Conservation and Development:													
Economic Development and Assistance (Industrial Development)	1,347,729.38		226,094.00		170,590.22	9,729.50					55,230.14		1,809,373.24
Total Conservation and Development	1,347,729.38	0.00	226,094.00	0.00	170,590.22	9,729.50	0.00	0.00	0.00	0.00	55,230.14	0.00	1,809,373.24
Debt Service	148,325.69												148,325.69
Capital Outlay	4,765,009.51	44,884.00											4,809,893.51
Total Expenditures	10,227,748.27	752,130.27	226,094.00	0.00	170,590.22	9,729.50	194,117.39	0.00	309,330.00	47,096.33	55,230.14	1,295.00	11,993,361.12
Excess of Revenue Over (Under) Expenditures	(2,797,787.26)	(730,468.10)	(2,603.18)	1.59	1,709,369.47	23,188.50	36,378.13	0.00	16,462.73	(5,858.85)	0.00	(595.14)	(1,751,912.11)
Other Financing Sources:													
Transfers In	1,440,047.00	600,000.00											2,040,047.00
Sale of Municipal Property	63,909.00												63,909.00
Compensation for Loss or Damage to Capital Assets	5,341.40	81,620.39											86,961.79
Long-Term Debt Issued	784,080.84				(1,774,718.00)								784,080.84
Transfers Out	(225,998.57)			(75,000.00)	(1,774,718.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(2,075,716.57)
Total Other Financing Sources	2,067,379.67	681,620.39	0.00	(75,000.00)	(1,774,718.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	899,282.06
Net Change in Fund Balances	(730,407.59)	(48,847.71)	(2,603.18)	(74,998.41)	(65,348.53)	23,188.50	36,378.13	0.00	16,462.73	(5,858.85)	0.00	(595.14)	(852,630.05)
Change in Accounting Estimates (See Note 21)	(131,617.77)	(20,475.29)											(152,093.06)
Fund Balance - Beginning	8,450,667.96	835,766.31	51,488.47	102,061.84	1,411,070.42	0.00	1,017,759.84	(3,191.79)	320,753.36	14,855.78	863.52	282,459.59	12,484,555.30
Restatement:													
Prior Year Corrections and Voiding Old Checks (See Note 17)	27,276.67	63.41											27,340.08
Restated Fund Balance - Beginning	8,477,944.63	835,829.72	51,488.47	102,061.84	1,411,070.42	0.00	1,017,759.84	(3,191.79)	320,753.36	14,855.78	863.52	282,459.59	12,511,895.38
FUND BALANCE - ENDING	7,615,919.27	766,506.72	48,885.29	27,063.43	1,345,721.89	23,188.50	1,054,137.97	(3,191.79)	337,216.09	8,996.93	863.52	281,864.45	11,507,172.27

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

MUNICIPALITY OF MADISON
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2021

Net Change in Fund Balances - Total Governmental Funds	<u>(852,630.05)</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>4,811,188.51</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(1,496,345.63)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.	<u>481,862.82</u>
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.	<u>(784,080.84)</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>(5,125.22)</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>(13,834.98)</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>3,240.89</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g. accrued interest expense, pension expense)	<u>4,086.01</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>199,936.43</u>
Unamortized premiums and discounts are recorded as expenditures or other financing sources in the governmental funds. However, these items are amortized over the life of the debt in the governmental activities.	<u>1,904.00</u>
Change in Net Position of Governmental Activities	<u><u>2,350,201.94</u></u>

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

MUNICIPALITY OF MADISON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2021

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Electric Fund	Community Center Fund	Solid Waste Fund	Recycling Fund
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	2,310,159.72	1,603,143.76	4,720,498.33		629,683.20	192,974.70
Accounts Receivable, Net	140,707.73	139,596.51	915,430.48		30,791.54	1,771.29
Unbilled Accounts Receivable	120,221.83	107,804.64	774,889.43		17,257.41	
Due from Other Government				52,891.05		
Due from Community Center Fund			35,369.02			
Inventory of Supplies	103,072.99	6,721.46	961,090.81			60,308.22
Prepaid Expenses	7,009.01	3,374.86	13,836.82	2,142.37	974.79	436.32
Total Current Assets	2,681,171.28	1,860,641.23	7,421,114.89	55,033.42	678,706.94	255,490.53
Noncurrent Assets:						
Restricted Cash and Cash Equivalents	191,061.58		113,369.75			
Deposits	1,994,375.60					
Net Pension Asset	119,828.65	125,495.28	256,380.78	83,617.45	31,788.45	13,959.28
Capital Assets:						
Land	110,343.51	44,923.24	6,032.05			
Buildings	14,571,027.52	13,153,266.12	20,462,457.13			341,786.30
Machinery and Equipment	364,955.31	945,217.62	1,431,786.58	138,975.06	569,578.75	177,316.41
Construction Work in Progress	6,309,661.49	2,040,071.13				8,349,732.62
Less: Accumulated Depreciation	(5,823,873.43)	(7,281,674.60)	(9,981,987.16)	(86,269.48)	(439,852.74)	(411,541.75)
Total Noncurrent Assets	17,837,380.23	9,027,298.79	12,288,039.13	136,323.03	161,514.46	121,520.24
TOTAL ASSETS	20,518,551.51	10,887,940.02	19,709,154.02	191,356.45	840,221.40	377,010.77
DEFERRED OUTFLOWS OF RESOURCES:						
Pension Related Deferred Outflows	153,403.31	160,657.69	328,215.87	107,046.15	40,695.23	17,870.51
TOTAL DEFERRED OUTFLOWS OF RESOURCES	153,403.31	160,657.69	328,215.87	107,046.15	40,695.23	17,870.51
						807,888.76

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

MUNICIPALITY OF MADISON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2021

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Electric Fund	Community Center Fund	Solid Waste Fund	Recycling Fund
LIABILITIES:						
Current Liabilities:						
Accounts Payable	379,026.76	30,067.69	570,569.54	21,649.87	6,176.36	5,177.04
Due to Electric Fund				35,369.02		
Due to State Government	117.03		52,607.84	2,090.26	1,760.18	
Accrued Interest Payable	14,634.89	16,994.01	1,611.35			
Accrued Wages Payable	13,384.91	12,961.25	27,136.19	9,667.29	3,576.57	1,535.08
Customer Deposits	400.25		113,369.75			
Bonds Payable Current:						
Revenue	240,232.65	265,780.32	340,000.00			
Accrued Leave Payable-Current	50,000.00	20,000.00	75,000.00	10,000.00	6,000.00	
Total Current Liabilities	697,796.49	345,803.27	1,180,294.67	78,776.44	17,513.11	6,712.12
Noncurrent Liabilities:						
Bonds Payable:						
Revenue	1,559,259.54	2,122,074.61	1,130,000.00			
Accrued Leave Payable	25,155.54	13,813.82	28,775.27	3,777.49	9,568.69	
Note Payable	5,268,633.46	694,587.73				
Total Noncurrent Liabilities	6,853,048.54	2,830,476.16	1,158,775.27	3,777.49	9,568.69	0.00
TOTAL LIABILITIES	7,550,845.03	3,176,279.43	2,339,069.94	82,553.93	27,081.80	6,712.12
DEFERRED INFLOWS OF RESOURCES:						
Pension Related Deferred Inflows	232,849.07	243,860.39	498,194.96	162,484.07	61,770.80	27,125.44
TOTAL DEFERRED INFLOWS OF RESOURCES	232,849.07	243,860.39	498,194.96	162,484.07	61,770.80	27,125.44
NET POSITION:						
Net Investment in Capital Assets	8,463,988.75	5,819,360.85	10,448,288.60	52,705.58	129,726.01	107,560.96
Restricted For:						
Revenue Bond Debt Service	286,000.00	340,168.24	369,000.00			
SDSR Pension Purposes	40,382.89	42,292.58	86,401.69	28,179.53	10,712.88	4,704.35
Lewis & Clark Rural Water	1,994,375.60				651,625.14	248,778.41
Unrestricted Net Position	2,103,513.48	1,426,636.22	6,296,414.70	(27,520.51)		
TOTAL NET POSITION	12,888,260.72	7,628,457.89	17,200,104.99	53,364.60	792,064.03	361,043.72

