

MUNICIPALITY OF MADISON
MADISON, SOUTH DAKOTA

AUDIT REPORT

FOR THE YEAR JANUARY 1, 2022 TO DECEMBER 31, 2022

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF MADISON

MUNICIPAL OFFICIALS
DECEMBER 31, 2022

MAYOR:

Roy Lindsay

GOVERNING BOARD:

Jeremiah Corbin
Kelly Dybdahl
Adam Shaw
Jerae Wire

CITY ADMINISTRATOR:

Jameson Berreth

FINANCE OFFICER:

Sonja Wilt

ATTORNEY:

David Jencks

Schoenfish & Co., Inc.

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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, 2022 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 October 1, 2024. 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 an adverse opinion for all opinion units because of errors and omissions in the financial statements.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control,

described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2022-001 and 2022-002 to be material weaknesses.

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. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2022-003.

Municipality's Responses to Findings

Governmental Auditing Standards requires the auditor to perform limited procedures on the Municipality's responses to the findings identified in our audit. The Municipality's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Municipality's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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
October 1, 2024

Schoenfish & Co., Inc.

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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, 2022. 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, 2022.

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

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 in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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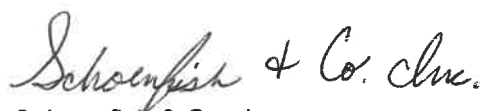
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2022-001 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Municipality's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Municipality's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.
Certified Public Accountants
October 1, 2024

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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.

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

- a. An adverse opinion was issued on the financial statements as a whole. A disclaimer of opinion was issued on the financial statements of the aggregate discretely presented component opinion unit.
- b. Material weaknesses were disclosed by our audit of the financial statements for errors and omissions as discussed in finding number 2022-002.
- c. Our audit did disclose noncompliance which was material to the financial statements and is discussed in finding number 2022-003.

Federal Awards:

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did disclose an audit finding that needs to be disclosed in accordance with 2 CFR 200.516(a) and is discussed in finding 2022-001.
- f. The federal awards tested as major programs were:
 1. Assistance Listing No. 21.027 Coronavirus State and Local Fiscal Recovery Funds
 2. 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 qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:Internal Control Over Compliance – Related Finding – Material Weakness:Finding Number 2022-001:Condition:

The Municipality lacks adequate internal controls over federal awards, as evidenced by (1) improper records retention practices, (2) an absence of documented policies and procedures for retaining financial and programmatic records, and (3) the lack of a formal, written procurement policy to ensure compliance with federal regulations. Our review found instances where documentation supporting expenditures and program activities were missing or incomplete, indicating a lack of adherence to federal records retention requirements. This is the first audit in which a similar audit comment has occurred.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria:

2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards outlines the requirements for non-federal entities with respect to the administration and execution of federal award programs.

- *Records Retention:* Per 2 CFR §200.334 and SDCL 1-27-4.1, non-federal entities must retain financial and programmatic records, supporting documents, and all other records pertinent to a federal award for a period of three years from the date of submission of the final expenditure report.
- *Internal Controls:* According to 2 CFR §200.303, non-federal entities must establish and maintain effective internal controls over federal awards that provide reasonable assurance of compliance with federal statutes, regulations, and the terms and conditions of federal awards.
- *Procurement Policy:* Per 2 CFR §200.318, non-federal entities must have and use documented procurement procedures, consistent with applicable state, local, and federal regulations for the acquisition of property and services under a federal award. The procurement policy must ensure full and open competition, address conflicts of interest, and document procurement actions.

Cause of Condition:

Management has not developed or implemented written procedures to ensure compliance with federal procurement and record retention requirements due to the inadequate development of comprehensive, written internal control procedures over federal award administration. Staff turnover and a lack of training on federal requirements contributed to the deficiency.

Potential Effect of Condition:

The lack of documented internal controls, formal policies over procurement, and failure to maintain and retain appropriate grant records increases the risk of non-compliance with federal regulations. Specifically, this could lead to improper documentation, unallowable costs, procurement errors, and potential waste, fraud, or abuse. These conditions could result in questioned costs, jeopardize future federal funding, and impair the Municipality's ability to effectively manage federal awards. Additionally, in the event of a grant review, the inability to provide adequate supporting records may result in potential disallowance of costs and potential repayment of federal funds.

Recommendation:

1. We recommend that management design and implement formal, written internal control policies and procedures to ensure compliance with federal compliance requirements. This should include:
 - *Records Retention:* Assign duties to appropriate individuals and implement a document management system to ensure compliance with federal retention requirements.
 - *Procurement Policy:* Develop and implement a formal, written procurement policy that adheres to federal procurement standards under the *Uniform Guidance* 2 CFR 200.318.
 - *Staff Training:* Conduct comprehensive training for all personnel involved in the administration of federal awards to ensure familiarity and compliance with federal regulations and internal control expectations.
 - *Monitoring and Review:* Implement a monitoring and review process to periodically evaluate the effectiveness of internal controls and compliance with federal regulations.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

CURRENT OTHER AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2022-002:

Condition:

Material weaknesses were noted in internal accounting control and record keeping resulting in diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded. This is the first audit in which a similar audit comment has occurred.

Criteria:

Proper preparation of municipal records results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Cause of Condition:

Material weaknesses were noted in internal accounting control and record keeping resulting in diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded. The following significant errors and omissions were noted:

- a. Long-term liabilities, interim financing and accrued interest were not adjusted to actual at year end.
- b. The Rural Development interim financing was recorded incorrectly to the wrong funds in previous years. This has been adjusted through a prior period restatement.
- c. At 12/31/22, it was noted that the Municipality had paid \$229,273.48 less than the bond amortization schedule for the 2021 Taxable Electric Revenue Refunding Bonds. This was due in part to an error in invoicing. It is suggested that the Municipality monitor all debt outstanding to ensure that payments are made according to the debt amortization schedules.
- d. Special assessment receivables were not reconciled with the county auditor and not adjusted at year end.
- e. Outstanding taxes receivable were not reconciled with the county auditor and not adjusted at year end.
- f. The financial statements were not adjusted to reflect the actual inventory at year end.
- g. The project summaries provided did not match the acquired asset listing report, making it difficult to determine construction in progress balances.
- h. Capital assets and depreciation were not adjusted at year end to reflect the updated depreciation schedules.
- i. Revenue should not be offset with the matching expenditure. All revenue and expenditures should be recorded in gross amounts to the proper revenue functions and expenditure functions, respectively.
- j. Revenue was not properly coded based on source. Numerous coding errors were noted and corrected.
- k. Grant revenue should be receipted into the fund in which the expenditures are spent. Material audit adjustments were required to report federal grant revenue in the proper fund.
- l. Receivables were not consistently recorded in substance from one period to the next.
- m. Grant funds received prior to incurring the matching expense/expenditures were not recorded as unearned revenue at year end for the portion that remains unspent.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

- n. The aged account receivable report was not reconciled to the general ledger by fund at year end.
- o. A ledger of unbilled utility accounts receivable by fund could not be produced for 12/31/22.
- p. Based on the General Ledger Accounts Receivable Reconciliation, receivable amounts by fund in the utility billing were not posted correctly between the funds; however it was difficult to ascertain the validity of the report based on limited corroborating information provided.