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

MUNICIPALITY OF MADISON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended December 31, 2021

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Electric Fund	Community Center Fund	Solid Waste Fund	
Operating Revenue:						
Charges for Goods and Services	2,030,464.01	1,713,095.80	10,840,653.08	571,743.06	320,674.18	15,651,860.38
Miscellaneous	19,197.99	8,090.37	318,162.65	6,191.33	2,464.10	355,114.44
Total Operating Revenue	2,049,662.00	1,721,186.17	11,158,815.73	577,934.39	323,138.28	16,006,974.82
Operating Expenses:						
Personal Services	469,301.88	500,515.68	968,306.73	639,485.18	132,505.32	2,765,911.63
Other Current Expense	712,017.97	339,012.05	2,357,951.34	345,599.11	99,998.85	3,933,346.48
Materials (Cost of Goods Sold)	109,581.35		5,385,568.40			5,495,149.75
Depreciation	401,381.31	361,804.72	552,452.09	7,129.46	29,739.00	1,360,581.02
Total Operating Expenses	1,692,282.51	1,201,332.45	9,264,278.56	992,213.75	262,243.17	13,554,988.88
Operating Income (Loss)	357,379.49	519,853.72	1,894,537.17	(414,279.36)	60,895.11	2,451,985.94
Nonoperating Revenue (Expense):						
Operating Grants			11,809.34	8,063.30	860.67	20,733.31
Investment Earnings	1,840.80	1,033.33	3,337.37	2.07	271.39	6,560.36
Rental Revenue	800.00		1,895.60			2,695.60
Interest Expense	(104,797.22)	(83,560.73)	(109,336.22)			(297,694.17)
Other		4,278.76	23,696.00			27,974.76
Total Nonoperating Revenue (Expense)	(102,156.42)	(78,248.64)	(68,597.91)	8,065.37	1,132.06	(239,730.14)
Income (Loss) Before Contributions and Transfers	255,223.07	441,605.08	1,825,939.26	(406,213.99)	62,027.17	2,212,255.80
Capital Contributions				156,466.05		156,466.05
Transfers In		262,871.00		225,998.57		548,869.57
Transfers Out	(90,640.00)	(67,980.00)	(294,580.00)		(60,000.00)	(513,200.00)
Change in Net Position	164,583.07	636,496.08	1,531,359.26	(23,749.37)	2,027.17	2,404,391.42
Change in Accounting Estimate (See Note 21)	(47,587.43)	(22,191.52)	(93,153.24)	(13,763.68)	(5,413.13)	(185,160.94)
Net Position - Beginning	12,771,053.37	7,013,962.87	15,648,491.92	78,258.62	792,830.37	36,574,995.12
Restatement:						
Prior Year Corrections and Voiding Old Checks (See Note 17)	211.71	190.46	113,407.05	12,619.03	2,619.62	129,070.35
Restated Net Position - Beginning	12,771,265.08	7,014,153.33	15,761,898.97	90,877.65	795,449.99	36,704,065.47
NET POSITION - ENDING	12,888,260.72	7,628,457.89	17,200,104.99	53,364.60	792,064.03	38,923,295.95

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

**MUNICIPALITY OF MADISON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended December 31, 2021

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Electric Fund	Community Center Fund	Solid Waste Fund	Recycling Fund
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash Receipts from Customers	2,018,444.88	1,700,363.85	10,864,075.33	571,743.06	318,468.99	173,458.96
Other Operating Cash Receipts	19,197.99	8,090.37	318,162.65	6,191.33	2,464.10	1,008.00
Cash Payments to Employees for Services	(506,086.67)	(539,877.54)	(1,060,418.67)	(683,372.13)	(140,158.91)	(59,540.42)
Cash Payments to Suppliers of Goods and Services	(562,432.49)	(396,337.96)	(8,207,603.13)	(348,347.20)	(99,332.31)	(135,521.09)
Net Cash Provided (Used) by Operating Activities	969,123.71	772,238.72	1,914,216.18	(453,784.94)	81,441.87	(20,594.55)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating Subsidies	3,860.85	2,236.13	72,953.19	8,063.30	860.67	
Interfund Loans			(35,369.02)	35,369.02		
Transfers In		262,871.00		225,998.57		60,000.00
Transfers Out	(90,640.00)	(67,980.00)	(294,580.00)		(60,000.00)	
Net Cash Provided (Used) by Noncapital Financing Activities	(86,779.15)	197,127.13	(256,995.83)	269,430.89	(59,139.33)	60,000.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from Capital Debt	3,714,366.10	694,587.73	1,565,000.00			
Capital Contributions				103,575.00		
Purchase of Capital Assets	(4,557,845.38)	(1,406,106.33)	(144,496.90)			
Principal Paid on Capital Debt	(246,200.17)	(257,315.09)	(2,230,000.00)			
Interest Paid on Capital Debt	(93,955.85)	(84,554.60)	(94,677.31)			
Other Receipts (Payments)	800.00	4,278.76	25,591.60			
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,182,835.30)	(1,049,109.53)	(878,582.61)	103,575.00	0.00	0.00
CASH FLOWS FROM INVESTING ACTIVITIES:						
Cash Received for Interest	1,840.80	1,033.33	3,337.37	2.07	271.39	75.40
Net Cash Provided by Investing Activities	1,840.80	1,033.33	3,337.37	2.07	271.39	75.40
Net Increase (Decrease) in Cash and Cash Equivalents	(298,649.94)	(78,710.35)	781,975.11	(80,776.98)	22,573.93	39,480.85
Balances - Beginning	2,799,659.53	1,681,663.65	3,938,485.92	68,157.95	604,489.65	153,471.37
Adjustments to Beginning Balances:						
Prior Year Corrections and Voiding Old Checks (See Note 17)	211.71	190.46	113,407.05	12,619.03	2,619.62	22.48
Adjusted Balances - Beginning	2,799,871.24	1,681,854.11	4,051,892.97	80,776.98	607,109.27	153,493.85
Balances - Ending	2,501,221.30	1,603,143.76	4,833,868.08	0.00	629,683.20	192,974.70

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

**MUNICIPALITY OF MADISON
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2021**

	Custodial Funds
ASSETS:	
Cash and Cash Equivalents	<u>10,362.78</u>
TOTAL ASSETS	<u>10,362.78</u>
NET POSITION:	
Restricted for:	
Individuals Cafeteria Plan	<u>10,362.78</u>
TOTAL NET POSITION	<u><u>10,362.78</u></u>

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

MUNICIPALITY OF MADISON
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
December 31, 2021

	Custodial Funds
ADDITIONS:	
Other Additions	<u>24,213.72</u>
Total Additions	<u>24,213.72</u>
DEDUCTIONS	
Other Deductions	<u>16,052.21</u>
Total Deductions	<u>16,052.21</u>
Change in Net Position	<u>8,161.51</u>
Net Position - Beginning	<u>2,201.27</u>
NET POSITION - ENDING	<u><u>10,362.78</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of the Municipality of Madison (Municipality) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Municipality is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the Municipality (primary government). The Municipality may also be financially accountable for another organization if that organization is fiscally dependent on the Municipality.

The Housing and Redevelopment Commission of the Municipality of Madison, South Dakota (Commission) is a proprietary fund-type, discretely presented component unit. The five members of the Commission are appointed by the Mayor with the approval of the Governing Board for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from 201 SW First St., PO Box 220, Madison, SD 57042.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Municipality and for each function of the Municipality's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a)

NOTES TO THE FINANCIAL STATEMENTS
(continued)

charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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 constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the Municipality financial reporting entity are described below:

Governmental Funds:

General Fund – The General Fund is the general operating fund of the Municipality. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Park and Recreation Fund – a fund allowed by SDCL 9-38-6 to account for fees received for park and recreation purposes and the costs in connection with maintaining park and recreation facilities. The park and recreation fund is a major fund.

2nd Cent Sales Tax Fund – a fund established by Municipality Ordinance No. 1416 to account for an additional one percent sales tax. The Municipality has restricted the use of this fund to capital improvements, debt service, land acquisition, 911 services, economic development, or park services. The 2nd cent sales tax fund is a major fund.

3rd Cent Gross Receipts (Sales Tax) Fund – a fund allowed by SDCL 10-52A-2 to account for the receipts from the 3rd cent sales tax imposed on liquor, lodging and dining sales. The 3rd cent can be spent on promotion of the municipality. The 3rd cent gross receipts (sales tax) fund is a major fund.

Community Development Fund – a revolving loan fund which makes loans to businesses with repayment over a period of years. The community development fund is a major fund.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Business Improvement Fund – to account for a special assessment or general business license and occupation tax in first and second class municipalities for the financing of business improvement district projects as allowed in SDCL 9-55-3. (SDCL 9-55-2) The business improvement fund is a major fund.

Special Maintenance Fee Fund – to account for the levy assessed for the purpose of maintaining or repairing street surfacing or pavement. (SDCL 9-45-38) The special maintenance fee fund is a major fund.

2019 September Flood Fund – to account for the receipt and expenditure of resources received from FEMA as a result of the September 2019 flood. The 2019 September Flood Fund is a major fund.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of the debt principal, interest, and related costs.

Swimming Pool Debt Service Fund – a fund used to account for property taxes received for payment of principal and interest on Municipality's general obligation bond, Series 2007. The swimming pool debt service fund is a major fund.

Grant Circle TIF Debt Service Fund – TIF #1 is allowed by SDCL 11-9-36 to account for the proceeds of incremental property taxes, restricted to the payment of principal and interest on debt issued to finance a public improvement. The grant circle TIF debt service fund is a major fund.

TIF #2 Debt Service Fund - TIF #2 is allowed by SDCL 11-9-36 to account for the proceeds of incremental property taxes, restricted to the payment of principal and interest on debt issued to finance a public improvement. The TIF #2 debt service fund is a major fund.

Capital Project Funds – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

Gerry Maloney Nature Capital Projects Fund – the Municipality uses a capital projects fund to account for a gift of land and \$100,000 for the establishment of a nature area. The Gerry Maloney capital projects fund is a major fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

NOTES TO THE FINANCIAL STATEMENTS
(continued)

- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Water Fund – financed primarily by user charges this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

Sewer Fund – financed primarily by user charges this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

Electric Fund – a fund established by SDCL 9-39-1 and 26 to provide electric services to customers within the Municipality of Madison. The electric fund is a major fund.

Community Center Fund – a fund established by the Municipality of Madison to account for the operation of a municipal swimming pool. The Community Center fund is a major fund.

Solid Waste Collection Fund – a fund allowed by SDCL 9-32-11 and 34A-6 to account for the collection and disposal of solid waste from the municipality. The solid waste collection fund is a major fund.

Recycling Fund – a fund established by the Municipality of Madison to account for the operation of a solid waste recycling facility system. The recycling fund is a major fund.

Fiduciary Funds:

Fiduciary funds consist of the following sub-category and are never considered to be major funds:

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The Cafeteria Plan, under IRS §125, is the Municipality's only custodial fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental, business-type and component unit activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental, business-type and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Madison, the length of that cycle is 30 days. The revenues, which are accrued at December 31, 2021, are amounts due from governments and airplane fuel.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met but for which revenue recognition criteria have not been met, are reported as deferred inflows of resources.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities

NOTES TO THE FINANCIAL STATEMENTS
(continued)

columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances, if any.

e. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6.

f. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2021 balance of governmental activity capital assets and business-type capital assets are all valued at original cost.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 1980 are recorded at cost, and classified as "Improvements Other than Buildings."

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land & Land Rights	\$ 0.00	---- N/A ----	---- N/A ----
Buildings/Improvements	\$ 5,000.00	Straight-Line	5-99 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-Line	5-50 yrs.
Infrastructure	\$ 5,000.00	Straight-Line	5-75 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide financial statements.

g. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of general obligation bonds, revenue bonds, financing (capital acquisition) leases, tax increment district loans, and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide financial statements.

h. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the Municipality's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues and expenses.

j. Cash and Cash Equivalents:

For the purposes of the proprietary funds' Statement of Cash Flows, the Municipality considers all highly liquid investments as deposits with a term to maturity of three months or less, at date of acquisition, to be cash equivalents.

k. Equity Classifications:

Government-wide Statements:

Equity is classified as Net Position and is displayed in three components.

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

3. Unrestricted Net Position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned" and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as Net Position – Restricted.

l. Application of Net Position:

It is the Municipality's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

m. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Municipality classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Municipal Council.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as inventory and prepaid expenses.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

The Municipal Governing Board committed the following fund balance types by taking the following action:

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
2nd Penny	\$ 1,197,821.89	Ordinance
Library Friends	\$ 15,007.44	Ordinance
Maloney Reserve	\$ 4,997.18	Ordinance
Hillian Trust	\$ 15,898.58	Ordinance
Library Building	\$ 21,811.05	Ordinance

The Municipality uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Municipality would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Municipality does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund:</u>	<u>Revenue Source:</u>
Park & Recreation	Grants and Fees
2nd Cent Sales Tax	Sales Tax
3rd Cent Sales Tax	Sales Tax
Community Development	Interest
Business Improvement Fund	Sales Tax
Special Maintenance Fee	Maintenance Assessment – Front Footage
2019 September Flood Fund	Grants

n. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Municipal contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

2. DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS

As of December 31, 2021, the following individual fund had a deficit fund balance in the amount shown:

2019 September Flood Fund	\$ 3,191.79
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NOTES TO THE FINANCIAL STATEMENTS
(continued)

3. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATION OF CREDIT RISK AND INTEREST RATE RISK

The Municipality follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The Municipality’s cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank’s public debt rating which may not be less than “AA” or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits Municipality funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of December 31, 2021, the Municipality did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

Credit Risk – State law limits eligible investments for the Municipality, as discussed above. The Municipality has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Municipality places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk – The Municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality’s policy is to credit all income from deposits and investments to the fund making the investment.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

4. RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

Amount:	Purpose:
\$ 191,061.58	For Capital Asset construction (Includes balances with trustees)
\$ 113,369.75	For Debt Service, by debt covenants
\$ 281,864.45	For Gerry Maloney Nature Project by an outside source

5. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Municipality expects all receivables to be collected within one year.