SDCL 9-14-18 states that the finance officer "shall keep regular books of account in which shall be entered all indebtedness of the Municipality, and which shall at all times show the financial condition of the Municipality, the amount of bonds, warrants, certificates, or other evidences of indebtedness issued by the governing body, and the amounts of all bonds, warrants, certificates, or other evidences of indebtedness which have been redeemed and the amount of each outstanding."

SDCL 9-14-19 states that the finance officer "shall supervise the accounting system for all departments and offices of the Municipality in accordance with the recommendations of the Department of Legislative Audit."

Potential Effect of Condition:

As a result, inaccurate and incomplete information is being presented to the users of these financial statements such that there is more than remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

Recommendation:

2. We recommend future annual financial statements be completely and accurately prepared in accordance with generally accepted accounting principles and that all necessary accounting records be established and properly maintained.

Compliance – Related Finding:

Finding Number 2022-003:

Condition:

Expenditures were excess of the amounts budgeted in two departments in the General Fund. Also, the Park and Recreation Fund and the 2019 September Flood Fund were budgeted to spend more than available. This is the first audit in which a similar audit comment has occurred.

Criteria:

SDCL 9-21-2 states in part, "The governing body of each municipality shall, no later than its first regular meeting in September of each year or within ten days thereafter, introduce the annual appropriation ordinance for the ensuing fiscal year, in which it shall appropriate the sums of money necessary to meet all lawful expenses and liabilities of the municipality." Also, SDCL 9-21-9 states, "Neither the governing body nor any department or office of the municipality shall add to the municipal expenditures in any fiscal year any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise specially provided. Nor shall the amount spent for any purpose or any department exceed the total amount appropriated for such purpose or for such department in the annual appropriation ordinance for such year, except as otherwise specially provided."

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

Cause of Condition:

The Municipality expended money in excess of amounts budgeted without supplementing the budget as allowed by SDCL 9-21-7. Also, the Municipality budgeted to spend more than available, which is not allowed as stated in SDCL 9-21-9.

Potential Effect of Condition:

Without adopting a budget supplement or limiting expenditures, expenditures are being made without proper authority. Also, budgets are not being properly adopted in accordance with budgetary guidelines.

Recommendation:

3. We recommend that budgets be adopted in accordance with SDCL 9-21-9 and that the expenditures be limited to amounts budgeted or budget supplements and contingency transfers be made in accordance with SDCL 9-21-7 and SDCL 9-21-6.1 to allow for expenditures.

CLOSING CONFERENCE

The audit was discussed with the officials during the course of and at the conclusion of the audit.

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Corrective Action Plan

Finding Number 2022-001:

The Municipality lacks adequate internal controls over federal awards, as evidenced by (1) improper records retention practices, (2) an absence of documented policies and procedures for retaining financial and programmatic records, and (3) the lack of a formal, written procurement policy to ensure compliance with federal regulations.

Planned Corrective Action:

The City of Madison will design and implement formal, written internal control policies and procedures to ensure compliance with federal compliance requirements. This will include the following:

- **Records Retention:** Assign duties to appropriate individuals and implement a document management system to ensure compliance with federal retention requirements.
- **Procurement Policy:** Develop and implement a formal, written procurement policy that adheres to federal procurement standards under the Uniform Guidance 2 CFR 200.318.
- **Staff Training:** Conduct comprehensive training for all personnel involved in the administration of federal awards to ensure familiarity and compliance with federal regulations and internal control expectations.
- **Monitoring and Review:** Implement a monitoring and review process to periodically evaluate the effectiveness of internal controls and compliance with federal regulations.

Finding Number 2022-002:

Material weaknesses were noted in internal accounting control and record keeping resulting in diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded.



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Corrective Action Plan (continued)

Planned Corrective Action:

The City of Madison will ensure that future annual financial statements be completely and accurately prepared in accordance with generally accepted accounting principles and that all necessary accounting records be established and properly maintained.

Therefore, the Finance Officer will implement procedures to ensure that appropriate transactions are created and recorded in timely manner and that financial statements are reviewed for accuracy.

Finding Number 2022-003:

Expenditures were excess of the amounts budgeted in two departments in the General Fund. Also, the Park & Recreation Fund & 2019 September Flood Fund were budgeted to spend more than available.

Planned Corrective Action:

The City of Madison will ensure that budgets be adopted in accordance with SDCL 9-21-9 and that the expenditures be limited to amounts budgeted or budget supplements and contingency transfers be made in accordance with SDCL 9-21-7 and SDCL 9-21-6.1 to allow for expenditures.

Therefore, the Finance Officer and the Mayor will continue to monitor and assure proper budget authority is upheld including any need to supplement the budget or complete contingency transfers as necessary to eliminate future findings.

Jameson Berreth
 City Administrator

Roy Lindsay
 Mayor

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Madison
Madison, South Dakota

Adverse Opinion and Disclaimer of Opinion

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, 2022, 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.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Financial Statements as a Whole and Disclaimer of Opinion section of our report, the financial statements referred to above do not present fairly the financial position of the Municipality of Madison as of December 31, 2022, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

Because of the significance of the matter described in the Basis for Adverse Opinion on the Financial Statements as a Whole and Disclaimer of Opinion 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.

Basis for Adverse Opinion on the Financial Statements as a Whole and Disclaimer of Opinion

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.

Basis for Adverse Opinion on the Financial Statements as a Whole

Several errors and omissions were noted in the financial statements. Some of the more serious items were insufficient supporting documentation. As a result, we were unable to determine the accuracy of many of the balances reported beyond the fact that material misstatements exist. Also, many of those amounts affect the proper reporting of revenue and expenditures/expenses.

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, 2022, balances and activities for the year then ended of the component unit column.

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.
- 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.

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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 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. Because of the significance of the matter described in the Basis for Adverse Opinion paragraph, it is inappropriate to, and we do not, express an opinion on the Schedule of Expenditures of Federal Awards.

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.

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2024, 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.



Schoenfish & Co., Inc.
Certified Public Accountants
October 1, 2024

Schoenfish & Co., Inc.