6. INVENTORY

Inventory in the General Fund and special revenue funds consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory in the proprietary funds is recorded as an asset when acquired. The consumption of inventories is charged to expense as it is consumed. Inventories are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed. Material supply inventories are off-set by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

7. PROPERTY TAXES

Taxes are levied on or before October 1 of the year preceding the start of the fiscal year. They attach as an enforceable lien on property and become due as payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The Municipality is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the Municipality.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

8. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2021, is as follows:

	Balance 01/01/21	Increases	Decreases	Balance 12/31/21
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	644,115.10	36,000.00		680,115.10
Construction Work in Progress	4,630,696.98	2,277,983.76	(3,465,334.60)	3,443,346.14
Total, not being depreciated	5,274,812.08	2,313,983.76	(3,465,334.60)	4,123,461.24
Capital Assets, being depreciated:				
Buildings & Improvements	15,735,136.44	1,295.00		15,736,431.44
Infrastructure	29,642,135.63	5,421,110.83		35,063,246.46
Machinery & Equipment	7,465,447.87	540,133.52		8,005,581.39
Total, being depreciated	52,842,719.94	5,962,539.35	0.00	58,805,259.29
Less Accumulated Depreciation for:				
Buildings & Improvements	(8,617,449.40)	(526,232.46)		(9,143,681.86)
Infrastructure	(18,388,403.52)	(616,062.24)		(19,004,465.76)
Machinery & Equipment	(6,027,516.61)	(354,050.93)		(6,381,567.54)
Total Accumulated Depreciation	(33,033,369.53)	(1,496,345.63)	0.00	(34,529,715.16)
Total Capital Assets, being depreciated, net	19,809,350.41	4,466,193.72	0.00	24,275,544.13
Governmental Activity Capital Assets, Net	25,084,162.49	6,780,177.48	(3,465,334.60)	28,399,005.37

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	821,983.48
Public Works	449,965.81
Culture and Recreation	224,396.34
Total Depreciation Expense - Governmental Activities	<u>1,496,345.63</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

	Balance 01/01/21	Increases	Decreases	Balance 12/31/21
Business-Type Activities:				
Capital Assets, not being depreciated:				
Land	161,298.80			161,298.80
Construction Work in Progress	2,486,998.87	5,862,733.75		8,349,732.62
Total, not being depreciated	2,648,297.67	5,862,733.75	0.00	8,511,031.42
Capital Assets, being depreciated:				
Buildings & Improvements	48,349,429.52	179,107.55		48,528,537.07
Machinery & Equipment	3,561,222.42	66,607.31		3,627,829.73
Total, being depreciated	51,910,651.94	245,714.86	0.00	52,156,366.80
Less Accumulated Depreciation for:				
Buildings & Improvements	(19,968,044.74)	(1,199,883.82)		(21,167,928.56)
Machinery & Equipment	(2,696,573.40)	(160,697.20)		(2,857,270.60)
Total Accumulated Depreciation	(22,664,618.14)	(1,360,581.02)	0.00	(24,025,199.16)
Total Capital Assets, being depreciated, net	29,246,033.80	(1,114,866.16)	0.00	28,131,167.64
Business-Type Activity Capital Assets, Net	31,894,331.47	4,747,867.59	0.00	36,642,199.06

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Water	401,381.31
Sewer	361,804.72
Electric	552,452.09
Solid Waste	29,739.00
Community Center	7,129.46
Recycling Center	8,074.44
Total Depreciation Expense - Business-Type Activities	1,360,581.02

Construction Work in Progress at December 31, 2021 is composed of the following:

Project Name	Project Authorization	Expended thru 12/31/2021	Committed	Required Future Financing
RD Water System Improvements	23,084,132.00	11,499,368.63	0.00	14,668,697.97
9th & Union	21,582,262.41	124,335.22	3,457,027.19	18,000,900.00
Well House #1 Rebuild	300,937.50	169,374.91	131,562.59	0.00
TOTAL	44,967,331.91	11,793,078.76	3,588,589.78	32,669,597.97

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

9. LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities follows:

	Beginning Balance 1/1/2021	Additions	Deletions	Ending Balance 12/31/21	Due Within One Year
Primary Government:					
Governmental Activities:					
2013 Sales Tax Revenue Refunding Bonds	145,000.00		145,000.00	0.00	0.00
Unamortized Bond Discount	(1,546.00)		(1,546.00)	0.00	0.00
GO Refunding Series 2016	605,000.00		300,000.00	305,000.00	305,000.00
Unamortized Bond Premium	6,895.00		3,450.00	3,445.00	3,445.00
Tax Increment Financing District Loan	96,372.52		36,862.82	59,509.70	36,841.33
Leave Liability: Paid by Governmental Funds	379,402.24	162,496.65	165,737.54	376,161.35	165,000.00
Total Governmental Activities	1,231,123.76	162,496.65	649,504.36	744,116.05	510,286.33
Business-Type Activities:					
2007 Clean Water State Revolving Loan	2,645,170.02		257,315.09	2,387,854.93	265,780.32
2013 Taxable Electric Generation Revenue Refunding Bonds	2,135,000.00		2,135,000.00	0.00	0.00
Unamortized Bond Discount	(16,361.00)		(16,361.00)	0.00	0.00
2021 Taxable Electric Generation Revenue Refunding Bonds	0.00	1,565,000.00	95,000.00	1,470,000.00	340,000.00
2020 Drinking Water Revenue Refunding Bond	2,045,692.36		246,200.17	1,799,492.19	240,232.65
Leave Liability: Paid by the Enterprise Funds	280,064.71	123,418.87	161,392.77	242,090.81	161,000.00
Total Business-Type Activities	7,089,566.09	1,688,418.87	2,878,547.03	5,899,437.93	1,007,012.97
Total Primary Government	8,320,689.85	1,850,915.52	3,528,051.39	6,643,553.98	1,517,299.30

In 2021, the Municipality issued \$1,565,000 in 2021 Taxable Electric Generation Revenue Refunding Bonds with an average interest rate of 1.33 percent to refund the 2013 Taxable Electric Generation Revenue Refunding Bonds with an average interest rate of 3.25 percent and an unpaid principal balance of \$2,135,000.00 at the time of refunding. The entire proceeds of the refunding issue and \$617,000.00 from debt service reserves were deposited in an irrevocable trust with an escrow agent in the amount of \$2,144,053.29 to provide for all future debt service requirements on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the Municipality's Water Fund records. The Municipality refunded the debt to reduce its total debt service payments over the next five years by \$128,790.95 and to obtain an economic gain of \$118,602.87.

Liabilities payable at December 31, 2021 are comprised of the following:

Tax Increment Financing District Loan:

Maturity Date: June 30, 2023

Fixed Interest Rate: 4.09%

Paid by Tax Increment District \$ 59,509.70

2007 Clean Water State Revolving Loan:

Maturity Date: October 15, 2029

Fixed Interest Rate and Fee: 3.25%

Payable from Sewer Fund \$ 2,387,854.93

NOTES TO THE FINANCIAL STATEMENTS
(continued)

2016 General Obligation Refunding Bonds:

Maturity Date: December 1, 2022

Fixed Interest Rate: 0.80% to 1.60%

Payable from Swimming Pool Debt Service Fund \$ 305,000.00

2021 Taxable Electric Generation Revenue Refunding Bonds:

Maturity Date: December 15, 2025

Fixed Interest Rate: 1.33%

Payable from Electric Fund \$ 1,470,000.00

2020 Drinking Water Revenue Bonds:

Maturity Date: June 1, 2028

Fixed Interest Rate: 2.25%

Payable from Water Fund \$ 1,799,492.19

Compensated Absences:

Accrued Leave Balances of Municipality Employees

Payable from General Fund \$ 376,161.35

Payable from Water Fund \$ 75,155.54

Payable from Electric Fund \$ 103,775.27

Payable from Sewer Fund \$ 33,813.82

Payable from Community Center Fund \$ 13,777.49

Payable from Solid Waste Fund \$ 15,569.69

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Primary Government

The annual requirements to amortize all debt outstanding as of December 31, 2021, except for compensated absences, are as follows:

Annual Requirements to Maturity for Long-Term Debt
December 31, 2021

Year Ending December 31,	2007 Clean Water State Revolving Loan		2016 General Obligation Refunding Bonds		2021 Taxable Electric Generation Revenue Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	265,780.32	74,387.92	305,000.00	4,880.00	340,000.00	19,551.00
2023	274,524.02	65,644.22			360,000.00	15,029.00
2024	283,555.37	56,612.87			365,000.00	10,241.00
2025	292,883.86	47,284.38			405,000.00	5,386.50
2026	302,519.21	37,649.03				
2027-2029	968,592.15	89,561.60				
Totals	2,387,854.93	371,140.02	305,000.00	4,880.00	1,470,000.00	50,207.50

Year Ending December 31,	Tax Increment Financing District Loan		2020 Drinking Water Revenue Refunding Bonds		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	36,841.33	1,910.51	240,232.65	37,785.96	1,187,854.30	138,515.39
2023	22,668.37	388.30	245,637.89	32,319.91	902,830.28	113,381.43
2024			251,164.74	26,730.88	899,720.11	93,584.75
2025			256,815.94	21,016.10	954,699.80	73,686.98
2026			262,594.30	15,172.74	565,113.51	52,821.77
2027-2029			543,046.67	12,286.52	1,511,638.82	101,848.12
Totals	59,509.70	2,298.81	1,799,492.19	145,312.11	6,021,856.82	573,838.44

10. CONDUIT DEBT

In the past, the Municipality has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the Municipality, the State of South Dakota, nor any other political subdivision of the state is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2021, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$2,173,274.78.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

11. INTERIM FINANCING

The Municipality has entered into an interim financing loan agreement with First Bank & Trust to provide funding for the RD Water System Project and First Premier Bank to provide funding for the RD Sewer System Project and RD Storm Sewer Project. The interim financing will be converted to USDA Rural Development loans so it is reported as long-term debt on the financial statements. The following is the interim financing activity for the year.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
General	0.00	784,080.84	0.00	784,080.84
Water	1,554,267.36	3,714,366.10	0.00	5,268,633.46
Sewer	0.00	694,587.73	0.00	694,587.73
Totals	<u>1,554,267.36</u>	<u>5,193,034.67</u>	<u>0.00</u>	<u>6,747,302.03</u>

12. OPERATING LEASES

An operating lease agreement was entered into for land at the landfill. The minimum yearly payment of \$25,000.00 is payable from the General Fund.

An operating lease agreement was entered into for a copier. The minimum monthly payment of \$295.96 is payable from the General Fund (1/2), Water Fund (1/8), Sewer Fund (1/8), and Electric Fund (1/4).

The following are the minimum payments on existing operating leases:

<u>Year</u>	<u>Land Lease</u>	<u>Copier Lease</u>
2022	25,000.00	3,551.52
2023	25,000.00	2,959.60
2024	25,000.00	
2025	25,000.00	
2026	25,000.00	

NOTES TO THE FINANCIAL STATEMENTS
(continued)

13. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2021, was as follows:

Major Purposes:

Governmental Activities:

SDSR Pension Purposes	\$ 253,103.37
Capital Projects Purposes	1,359,190.92
Debt Service Purposes	500,057.68
Community Development Purposes	27,063.43
3rd Cent Sales Tax - City Promotion Purposes	48,885.29
Park & Recreation Purposes	801,649.41
100 Year Anniversary Purposes	590.75
Community Building Purposes	450,000.66
Total Restricted Net Position - Governmental Activities	<u>\$ 3,440,541.51</u>

Business-Type Activities:

SDSR Pension Purposes	\$ 212,673.92
Debt Service Purposes	995,168.24
Lewis & Clark Rural Water Future Expansion	1,994,375.60
Total Restricted Net Position - Business-Type Activities	<u>\$ 3,202,217.76</u>

TOTAL RESTRICTED NET POSITION \$ 6,642,759.27

These balances are restricted due to federal grant and statutory requirements.

14. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at December 31, 2021 were:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 42,225.68	
2019 September Flood Fund		\$ 42,225.68
Electric Fund	\$ 35,369.02	
Community Center Fund		\$ 35,369.02

The purposes for the interfund receivable and payable balances are to supplement the 2019 September Flood Fund until FEMA Funds are available and to supplement the Community Center Fund until the SD Board of Regents shared contract funds are available.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

15. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2021 were as follows:

<u>Fund:</u>	<u>Governmental</u>	<u>Proprietary</u>	<u>Purpose</u>
General Fund	\$ 1,214,048.43		Operations
Parks & Recreation Fund	600,000.00		Operations
Community Development Fund	(75,000.00)		Operations
2nd Cent Sales Tax Fund	(1,774,718.00)		Operations
2019 September Flood			Operations
Water Fund		(90,640.00)	Operations
Sewer Fund		194,891.00	Operations
Electric Fund		(294,580.00)	Operations
Community Center Fund		225,998.57	Operations
Solid Waste Fund		(60,000.00)	Operations
Recycling Fund		60,000.00	Operations
TOTAL	<u>\$ (35,669.57)</u>	<u>\$ 35,669.57</u>	

The Municipality typically budgets transfers to conduct the indispensable functions of the Municipality.

16. TAX ABATEMENTS

The Municipality entered into sales tax abatement agreements with local businesses under SDCL 9-54 and 9-12-11. Under this agreement, the Municipality may grant sales tax abatements of up to 50 percent of the Municipal sales tax collected on retail sales of the business. The agreement was for 10 years or until \$1,000,000.00 has been abated. The agreement was amended to extend the date another ten years. This is for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Municipality.

For the year ended December 31, 2021, the Municipality abated sales taxes totaling \$63,578.63 under this program, including the following tax abatement agreements, that are 100 percent of the total amount abated:

- A sales tax abatement to Custom Touch Homes, Inc. for real property improvements and to create full-time employment.

The Municipality entered into a property tax abatement agreement under SDCL 11-9-3, Resolution No. 2018-10 and Resolution No. 2018-16. The tax increment district was created to assist with the public improvements related to the construction of a hotel and future conference center in the tax increment district.

For the year ended December 31, 2021, the Municipality entered into an agreement with Madison Hospitality Group, LLC ("Developer") to introduce a Best Western Plus hotel and proposed conference center in the Municipality. In the year 2021, the Municipality abated property tax of \$55,230.14 under this agreement. The agreement provides that:

NOTES TO THE FINANCIAL STATEMENTS
(continued)

- All positive tax increments received in the TID shall, upon receipt by the Municipality be paid out pursuant to SDCL 11-9-32. The Municipality agrees to pay to Developer available tax increment fund revenues it receives from the TID, the total of which shall not exceed \$1,200,000 during the life of the TID. The life of the TID shall not exceed twenty (20) years after the calendar year of the creation of the TID.