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

MUNICIPALITY OF MADISON
STATEMENT OF NET POSITION
December 31, 2022

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		
ASSETS:				
Cash and Cash Equivalents	18,660,832.30	11,733,838.56	30,394,670.86	932,707.00
Accounts Receivable, Net	518,149.19	2,363,428.68	2,881,577.87	14,032.00
Inventories	258,878.49	1,231,542.31	1,490,420.80	
Other Assets	26,332.77	29,081.03	55,413.80	788.00
Restricted Assets:				
Deposits Lewis & Clark		1,994,375.60	1,994,375.60	
Cash and Cash Equivalents	282,202.24	320,701.81	602,904.05	
Net Pension Asset	10,198.17	6,937.78	17,135.95	684.00
Capital Assets:				
Land and Construction Work in Progress	7,520,103.94	13,088,270.51	20,608,374.45	387,348.00
Other Capital Assets, Net of Depreciation	23,962,293.51	27,430,870.94	51,393,164.45	2,520,692.00
TOTAL ASSETS	51,238,990.61	58,199,047.22	109,438,037.83	3,856,251.00
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	919,336.34	625,422.36	1,544,758.70	62,665.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	919,336.34	625,422.36	1,544,758.70	62,665.00
LIABILITIES :				
Accounts Payable	624,973.99	1,226,205.79	1,851,179.78	19,599.00
Other Current Liabilities	167,851.72	270,582.36	438,434.08	77,348.00
Unearned Revenue		344,347.75	344,347.75	1,795.00
Noncurrent Liabilities:				
Due Within One Year	2,373,230.28	10,261,088.14	12,634,318.42	64,796.00
Due in More than One Year	8,733,448.26	4,511,376.94	13,244,825.20	974,729.00
TOTAL LIABILITIES	11,899,504.25	16,613,600.98	28,513,105.23	1,138,267.00
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	596,856.23	406,039.89	1,002,896.12	40,350.00
TOTAL DEFERRED INFLOWS OF RESOURCES	596,856.23	406,039.89	1,002,896.12	40,350.00
NET POSITION:				
Net Investment in Capital Assets	20,775,783.22	26,008,455.46	46,784,238.68	1,870,597.00
Restricted for:				
Capital Projects Purposes	6,114,447.33		6,114,447.33	
Debt Service Purposes	519,398.72	995,168.24	1,514,566.96	12,950.00
City Promotion Purposes	61,440.90		61,440.90	
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	
SDRS Pension Purposes	332,678.28	226,320.25	558,998.53	22,999.00
Unrestricted (Deficit)	11,407,626.61	12,580,509.16	23,988,135.77	833,753.00
TOTAL NET POSITION	39,661,966.47	41,804,828.71	81,466,795.18	2,740,299.00

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, 2022**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating		Governmental Activities	Business-Type Activities	Total	
			Grants and Contributions	Capital Grants and Contributions				
Primary Government:								
Governmental Activities:								
General Government	2,096,120.21	192,168.85			(1,903,951.36)		(1,903,951.36)	
Public Safety	1,761,423.45	921.48			(1,760,501.97)		(1,760,501.97)	
Public Works	2,039,828.87	376,202.50	309,291.64	1,174,161.39	(180,173.34)		(180,173.34)	
Health and Welfare	2,750.00	259.00			(2,491.00)		(2,491.00)	
Culture and Recreation	1,679,850.27	48,548.36			(1,631,301.91)		(1,631,301.91)	
Conservation and Development	634,743.38				(634,743.38)		(634,743.38)	
*Interest on Long-term Debt	318,684.44				(318,684.44)		(318,684.44)	
Total Governmental Activities	8,533,400.62	618,100.19	309,291.64	1,174,161.39	(6,431,847.40)		(6,431,847.40)	0.00
Business-type Activities:								
Water	1,813,252.44	2,089,608.33		475,188.03		751,543.92	751,543.92	
Sewer	1,289,888.99	1,777,220.13		466,385.27		953,716.41	953,716.41	
Electric	10,242,390.06	11,261,551.80	9,139.00			1,094,790.19	1,094,790.19	
Community Center	829,936.45	441,708.54	128,595.70			(259,632.21)	(259,632.21)	
Solid Waste/Recycling	445,237.37	479,646.10				34,408.73	34,408.73	
Recycling	148,848.34	156,359.80	46,353.44			53,864.90	53,864.90	
Total Business-type Activities	14,769,553.65	16,206,094.70	184,088.14	1,008,062.75		2,628,691.94	2,628,691.94	0.00
Total Primary Government	23,302,954.27	16,824,194.89	493,379.78	2,182,224.14	(6,431,847.40)		(3,803,155.46)	0.00
Component Units:								
Housing and Redevelopment Commission	1,335,194.00	450,055.00	750,100.00	30,103.00			(104,936.00)	
General Revenues:								
Taxes:								
Property Taxes		2,502,777.75			2,502,777.75		2,502,777.75	
Sales Taxes		4,481,720.43			4,481,720.43		4,481,720.43	
State Shared Revenues		70,047.16			70,047.16		70,047.16	
Grants and Contributions not Restricted to Specific Programs		204,855.67			204,855.67		204,855.67	
Unrestricted Investment Earnings		21,279.27			15,177.76		36,457.03	1,091.00
Miscellaneous Revenue		213,697.63			147,156.17		360,853.80	
Transfers		(180,000.00)			180,000.00		0.00	
Total General Revenues and Transfers		7,314,377.91			342,333.93		7,656,711.84	1,091.00
Change in Net Position		882,530.51			2,971,025.87		3,853,556.38	(103,845.00)
Net Position - Beginning		38,689,942.85			38,923,295.95		77,613,238.80	2,827,945.68
Restatements:								
Prior Year Interim Loan Recorded to Wrong Fund (See Note 17.)					89,493.11	(89,493.11)	0.00	
Adjustment to Reconcile with Provided Financial Statements							0.00	16,198.32
Restated Net Position - Beginning		38,779,435.96			38,833,802.84		77,613,238.80	2,844,144.00
NET POSITION - ENDING		39,661,966.47			41,804,828.71		81,466,795.18	2,740,299.00

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, 2022**

	General Fund	3rd Cent Fund	2nd Cent Fund	Business Improvement Fund	Special Maintenance Fee Fund	2019 September Flood Fund
ASSETS:						
Cash and Cash Equivalents	10,276,404.88					
Taxes Receivable--Delinquent	21,043.52	42,233.00	2,056,383.98	61,381.00	1,172,113.76	39,033.89
Accounts Receivable, Net	13,591.98					
Special Assessments Receivable--Current	8,840.49					
Special Assessments Receivable--Delinquent	11,652.80					
Special Assessments Receivable--Deferred	20,797.51					
Due from 2019 September Flood	42,225.68					
Due from Other Governments	244,714.67	19,207.90	173,335.66		1,098.47	
Inventory of Supplies	196,533.27					
Inventory of Stores Purchased for Resale	62,345.22					
Prepaid Expenses	26,332.77					
Restricted Cash and Cash Equivalents						
TOTAL ASSETS	10,924,482.79	61,440.90	2,229,719.64	61,381.00	1,173,212.23	39,033.89
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	576,976.59			2,691.00		
Due to General Fund						42,225.68
Accrued Wages Payable	143,008.62					
Customer Deposits	3,500.00					
Total Liabilities	723,485.21	0.00	0.00	2,691.00	0.00	42,225.68
Deferred Inflows of Resources:						
Unavailable Revenue--Property Taxes	21,043.52					
Unavailable Revenue--Special Assessments	41,290.80					
Total Deferred Inflows of Resources	62,334.32	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, 2022**