17. PRIOR PERIOD ADJUSTMENTS

The Municipality has restated the beginning net position/fund balance to adjust for prior year corrections and voiding old checks. The adjustments to beginning net position/fund balance as of January 1, 2021, are as follows:

	Governmental Activities	Business-Type Activities	Water Fund
Net Position January 1, 2021, as previously reported	\$ 36,464,493.89	\$ 36,574,995.12	\$ 12,771,053.37
Restatement:			
Prior Year Corrections and Voiding Old Checks	27,340.08	129,070.35	211.71
Net Position January 1, 2021, as Restated	<u>\$ 36,491,833.97</u>	<u>\$ 36,704,065.47</u>	<u>\$ 12,771,265.08</u>
	Sewer Fund	Electric Fund	Community Center Fund
Net Position January 1, 2021, as previously reported	\$ 7,013,962.87	\$ 15,648,491.92	\$ 78,258.62
Restatement:			
Prior Year Corrections and Voiding Old Checks	190.46	113,407.05	12,619.03
Net Position January 1, 2021, as Restated	<u>\$ 7,014,153.33</u>	<u>\$ 15,761,898.97</u>	<u>\$ 90,877.65</u>
	Solid Waste Fund	Recycling Fund	
Net Position January 1, 2021, as previously reported	\$ 792,830.37	\$ 270,397.97	
Restatement:			
Prior Year Corrections and Voiding Old Checks	2,619.62	22.48	
Net Position January 1, 2021, as Restated	<u>\$ 795,449.99</u>	<u>\$ 270,420.45</u>	
	General Fund	Park & Recreation Fund	
Fund Balance January 1, 2021, as previously reported	\$ 8,450,667.96	\$ 835,766.31	
Restatement:			
Prior Year Corrections and Voiding Old Checks	27,276.67	63.41	
Fund Balance January 1, 2021, as Restated	<u>\$ 8,477,944.63</u>	<u>\$ 835,829.72</u>	

18. PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report

NOTES TO THE FINANCIAL STATEMENTS
(continued)

that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute

NOTES TO THE FINANCIAL STATEMENTS
(continued)

to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. The Municipality's share of contributions to the SDRS for the calendar years ended December 31, 2021, 2020, and 2019 were \$253,796.71, \$244,984.13, and \$240,743.68, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2021, SDRS is 105.03% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period ending June 30, 2021 and reported by the Municipality as of December 31, 2021 are as follows:

Proportionate share of pension liability	\$ 25,024,915.60
Less proportionate share of net pension restricted for pension benefits	<u>\$ 26,407,022.25</u>
Proportionate share of net pension liability (asset)	<u>\$ (1,382,106.65)</u>

At December 31, 2021, the Municipality reported a liability (asset) of \$(1,382,106.65) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the Municipality's proportion was 0.18047200%, which is an increase (decrease) of (0.0053648%) from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Municipality recognized pension expense (reduction of expense) of \$(375,471.66). At December 31, 2021 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 49,621.24	\$ 3,623.59
Changes in assumption.	\$ 1,589,408.57	\$ 692,139.04
Net difference between projected and actual earnings on pension plan investments.		\$ 1,974,367.01
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.		\$ 15,557.49
Municipality contributions subsequent to the measurement date.	<u>\$ 130,327.96</u>	
TOTAL	<u>\$ 1,769,357.77</u>	<u>\$ 2,685,687.13</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

\$130,327.96 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended	
December 31:	
2022	\$ (264,579.92)
2023	(177,825.06)
2024	(48,812.61)
2025	(555,439.73)
TOTAL	<u>\$ (1,046,657.32)</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%
Future COLAs	2.25%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 projected generationally with Scale MP-2016, white collar rates for female and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the Municipality's proportionate share as of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$2,237,974.52	\$(1,382,106.65)	\$(4,320,769.88)

Pension Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

19. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2021, the Municipality was not involved in any significant litigation.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

20. RISK MANAGEMENT

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2021, the Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Municipality pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage includes a \$2,000,000.00 lifetime maximum payment per person.

The Municipality does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The Municipality purchases liability insurance for risks related to airport liability from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

The Municipality joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality. The Municipality pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for general liability, official's liability, automobile insurance, and law enforcement liability.

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing Members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing Member with such a partial refund because the departing Member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing Member pursuant to the revised IGC.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

The Municipality reflected the effects of the new SDPAA policy in the financial statements as a Change in Accounting Estimate in the Statement of Activities and the Fund Operating Statements and also eliminated the reporting of the Deposit on the Statement of Net Position and Fund Balance Sheet.

The Municipality carries a \$500.00 deductible for the official liability coverage and \$2,000.00 deductible for the law enforcement liability coverage. Building, contents, and equipment coverage is based on a per item statement of values and carries a \$500.00 deductible.

The Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000.00 of any claim per individual. The pool has reinsurance which covers up to an additional \$2,000,000.00 per individual per incident.

The Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The Municipality has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended December 31, 2021, several claims were filed for unemployment benefits resulting in \$3,537.85 in claims paid. At December 31, 2021, no claims had been filed or were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next year.

21. SUBSEQUENT EVENTS

The Municipality of Madison passed a resolution in November 2021 to issue a Sales Tax Revenue Bond, Series 2022 and issued the bond on March 18, 2022 in the amount of \$9,000,000.00.

The Municipality of Madison passed a resolution in December 2020 to issue Rural Development Bonds for the Water System Improvement Project in the amount of \$7,749,000.00. At December 31, 2021 the draw downs on the bonds totaled \$1,182,583.68.

In May 2021, the Municipality of Madison passed resolutions to issue Rural Development Bonds for the Wastewater/Sanitary Sewer System Improvement Project and the Storm Sewer System Improvement

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Project in the amounts of \$3,214,000.00 and \$3,434,000.00, respectively. At December 31, 2021, the draw downs on the bonds totaled \$694,587.73 and \$784,080.84, respectively.

Management has evaluated whether any subsequent events have occurred through September 9, 2022, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	2,043,104.00	2,043,104.00	2,013,879.99	(29,224.01)
General Sales and Use Taxes	1,750,000.00	1,750,000.00	1,879,272.19	129,272.19
Amusement Tax	650.00	650.00	0.00	(650.00)
Penalties and Interest on Delinquent Taxes	4,000.00	4,000.00	4,532.47	532.47
Licenses and Permits	77,300.00	77,300.00	74,376.70	(2,923.30)
Intergovernmental Revenue:				
Federal Grants	1,370,900.00	3,195,725.78	2,269,803.18	(925,922.60)
State Grants	282,550.00	282,550.00	283,226.57	676.57
State Shared Revenue:				
Bank Franchise Tax	18,500.00	18,500.00	18,779.21	279.21
Prorate License Fees	0.00	0.00	4,722.72	4,722.72
Liquor Tax Reversion	41,500.00	41,500.00	44,905.45	3,405.45
Motor Vehicle Licenses	90,000.00	90,000.00	85,178.75	(4,821.25)
Local Government Highway and Bridge Fund	195,000.00	195,000.00	208,718.61	13,718.61
State Payments in Lieu of Taxes	7,500.00	7,500.00	6,485.01	(1,014.99)
County Shared Revenue:				
County Road Tax	11,718.00	11,718.00	11,718.70	0.70
Charges for Goods and Services:				
General Government	2,750.00	2,750.00	1,425.00	(1,325.00)
Public Safety	800.00	800.00	789.00	(11.00)
Highways and Streets	13,500.00	13,500.00	15,499.29	1,999.29
Sanitation	80,250.00	80,250.00	100,791.44	20,541.44
Health	1,200.00	1,200.00	790.00	(410.00)
Other	155,000.00	155,000.00	151,589.96	(3,410.04)
Fines and Forfeits:				
Court Fines and Costs	500.00	500.00	406.26	(93.74)
Other	800.00	800.00	760.00	(40.00)
Miscellaneous Revenue:				
Investment Earnings	55,000.00	55,000.00	7,556.11	(47,443.89)
Rentals	62,350.00	62,350.00	50,585.05	(11,764.95)
Special Assessments	11,298.00	11,298.00	27,229.09	15,931.09
Contributions and Donations from Private Sources	91,000.00	96,000.00	34,157.99	(61,842.01)
Other	50,450.00	68,057.99	132,782.27	64,724.28
Total Revenue	6,417,620.00	8,265,053.77	7,429,961.01	(835,092.76)
Expenditures:				
General Government:				
Legislative	108,930.00	158,930.00	158,606.00	324.00
Contingency	150,000.00	150,000.00		
Amount Transferred		0.00		150,000.00
Financial Administration	479,879.00	479,879.00	420,194.53	59,684.47
Other	465,014.00	465,014.00	306,356.69	158,657.31
Total General Government	1,203,823.00	1,253,823.00	885,157.22	368,665.78