	General Fund	3rd Cent Fund	2nd Cent Fund	Business Improvement Fund	Special Maintenance Fee Fund	2019 September Flood Fund
Fund Balances:						
Nonspendable for Inventory	258,878.49					
Nonspendable for Prepaid Expenses	26,332.77					
Restricted for Community Building Maintenance	450,000.66					
Restricted for 100 Year Fund	590.75					
Restricted for City Promotion		61,440.90				
Restricted for Debt Service			147,900.00			
Restricted for Gerry Maloney Nature Capital Projects						
Restricted for Capital Project Purposes				58,690.00	1,173,212.23	
Committed for Capital Improvements	15,007.44		2,081,819.64			
Committed for Library Friends	4,997.18					
Committed for Maloney Reserve	15,898.58					
Committed for Hillian Trust	21,811.05					
Committed for Library Building	6,418,061.00					
Assigned for Next Year's Budget	2,927,085.34					(3,191.79)
Unassigned						
Total Fund Balances	10,138,663.26	61,440.90	2,229,719.64	58,690.00	1,173,212.23	(3,191.79)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	10,924,482.79	61,440.90	2,229,719.64	61,381.00	1,173,212.23	39,033.89

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

**MUNICIPALITY OF MADISON
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022**

	Swimming Pool Debt Service Fund	Grant Circle TIF Debt Service Fund	TIF #2 Debt Service Fund	Gerry Maloney Nature Capital Project Fund	Creek Bridge Mitigation Capital Project Fund	City Hall Construction Capital Project Fund	Total Governmental Funds
ASSETS:							
Cash and Cash Equivalents	355,481.74	18,345.87	863.52		1,098,053.16	3,540,537.50	18,660,832.30
Taxes Receivable--Delinquent	3,318.15						24,361.67
Accounts Receivable, Net							13,591.98
Special Assessments Receivable--Current							8,840.49
Special Assessments Receivable--Delinquent							11,652.80
Special Assessments Receivable--Deferred							20,797.51
Due from 2019 September Flood							42,225.68
Due from Other Governments	548.04						438,904.74
Inventory of Supplies							196,533.27
Inventory of Stores Purchased for Resale							62,345.22
Prepaid Expenses							26,332.77
Restricted Cash and Cash Equivalents				282,202.24			282,202.24
TOTAL ASSETS	359,347.93	18,345.87	863.52	282,202.24	1,098,053.16	3,540,537.50	19,788,620.67
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:							
Liabilities:							
Accounts Payable		7,058.60			13,414.70	24,833.10	624,973.99
Due to General Fund							42,225.68
Accrued Wages Payable							143,008.62
Customer Deposits							3,500.00
Total Liabilities	0.00	7,058.60	0.00	0.00	13,414.70	24,833.10	813,708.29
Deferred Inflows of Resources:							
Unavailable Revenue--Property Taxes	3,318.15						24,361.67
Unavailable Revenue--Special Assessments							41,290.80
Total Deferred Inflows of Resources	3,318.15	0.00	0.00	0.00	0.00	0.00	65,652.47

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

**MUNICIPALITY OF MADISON
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022**

	Swimming Pool Debt Service Fund	Grant Circle TIF Debt Service Fund	TIF #2 Debt Service Fund	Gerry Maloney Nature Capital Project Fund	Creek Bridge Mitigation Capital Project Fund	City Hall Construction Capital Project Fund	Total Governmental Funds
Fund Balances:							
Nonspendable for Inventory							258,878.49
Nonspendable for Prepaid Expenses							26,332.77
Restricted for Community Building Maintenance							450,000.66
Restricted for 100 Year Fund							590.75
Restricted for City Promotion							61,440.90
Restricted for Debt Service	356,029.78	11,287.27	863.52				516,080.57
Restricted for Gerry Maloney Nature Capital Projects				282,202.24			282,202.24
Restricted for Capital Project Purposes					1,084,638.46	3,515,704.40	5,832,245.09
Committed for Capital Improvements							2,081,819.64
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							6,418,061.00
Unassigned							2,923,893.55
Total Fund Balances	356,029.78	11,287.27	863.52	282,202.24	1,084,638.46	3,515,704.40	18,909,259.91
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	359,347.93	18,345.87	863.52	282,202.24	1,098,053.16	3,540,537.50	19,788,620.67

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, 2022

Total Fund Balances - Governmental Funds	<u>18,909,259.91</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>10,198.17</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>31,482,397.45</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>919,336.34</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>(11,106,678.54)</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>65,652.47</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(596,856.23)</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>(21,343.10)</u>
Net Position - Governmental Activities	<u><u>39,661,966.47</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, 2022

	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
Revenues:								
Taxes:								
General Property Taxes	2,079,137.09							
General Sales and Use Taxes	2,095,844.07		242,770.38		2,095,843.98	47,262.00		
Penalties and Interest on Delinquent Taxes	5,093.45							
Licenses and Permits	122,566.16							
Intergovernmental Revenue:								
Federal Grants	622,517.58							
State Grants	269,640.27							
State Shared Revenue:								
Bank Franchise Tax	19,635.34							
Prorate License Fees	209,061.67							
Liquor Tax Reversion	43,030.90							
Motor Vehicle Licenses	83,480.14							
Other	5,031.13							
State Payments in Lieu of Taxes	6,377.85							
County Shared Revenue:								
County Road Tax	11,718.70							
Charges for Goods and Services:								
General Government	28,488.39							
Public Safety	496.04							
Highways and Streets	9,597.41							
Sanitation	172,832.20							
Health	259.00							
Culture and Recreation	48,548.36							
Other	170,343.23							
Fines and Forfeits:	425.44							
Court Fines and Costs	160.00							
Other								
Miscellaneous Revenue:								
Investment Earnings	17,573.68							
Rentals	64,383.96		30.23		2,795.80			
Special Assessments	34,342.86							
Maintenance Assessments							230,179.71	
Contributions & Donations from Private Sources	204,855.67							
Other	76,891.50							
Total Revenue	6,402,332.09	0.00	242,800.61	0.00	2,098,639.78	47,262.00	230,179.71	0.00
Expenditures:								
General Government:								
Legislative	130,874.41							
Financial Administration	591,938.26							
Other	391,333.53							
Total General Government	1,114,146.20	0.00	0.00	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
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2022

	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
Expenditures: (continued)								
Public Safety:								
Police	1,602,189.39							
Fire	193,913.30							
Other Protection	1,925.22							
Total Public Safety	1,798,027.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Public Works:								
Highways and Streets	1,038,907.26							
Sanitation	91,183.99							
Airport	297,986.59							
Total Public Works	1,428,077.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Health and Welfare:								
Health	2,750.00							
Total Health and Welfare	2,750.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Culture and Recreation:								
Recreation	214,847.14							
Parks	768,773.76							
Libraries	525,833.04							
Auditorium	27,947.70							
Total Culture and Recreation	1,537,401.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Conservation and Development:								
Economic Development and Assistance (Industrial Development)	375,997.85		230,245.00		16,740.03	11,760.50		
Total Conservation and Development	375,997.85	0.00	230,245.00	0.00	16,740.03	11,760.50	0.00	0.00
Debt Service	412,376.98	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Outlay	4,129,988.65	0.00	0.00	0.00	0.00	0.00	111,105.45	0.00
Total Expenditures	10,798,747.07	0.00	230,245.00	0.00	16,740.03	11,760.50	111,105.45	0.00
Excess of Revenue Over (Under) Expenditures	(4,396,414.98)	0.00	12,555.61	0.00	2,081,899.75	35,501.50	119,074.26	0.00
Other Financing Sources:								
Transfers In	793,570.15							
Compensation for Loss or Damage to Capital Assets	136,806.13							
Long-Term Debt Issued	10,168,782.69							
Transfers Out	(4,180,000.00)	(766,506.72)		(27,063.43)	(1,197,902.00)			
Total Other Financing Sources	6,919,158.97	(766,506.72)	0.00	(27,063.43)	(1,197,902.00)	0.00	0.00	0.00
Net Change in Fund Balances	2,522,743.99	(766,506.72)	12,555.61	(27,063.43)	883,997.75	35,501.50	119,074.26	0.00
Fund Balance - Beginning	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)
FUND BALANCE - ENDING	10,138,663.26	0.00	61,440.90	0.00	2,229,719.64	58,690.00	1,173,212.23	(3,191.79)

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, 2022**

	Swimming Pool Debt Service Fund	Grant Circle TIF Debt Service Fund	TIF #2 Debt Service Fund	Gerry Maloney Nature Capital Project Fund	Creek Bridge Mitigation Capital Project Fund	City Hall Construction Capital Project Fund	Total Governmental Funds
Revenues:							
Taxes:							
General Property Taxes	327,088.64	45,100.63	57,463.06				2,508,789.42
General Sales and Use Taxes							4,481,720.43
Penalties and Interest on Delinquent Taxes	830.21						5,923.66
Licenses and Permits							122,566.16
Intergovernmental Revenue:							
Federal Grants							622,517.58
State Grants							269,640.27
State Shared Revenue:							
Bank Franchise Tax							19,635.34
Prorate License Fees							209,061.67
Liquor Tax Reversion							43,030.90
Motor Vehicle Licenses							83,480.14
Other							5,031.13
State Payments in Lieu of Taxes	1,003.07						7,380.92
County Shared Revenue:							
County Road Tax							11,718.70
Charges for Goods and Services:							
General Government							28,488.39
Public Safety							486.04
Highways and Streets							9,597.41
Sanitation							172,832.20
Health							259.00
Culture and Recreation							48,548.36
Other							170,343.23
Fines and Forfeits:							
Court Fines and Costs							425.44
Other							160.00
Miscellaneous Revenue:							
Investment Earnings	541.77						21,279.27
Rentals				337.79			64,383.96
Special Assessments							34,342.86
Maintenance Assessments							230,179.71
Contributions & Donations from Private Sources							204,855.67
Other							76,891.50
Total Revenue	329,463.69	45,100.63	57,463.06	337.79	0.00	0.00	9,453,579.36
Expenditures:							
General Government:							130,874.41
Legislative							591,938.26
Financial Administration						49,822.50	441,156.03
Other	0.00	0.00	0.00	0.00	0.00	49,822.50	1,163,968.70
Total General Government							

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, 2022

	Swimming Pool Debt Service Fund	Grant Circle TIF Debt Service Fund	TIF #2 Debt Service Fund	Gerry Maloney Nature Capital Project Fund	Creek Bridge Mitigation Capital Project Fund	City Hall Construction Capital Project Fund	Total Governmental Funds
Expenditures: (continued)							
Public Safety:							
Police							1,602,189.39
Fire							193,913.30
Other Protection							1,925.22
Total Public Safety	0.00	0.00	0.00	0.00	0.00	0.00	1,798,027.91
Public Works:							
Highways and Streets				8,881.80			1,047,789.06
Sanitation							91,183.99
Airport							297,986.59
Total Public Works	0.00	0.00	0.00	8,881.80	0.00	0.00	1,436,959.64
Health and Welfare:							
Health							2,750.00
Total Health and Welfare	0.00	0.00	0.00	0.00	0.00	0.00	2,750.00
Culture and Recreation:							
Recreation							214,847.14
Parks							768,773.76
Libraries							525,833.04
Auditorium							27,947.70
Total Culture and Recreation	0.00	0.00	0.00	0.00	0.00	0.00	1,537,401.64
Conservation and Development:							
Economic Development and Assistance (Industrial Development)							634,743.38
Total Conservation and Development	0.00	0.00	0.00	0.00	0.00	0.00	634,743.38
Debt Service	310,650.00	42,810.29	57,463.06	0.00	0.00	0.00	823,300.33
Capital Outlay	0.00	0.00	0.00	0.00	104,381.74	434,473.10	4,779,928.94
Total Expenditures	310,650.00	42,810.29	57,463.06	0.00	113,263.54	484,295.60	12,177,080.54
Excess of Revenue Over (Under) Expenditures	18,813.69	2,290.34	0.00	337.79	(113,263.54)	(484,295.60)	(2,723,501.18)
Other Financing Sources:							
Transfers In					1,197,902.00	4,000,000.00	5,991,472.15
Compensation for Loss or Damage to Capital Assets							136,806.13
Long-Term Debt Issued							10,168,782.69
Transfers Out							(6,171,472.15)
Total Other Financing Sources	0.00	0.00	0.00	0.00	1,197,902.00	4,000,000.00	10,125,588.82
Net Change in Fund Balances	18,813.69	2,290.34	0.00	337.79	1,084,638.46	3,515,704.40	7,402,087.64
Fund Balance - Beginning	337,216.09	8,996.93	863.52	281,864.45	0.00	0.00	11,507,172.27
FUND BALANCE - ENDING	356,029.78	11,287.27	863.52	282,202.24	1,084,638.46	3,515,704.40	18,909,259.91

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, 2022

Net Change in Fund Balances - Total Governmental Funds	<u>7,402,087.64</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>4,779,928.94</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>(1,690,765.89)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	<u>(5,770.97)</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>521,265.89</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>(10,168,782.69)</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>(11,935.33)</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>17,480.97</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>(23,902.96)</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>(20,616.00)</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>80,095.91</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>3,445.00</u>
Change in Net Position of Governmental Activities	<u><u>882,530.51</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, 2022