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Expenditures (continued):				
Public Safety:				
Police	1,510,898.00	1,650,898.00	1,621,272.61	29,625.39
Fire	201,863.00	206,863.00	205,068.97	1,794.03
Other Protection	2,014.00	2,014.00	562.79	1,451.21
Total Public Safety	1,714,775.00	1,859,775.00	1,826,904.37	32,870.63
Public Works:				
Highways and Streets	5,179,604.00	5,221,604.00	3,966,394.25	1,255,209.75
Sanitation	68,032.00	70,532.00	63,822.45	6,709.55
Airport	1,813,864.00	1,813,864.00	1,398,544.64	415,319.36
Total Public Works	7,061,500.00	7,106,000.00	5,428,761.34	1,677,238.66
Health and Welfare:				
Health	6,750.00	6,750.00	3,878.60	2,871.40
Total Health and Welfare	6,750.00	6,750.00	3,878.60	2,871.40
Culture and Recreation:				
Recreation	3,500.00	3,500.00	3,500.00	0.00
Libraries	572,945.00	572,945.00	553,013.63	19,931.37
Auditorium	63,814.00	63,814.00	30,478.04	33,335.96
Total Culture and Recreation	640,259.00	640,259.00	586,991.67	53,267.33
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	448,542.00	2,185,483.82	1,347,729.38	837,754.44
Total Conservation and Development	448,542.00	2,185,483.82	1,347,729.38	837,754.44
Debt Service	202,730.00	202,730.00	148,325.69	54,404.31
Total Expenditures	11,278,379.00	13,254,820.82	10,227,748.27	3,027,072.55
Excess of Revenue Over (Under) Expenditures	(4,860,759.00)	(4,989,767.05)	(2,797,787.26)	2,191,979.79
Other Financing Sources (Uses):				
Transfers In	1,440,047.00	1,440,047.00	1,440,047.00	0.00
Sale of Municipal Property	5,000.00	5,000.00	63,909.00	58,909.00
Compensation for Loss or Damage to Capital Assets	0.00	0.00	5,341.40	5,341.40
Long-Term Debt Issued	2,774,446.00	2,774,446.00	784,080.84	(1,990,365.16)
Transfers Out	(146,662.00)	(236,662.00)	(225,998.57)	10,663.43
Total Other Financing Sources (Uses)	4,072,831.00	3,982,831.00	2,067,379.67	(1,915,451.33)
Net Change in Fund Balances	(787,928.00)	(1,006,936.05)	(730,407.59)	276,528.46
Changes in Accounting Estimates	0.00	0.00	(131,617.77)	(131,617.77)
Fund Balance - Beginning	8,450,667.96	8,450,667.96	8,450,667.96	0.00
Adjustments:				
Prior Year Corrections and Voiding Old Checks (See Note 17)	0.00	0.00	27,276.67	27,276.67
Adjusted Fund Balance - Beginning	8,450,667.96	8,450,667.96	8,477,944.63	27,276.67
FUND BALANCE - ENDING	7,662,739.96	7,443,731.91	7,615,919.27	172,187.36

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PARK AND RECREATION FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Intergovernmental Revenue:				
State Grants	0.00	3,973.00	3,973.00	0.00
Charges for Goods and Services:				
Culture and Recreation	59,000.00	59,000.00	7,227.82	(51,772.18)
Miscellaneous Revenue:				
Investment Earnings	8,500.00	8,500.00	685.42	(7,814.58)
Rentals	2,000.00	2,000.00	1,840.00	(160.00)
Contributions and Donations from Private Donations	1,000.00	1,000.00	0.00	(1,000.00)
Other	0.00	0.00	7,935.93	7,935.93
Total Revenue	70,500.00	74,473.00	21,662.17	(52,810.83)
Expenditures:				
Health and Welfare:				
Health	15,500.00	16,453.99	8,587.09	7,866.90
Total Health and Welfare	15,500.00	16,453.99	8,587.09	7,866.90
Culture and Recreation:				
Recreation	233,417.00	234,974.07	164,446.84	70,527.23
Parks	587,660.00	596,525.00	579,096.34	17,428.66
Total Culture and Recreation	821,077.00	831,499.07	743,543.18	87,955.89
Total Expenditures	836,577.00	847,953.06	752,130.27	95,822.79
Excess of Revenue Over (Under) Expenditures	(766,077.00)	(773,480.06)	(730,468.10)	43,011.96
Other Financing Sources (Uses):				
Transfers In	600,000.00	600,000.00	600,000.00	0.00
Compensation for Loss or Damage to Capital Assets	0.00	0.00	81,620.39	81,620.39
Total Other Financing Sources (Uses)	600,000.00	600,000.00	681,620.39	81,620.39
Net Change in Fund Balances	(166,077.00)	(173,480.06)	(48,847.71)	124,632.35
Changes in Accounting Estimates	0.00	0.00	(20,475.29)	(20,475.29)
Fund Balance - Beginning	835,766.31	835,766.31	835,766.31	0.00
Adjustments				
Prior Year Corrections and Voiding Old Checks (See Note 17)	0.00	0.00	63.41	63.41
Adjusted Fund Balance - Beginning	835,766.31	835,766.31	835,829.72	63.41
FUND BALANCE - ENDING	669,689.31	662,286.25	766,506.72	104,220.47

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
3RD CENT FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Taxes:				
General Sales and Use Taxes	200,000.00	200,000.00	223,488.70	23,488.70
Miscellaneous Revenue:				
Investment Earnings	450.00	450.00	2.12	(447.88)
Total Revenue	200,450.00	200,450.00	223,490.82	23,040.82
Expenditures:				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	233,500.00	233,500.00	226,094.00	7,406.00
Total Conservation and Development	233,500.00	233,500.00	226,094.00	7,406.00
Total Expenditures	233,500.00	233,500.00	226,094.00	7,406.00
Net Change in Fund Balances	(33,050.00)	(33,050.00)	(2,603.18)	30,446.82
Fund Balance - Beginning	51,488.47	51,488.47	51,488.47	0.00
FUND BALANCE - ENDING	18,438.47	18,438.47	48,885.29	30,446.82

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
COMMUNITY DEVELOPMENT FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Miscellaneous Revenue:				
Investment Earnings	750.00	750.00	1.59	(748.41)
Total Revenue	750.00	750.00	1.59	(748.41)
Expenditures:				
Total Expenditures	0.00	0.00	0.00	0.00
Excess of Revenue Over (Under)				
Expenditures	750.00	750.00	1.59	(748.41)
Other Financing Sources (Uses):				
Transfers Out	(75,000.00)	(75,000.00)	(75,000.00)	0.00
Total Other Financing Sources (Uses)	(75,000.00)	(75,000.00)	(75,000.00)	0.00
Net Change in Fund Balances	(74,250.00)	(74,250.00)	(74,998.41)	(748.41)
Fund Balance - Beginning	102,061.84	102,061.84	102,061.84	0.00
FUND BALANCE - ENDING	27,811.84	27,811.84	27,063.43	(748.41)

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
2ND CENT FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Taxes:				
General Sales and Use Taxes	1,750,000.00	1,750,000.00	1,879,272.09	129,272.09
Miscellaneous Revenue:				
Investment Earnings	10,000.00	10,000.00	687.60	(9,312.40)
Total Revenue	1,760,000.00	1,760,000.00	1,879,959.69	119,959.69
Expenditures:				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	0.00	170,590.22	170,590.22	0.00
Total Conservation and Development	0.00	170,590.22	170,590.22	0.00
Total Expenditures	0.00	170,590.22	170,590.22	0.00
Excess of Revenue Over (Under) Expenditures	1,760,000.00	1,589,409.78	1,709,369.47	119,959.69
Other Financing Sources (Uses):				
Transfers Out	(1,774,718.00)	(1,774,718.00)	(1,774,718.00)	0.00
Total Other Financing Sources (Uses)	(1,774,718.00)	(1,774,718.00)	(1,774,718.00)	0.00
Net Change in Fund Balances	(14,718.00)	(185,308.22)	(65,348.53)	119,959.69
Fund Balance - Beginning	1,411,070.42	1,411,070.42	1,411,070.42	0.00
FUND BALANCE - ENDING	1,396,352.42	1,225,762.20	1,345,721.89	119,959.69

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
BUSINESS IMPROVEMENT FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Taxes:				
General Sales and Use Taxes	0.00	9,824.00	32,918.00	23,094.00
Total Revenue	0.00	9,824.00	32,918.00	23,094.00
Expenditures:				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	0.00	9,824.00	9,729.50	94.50
Total Conservation and Development	0.00	9,824.00	9,729.50	94.50
Total Expenditures	0.00	9,824.00	9,729.50	94.50
Net Change in Fund Balances	0.00	0.00	23,188.50	23,188.50
Fund Balance - Beginning	0.00	0.00	0.00	0.00
FUND BALANCE - ENDING	0.00	0.00	23,188.50	23,188.50

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL MAINTENANCE FEE FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Miscellaneous Revenue:				
Investment Earnings	5,000.00	5,000.00	26.09	(4,973.91)
Maintenance Assessments	226,750.00	226,750.00	230,469.43	3,719.43
Total Revenue	231,750.00	231,750.00	230,495.52	(1,254.48)
Expenditures:				
Public Works				
Highways and Streets	385,000.00	385,000.00	194,117.39	190,882.61
Total Public Works	385,000.00	385,000.00	194,117.39	190,882.61
Total Expenditures	385,000.00	385,000.00	194,117.39	190,882.61
Net Change in Fund Balances	(153,250.00)	(153,250.00)	36,378.13	189,628.13
Fund Balance - Beginning	1,017,759.84	1,017,759.84	1,017,759.84	0.00
FUND BALANCE - ENDING	864,509.84	864,509.84	1,054,137.97	189,628.13

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
2019 SEPTEMBER FLOOD FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Total Revenue	0.00	0.00	0.00	0.00
Expenditures:				
Total Expenditures	0.00	0.00	0.00	0.00
Net Change in Fund Balances	0.00	0.00	0.00	0.00
Fund Balance - Beginning	(3,191.79)	(3,191.79)	(3,191.79)	0.00
FUND BALANCE - ENDING	(3,191.79)	(3,191.79)	(3,191.79)	0.00

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund and for each major Special Revenue Fund with a legally required budget.

NOTE 1. Budgets and Budgetary Accounting

The Municipality follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board/Municipality Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board/Municipality Commission, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board/Municipality Commission to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board/Municipality Commission.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and special revenue funds.

The Municipality did not encumber any amounts at December 31, 2021.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP).

NOTE 2. GAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

Last Seven Years *

	2021	2020	2019	2018	2017	2016	2015
Municipality's proportion of the net pension liability/asset	0.1804720%	0.1858368%	0.1837050%	0.1766010%	0.1736765%	0.1816573%	0.1785500%
Municipality's proportionate share of net pension liability (asset)	(\$1,382,107)	(\$8,071)	(\$19,468)	(\$4,119)	(\$15,761)	\$613,621	(\$757,285)
Municipality's covered-employee payroll	\$ 3,824,318	\$ 3,804,514	\$ 3,644,373	\$ 3,429,716	\$ 3,312,224	\$ 3,243,025	\$ 3,062,233
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.14%	0.21%	0.53%	0.12%	0.48%	18.92%	24.73%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 06/30 of previous fiscal year.

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

Last Seven Years

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 253,797	\$ 244,984	\$ 240,744	\$ 227,796	\$ 215,022	\$ 205,153	\$ 197,153
Contributions in relation to the contractually required contribution	\$ 253,797	\$ 244,984	\$ 240,744	\$ 227,796	\$ 215,022	\$ 205,153	\$ 197,153
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipality's covered-employee payroll	\$ 3,947,435	\$ 3,811,258	\$ 3,743,380	\$ 3,536,360	\$ 3,353,435	\$ 3,210,987	\$ 3,084,397
Contributions as a percentage of covered-employee payroll	6.43%	6.43%	6.43%	6.44%	6.41%	6.39%	6.39%

**Notes to Required Supplementary Information
for the Year Ended December 31, 2021**

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions.

Changes from Prior Valuation

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

The details of the changes since the last valuation are as follows:

Benefit Provision Changes

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2020 and July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the Actuarial Accrued Liability by \$1,135 million, or 8.9% of the Actuarial Accrued Liability based on the 1.41% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

Actuarial Method Changes

No changes in actuarial methods were made since the prior valuation.

MUNICIPALITY OF MADISON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures 2021
Department of Agriculture:			
Direct Federal Funding:			
Water and Waste Disposal Systems for Rural Communities (Note 3)	10.760		<u>5,193,034.67</u>
Total Department of Agriculture			<u>5,193,034.67</u>
US Department of Treasury - Pass Through Programs:			
SD Bureau of Finance and Management, Coronavirus Relief Fund	21.019		<u>5,800.00</u>
US Department of Treasury - Direct Programs:			
Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>99,266.32</u>
Total US Department of Treasury			<u>105,066.32</u>
US Department of Transportation:			
Direct Federal Funding:			
Airport Improvement Program (Note 3)	20.106	3-46-0029-017-2020	<u>981,852.88</u>
Airport Improvement Program-CARES Act (Note 3)	20.106	3-46-0029-019-2020	<u>102,343.94</u>
Highway Safety Cluster:			
US Department of Transportation - Pass-Through Programs:			
SD Department of Public Safety State and Community Highway Safety	20.600		<u>2,044.25</u>
Total Highway Safety Cluster			<u>2,044.25</u>
Total US Department of Transportation			<u>1,086,241.07</u>
US General Services Administration - Pass-Through Programs:			
Indirect Federal Funding:			
SD Federal Property Agency, Donation of Federal Surplus Personal Property (Note 4)	39.003		<u>1,171.72</u>
Total US General Services Administration			<u>1,171.72</u>
US Department of Homeland Security - Pass-Through Programs:			
SD Department of Public Safety - Office of Emergency Management, Disaster Grants-Public Assistance (Note 3)	97.036		<u>1,099,431.44</u>
Total US Department of Homeland Security			<u>1,099,431.44</u>
GRAND TOTAL			<u><u>7,484,945.22</u></u>

**MUNICIPALITY OF MADISON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2021**

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Municipality under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Municipality, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipality.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Municipality has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.

Note 4: Federal Surplus Property

The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the Municipality.