	Enterprise Funds					Totals	
	Water Fund	Sewer Fund	Electric Fund	Community Center Fund	Solid Waste/ Recycling Fund		After School/ Youth Fund
ASSETS:							
Current Assets:							
Cash and Cash Equivalents	2,517,626.57	2,307,331.51	6,182,158.19		669,441.25	57,281.04	11,733,838.56
Accounts Receivable, Net	150,054.49	148,443.45	1,039,566.45		34,077.02		1,372,141.41
Unbilled Accounts Receivable	129,496.22	116,192.14	699,600.03		15,998.88		961,287.27
Due from Community Center Fund			54,051.81				54,051.81
Due from Other Government				30,000.00			30,000.00
Inventory of Supplies	91,884.63	7,457.41	1,071,892.05		60,308.22		1,231,542.31
Prepaid Expenses	7,431.84	3,599.33	14,835.05	1,622.47	796.17	796.17	29,081.03
Total Current Assets	2,896,493.75	2,583,023.84	9,062,103.58	31,622.47	780,621.54	58,077.21	15,411,942.39
Noncurrent Assets:							
Restricted Cash and Cash Equivalents	236,357.38		84,344.43				320,701.81
Deposits	1,994,375.60						1,994,375.60
Net Pension Asset	1,444.82	1,129.55	2,779.80	942.43	526.29	114.89	6,937.78
Capital Assets:							
Land	110,343.51	44,923.24	6,032.05				161,298.80
Buildings	14,571,027.52	13,153,266.12	20,807,855.15		341,786.30		48,873,935.09
Machinery and Equipment	400,990.31	945,217.62	1,479,078.57	138,975.06	987,645.39		3,951,906.95
Construction Work in Progress	9,390,772.54	3,536,199.17					12,926,971.71
Less: Accumulated Depreciation	(6,225,439.96)	(7,645,349.28)	(10,546,465.42)	(93,398.93)	(884,317.51)		(25,394,971.10)
Total Noncurrent Assets	20,479,871.72	10,035,386.42	11,833,624.58	46,518.56	445,640.47	114.89	42,841,156.64
TOTAL ASSETS	23,376,365.47	12,618,410.26	20,895,728.16	78,141.03	1,226,262.01	58,192.10	58,253,099.03
DEFERRED OUTFLOWS OF RESOURCES:							
Pension Related Deferred Outflows	130,246.36	101,826.13	250,591.60	84,957.71	47,443.52	10,357.04	625,422.36
TOTAL DEFERRED OUTFLOWS OF RESOURCES	130,246.36	101,826.13	250,591.60	84,957.71	47,443.52	10,357.04	625,422.36

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

**MUNICIPALITY OF MADISON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022**

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Electric Fund	Community Center Fund	Solid Waste/ Recycling Fund	
LIABILITIES:						
Current Liabilities:						
Accounts Payable	220,305.86	103,145.44	800,852.41	39,941.01	14,113.50	646.73
Notes Payable	7,660,883.42	1,809,179.55				
Due to Electric Fund	36.08		43,480.07	2,002.84	1,681.85	
Due to State Government	12,271.31	15,665.40	9,176.09			
Accrued Interest Payable	20,244.83	18,051.73	40,921.68	19,145.10	9,099.28	2,646.94
Accrued Wages Payable	400.25		122,959.75			
Customer Deposits	170,583.63	42,326.10	131,438.02			
Unearned Revenue						
Bonds Payable Current:						
Revenue	245,637.89	274,524.02	102,863.26	10,000.00	10,000.00	3,000.00
Compensated Absences Payable-Current	50,000.00	20,000.00	75,000.00			
Total Current Liabilities	8,380,363.27	2,282,892.24	1,326,691.28	125,140.76	34,894.63	6,293.67
Noncurrent Liabilities:						
Bonds Payable:						
Revenue	1,313,637.03	1,847,550.60	1,256,410.22			
Accrued Leave Payable	56,463.71	4,209.28	14,854.34	9,068.91	7,516.33	1,666.52
Total Noncurrent Liabilities	1,370,100.74	1,851,759.88	1,271,264.56	9,068.91	7,516.33	1,666.52
TOTAL LIABILITIES	9,750,464.01	4,134,652.12	2,597,955.84	134,209.67	42,410.96	7,960.19
DEFERRED INFLOWS OF RESOURCES:						
Pension Related Deferred Inflows	84,559.20	66,108.08	162,690.36	55,156.68	30,801.52	6,724.05
TOTAL DEFERRED INFLOWS OF RESOURCES	84,559.20	66,108.08	162,690.36	55,156.68	30,801.52	6,724.05
NET POSITION:						
Net Investment in Capital Assets	9,027,535.58	6,103,002.70	10,387,226.87	45,576.13	445,114.18	26,008,455.46
Restricted For:						
Revenue Bond Debt Service	286,000.00	340,168.24	369,000.00			995,168.24
SDSR Pension Purposes	47,131.98	36,847.60	90,681.04	30,743.46	17,168.29	3,747.88
Lewis & Clark Rural Water	1,994,375.60					1,994,375.60
Unrestricted Net Position	2,316,545.46	2,039,457.65	7,538,765.65	(102,587.20)	738,210.58	50,117.02
TOTAL NET POSITION	13,671,588.62	8,519,476.19	18,385,673.56	(26,267.61)	1,200,493.05	41,804,828.71

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, 2022

	Enterprise Funds						Totals
	Water Fund	Sewer Fund	Electric Fund	Community Center Fund	Solid Waste/ Recycling Fund	After School/ Youth Fund	
Operating Revenue:							
Charges for Goods and Services	2,053,551.55	1,775,228.67	10,995,743.49	441,708.54	479,646.10	156,359.80	15,902,238.15
Miscellaneous	36,056.78	1,991.46	265,808.31				303,856.55
Total Operating Revenue	2,089,608.33	1,777,220.13	11,261,551.80	441,708.54	479,646.10	156,359.80	16,206,094.70
Operating Expenses:							
Personal Services	526,660.62	438,222.27	1,071,470.86	511,167.35	209,832.01	122,920.47	2,880,273.58
Other Current Expense	696,641.20	392,505.41	2,572,514.36	311,639.65	202,482.34	25,927.87	4,201,710.83
Materials (Cost of Goods Sold)			6,014,748.28				6,014,748.28
Depreciation	401,566.53	363,674.68	564,478.26	7,129.45	32,923.02		1,369,771.94
Total Operating Expenses	1,624,868.35	1,194,402.36	10,223,211.76	829,936.45	445,237.37	148,848.34	14,466,504.63
Operating Income (Loss)	464,739.98	582,817.77	1,038,340.04	(388,227.91)	34,408.73	7,511.46	1,739,590.07
Nonoperating Revenue (Expense):							
Operating Grants			9,139.00	128,595.70		46,353.44	184,088.14
Investment Earnings	3,009.50	2,556.13	8,635.56		976.57		15,177.76
Rental Revenue	800.00						800.00
Interest Expense	(188,384.09)	(95,486.63)	(19,178.30)				(303,049.02)
Gain on Disposition of Assets					12,000.00		12,000.00
Other	27,974.48	24,238.87	82,142.82				134,356.17
Total Nonoperating Revenue (Expense)	(156,600.11)	(68,691.63)	80,739.08	128,595.70	12,976.57	46,353.44	43,373.05
Income (Loss) Before Contributions and Transfers	308,139.87	514,126.14	1,119,079.12	(259,632.21)	47,385.30	53,864.90	1,782,963.12
Capital Contributions	475,188.03	466,385.27	66,489.45				1,008,062.75
Transfers In				180,000.00	361,043.72		541,043.72
Transfers Out						(361,043.72)	(361,043.72)
Change in Net Position	783,327.90	980,511.41	1,185,568.57	(79,632.21)	408,429.02	53,864.90	2,971,025.87
Net Position - Beginning	12,888,260.72	7,628,457.89	17,200,104.99	53,364.60	792,064.03	0.00	38,923,295.95
Restatement:							
Prior Year Interim Loan Recorded to Wrong Fund (See Note 17.)		(89,493.11)					(89,493.11)
Restated Net Position - Beginning	12,888,260.72	7,538,964.78	17,200,104.99	53,364.60	792,064.03	0.00	38,833,802.84
NET POSITION - ENDING	13,671,588.62	8,519,476.19	18,385,673.56	(26,267.61)	1,200,493.05	53,864.90	41,804,828.71

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, 2022

	Enterprise Funds							Totals
	Water Fund	Sewer Fund	Electric Fund	Community Center Fund	Solid Waste/ Recycling Fund	Recycling Fund	After School/ Youth Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash Receipts from Customers	2,034,930.40	1,757,994.23	11,087,924.94	464,599.59	479,390.44		156,359.80	15,981,199.40
Other Operating Cash Receipts	36,056.78	1,991.46	265,808.31					303,856.55
Cash Payments to Employees for Services	(495,241.62)	(437,291.35)	(1,075,885.65)	(498,962.05)	(205,647.80)		(119,354.89)	(2,832,383.36)
Cash Payments to Suppliers of Goods and Services	(844,677.52)	(320,388.08)	(8,477,907.01)	(292,916.03)	(199,185.63)		(26,077.31)	(10,161,151.58)
Net Cash Provided (Used) by Operating Activities	731,068.04	1,002,306.26	1,799,940.59	(327,278.49)	74,557.01	0.00	10,927.60	3,291,521.01
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Operating Subsidies	170,583.63	42,326.10	9,139.00	128,595.70			46,353.44	396,997.87
Interfund Loans			(18,682.79)	18,682.79				0.00
Transfers In				180,000.00	192,974.70			372,974.70
Transfers Out						(192,974.70)		(192,974.70)
Net Cash Provided (Used) by Noncapital Financing Activities	170,583.63	42,326.10	(9,543.79)	327,278.49	192,974.70	(192,974.70)	46,353.44	576,997.87
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Proceeds from Capital Debt	2,392,249.96	1,025,098.71						3,417,348.67
Capital Contributions	475,188.03	466,385.27						1,008,062.75
Purchase of Capital Assets	(3,117,146.05)	(1,496,128.04)	(392,690.01)		(240,750.23)			(5,246,714.33)
Proceeds from Sale of Capital Assets	(240,217.27)	(265,780.31)	(110,726.52)		12,000.00			(616,724.10)
Principal Paid on Capital Debt	(190,747.67)	(96,815.24)	(11,613.56)					(299,176.47)
Interest Paid on Capital Debt	28,774.48	24,238.87	82,142.82					135,156.17
Other Receipts (Payments)	(651,898.52)	(343,000.74)	(366,397.82)	0.00	(228,750.23)	0.00	0.00	(1,590,047.31)
Net Cash Provided (Used) by Capital and Related Financing Activities	3,009.50	2,556.13	8,635.56	0.00	976.57	0.00	0.00	15,177.76
CASH FLOWS FROM INVESTING ACTIVITIES:								
Cash Received for Interest	3,009.50	2,556.13	8,635.56	0.00	976.57	0.00	0.00	15,177.76
Net Cash Provided by Investing Activities	3,009.50	2,556.13	8,635.56	0.00	976.57	0.00	0.00	15,177.76
Net Increase (Decrease) in Cash and Cash Equivalents	252,762.65	704,187.75	1,432,634.54	0.00	39,758.05	(192,974.70)	57,281.04	2,293,649.33
Balances - Beginning	2,501,221.30	1,603,143.76	4,833,868.08	0.00	629,683.20	192,974.70	0.00	9,760,891.04
Balances - Ending	2,753,983.95	2,307,331.51	6,266,502.62	0.00	669,441.25	0.00	57,281.04	12,054,540.37

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, 2022

	Enterprise Funds							Totals
	Water Fund	Sewer Fund	Electric Fund	Community Center Fund	Solid Waste/ Recycling Fund	Recycling Fund	After School/ Youth Fund	
	464,739.98	582,817.77	1,038,340.04	(388,227.91)	34,408.73	0.00	7,511.46	1,739,590.07
	401,566.53	363,674.68	564,478.26	7,129.45	32,923.02			1,369,771.94
	(18,621.15)	(17,234.44)	(48,846.57)	22,891.05	(255.66)			(62,066.77)
	11,188.36	(735.95)	(110,801.24)					(100,348.83)
	118,383.83	124,365.73	253,600.98	82,675.02	45,221.44		(114.89)	624,132.11
	23,156.95	58,831.56	77,624.27	22,088.44	11,122.22		(10,357.04)	182,466.40
	(422.83)	(224.47)	(998.23)	519.90	614.94		(796.17)	(1,306.86)
	(158,801.85)	73,077.75	221,155.10	18,203.72	2,681.77		646.73	156,963.22
	6,859.92	5,090.48	13,785.49	9,477.81	3,987.63		2,646.94	41,848.27
	31,308.17	(9,604.54)	(13,920.93)	5,291.42	1,947.64		4,666.52	19,688.28
	(148,289.87)	(177,752.31)	(335,504.60)	(107,327.39)	(58,094.72)		6,724.05	(820,244.84)
			131,438.02					131,438.02
			9,590.00					9,590.00
	731,068.04	1,002,306.26	1,799,940.59	(327,278.49)	74,557.01	0.00	10,927.60	3,291,521.01

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)	
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	
(Increase) decrease in Receivables	
(Increase) decrease in Inventories	
(Increase) decrease in Net Pension Asset	
(Increase) decrease in Pension Related Deferred Outflows	
(Increase) decrease in Prepaid Expenses	
(Decrease) increase in Accounts and Other Payables	
(Decrease) increase in Accrued Wages Payable	
(Decrease) increase in Accrued Leave Payable	
(Decrease) increase in Pension Related Deferred Inflows	
(Decrease) increase in Unearned Revenue	
(Decrease) increase in Customer Deposits	

Net Cash Provided (Used) by Operating Activities

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, 2022**

	Custodial Funds
ASSETS:	
Cash and Cash Equivalents	13,576.33
TOTAL ASSETS	13,576.33
NET POSITION:	
Restricted for:	
Individuals Cafeteria Plan	13,576.33
TOTAL NET POSITION	13,576.33

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, 2022

	<u>Custodial Funds</u>
ADDITIONS:	
Other Additions	<u>26,505.54</u>
Total Additions	<u>26,505.54</u>
DEDUCTIONS	
Other Deductions	<u>23,291.99</u>
Total Deductions	<u>23,291.99</u>
Change in Net Position	<u>3,213.55</u>
Net Position - Beginning	<u>10,362.78</u>
NET POSITION - ENDING	<u><u>13,576.33</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESa. 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. This fund was closed in 2022.

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.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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. This fund was closed in 2022.

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 Project 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.

Creek Bridge Mitigation Capital Project Fund – the Municipality uses a capital projects fund to account for the creek bridge mitigation project. The Creek Bridge Mitigation Capital Projects Fund is a major fund.

City Hall Construction Capital Project Fund – the Municipality uses a capital projects fund to account for the construction of the new city hall. The City Hall Construction Capital Project Fund is a major fund.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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.)
- 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/Recycling Fund – a fund allowed by SDCL 9-32-11 and 34A-6 to account for the collection and disposal of solid waste and to account for the operation of a solid waste recycling facility system for the municipality. The solid waste/recycling 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. This fund was closed in 2022.

After School/Youth Fund – a fund established by the Municipality of Madison to account for the operation of the after school program and youth activities. The after school/youth 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.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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.

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, 2022, 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.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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 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.

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 acquisition 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.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

The total December 31, 2022 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. For capital assets used in business-type activities/proprietary fund's operations, construction period interest is not 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 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 revenue bonds, tax increment district loans, and compensated absences.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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 liabilities 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.
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.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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.
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.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

- 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.

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	\$ 2,081,819.64	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>
2nd Cent Sales Tax	Sales Tax
3rd Cent Sales Tax	Sales Tax
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, 2022, 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. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The Municipality is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	Year Ended 12/31/22
General Fund:	
Parks	\$ 61,714.82
Economic Development	32,607.85

The Municipality plans to take the following actions to address these violations: supplemental budgets and contingency transfers will be used when legal authority allows.

4. 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, 2022, the Municipality did not have any investments.

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.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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.

5. RESTRICTED CASH

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

Amount:	Purpose:
\$ 282,202.24	For Gerry Maloney Nature Project by an outside source
\$ 320,701.81	For Debt Service, by debt covenants

6. RECEIVABLES AND PAYABLES

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

7. 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.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

8. 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.

9. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2022, is as follows:

	Balance 01/01/22	Increases	Decreases	Balance 12/31/22
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	680,115.10	264,352.50		944,467.60
Construction Work in Progress	3,443,346.14	3,132,290.20		6,575,636.34
Total, not being depreciated	<u>4,123,461.24</u>	<u>3,396,642.70</u>	<u>0.00</u>	<u>7,520,103.94</u>
Capital Assets, being depreciated:				
Buildings & Improvements	15,736,431.44	588,985.99	(8,806.50)	16,316,610.93
Infrastructure	35,063,246.46	331,568.14		35,394,814.60
Machinery & Equipment	8,005,581.39	462,732.11	(3,205.68)	8,465,107.82
Total, being depreciated	<u>58,805,259.29</u>	<u>1,383,286.24</u>	<u>(12,012.18)</u>	<u>60,176,533.35</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	(9,143,681.86)	(529,165.86)	6,241.21	(9,666,606.51)
Infrastructure	(19,004,465.76)	(872,501.35)		(19,876,967.11)
Machinery & Equipment	(6,381,567.54)	(289,098.68)		(6,670,666.22)
Total Accumulated Depreciation	<u>(34,529,715.16)</u>	<u>(1,690,765.89)</u>	<u>6,241.21</u>	<u>(36,214,239.84)</u>
Total Capital Assets, being depreciated, net	<u>24,275,544.13</u>	<u>(307,479.65)</u>	<u>(5,770.97)</u>	<u>23,962,293.51</u>
Governmental Activity Capital Assets, Net	<u>28,399,005.37</u>	<u>3,089,163.05</u>	<u>(5,770.97)</u>	<u>31,482,397.45</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	919,824.91
Public Works	615,680.79
Culture and Recreation	155,260.19
Total Depreciation Expense - Governmental Activities	<u>1,690,765.89</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

	Balance 01/01/22	Increases	Decreases	Balance 12/31/22
Business-Type Activities:				
Capital Assets, not being depreciated:				
Land	161,298.80			161,298.80
Construction Work in Progress	8,349,732.62	4,577,239.09		12,926,971.71
Total, not being depreciated	<u>8,511,031.42</u>	<u>4,577,239.09</u>	<u>0.00</u>	<u>13,088,270.51</u>
Capital Assets, being depreciated:				
Buildings & Improvements	48,528,537.07	345,398.02		48,873,935.09
Machinery & Equipment	3,627,829.73	324,077.22		3,951,906.95
Total, being depreciated	<u>52,156,366.80</u>	<u>669,475.24</u>	<u>0.00</u>	<u>52,825,842.04</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	(21,167,928.56)	(1,206,061.38)		(22,373,989.94)
Machinery & Equipment	(2,857,270.60)	(163,710.56)		(3,020,981.16)
Total Accumulated Depreciation	<u>(24,025,199.16)</u>	<u>(1,369,771.94)</u>	<u>0.00</u>	<u>(25,394,971.10)</u>
Total Capital Assets, being depreciated, net	<u>28,131,167.64</u>	<u>(700,296.70)</u>	<u>0.00</u>	<u>27,430,870.94</u>
Business-Type Activity Capital Assets, Net	<u><u>36,642,199.06</u></u>	<u><u>3,876,942.39</u></u>	<u><u>0.00</u></u>	<u><u>40,519,141.45</u></u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Water	401,566.53
Sewer	363,674.68
Electric	564,478.26
Solid Waste	32,923.02
Community Center	7,129.45
Total Depreciation Expense - Business-Type Activities	<u><u>1,369,771.94</u></u>

Construction Work in Progress at December 31, 2022 is composed of the following:

Project Name	Project Authorization	Expended thru 12/31/2022	Committed	Required Future Financing
RD Water System Improvements	23,084,246.00	17,533,801.82	0.00	5,550,444.18
9th & Union	18,000,900.00	1,245,987.38	372,000.00	16,382,912.62
Well House #1 Rebuild	347,161.71	347,161.71	0.00	0.00
City Hall	10,000,000.00	170,120.60	9,829,879.40	0.00
Water Shop	380,000.00	13,500.00	366,500.00	0.00
FEMA Wall	4,791,805.00	114,036.54	604,734.21	4,073,034.25
MDS Taxilane/Parking/Access Road	95,919.36	78,000.00	0.00	17,919.36
TOTAL	<u><u>56,700,032.07</u></u>	<u><u>19,502,608.05</u></u>	<u><u>11,173,113.61</u></u>	<u><u>26,024,310.41</u></u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

10. LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities follows:

	Beginning Balance 1/1/2022	Additions	Deletions	Ending Balance 12/31/22	Due Within One Year
Primary Government:					
Governmental Activities:					
GO Refunding Series 2016	305,000.00		305,000.00	0.00	0.00
Unamortized Bond Premium	3,445.00		3,445.00	0.00	0.00
Tax Increment Financing District Loan	59,509.70		39,962.20	19,547.50	0.00
Sales Tax Revenue Bonds, Series 2022	0.00	9,000,000.00	176,303.69	8,823,696.31	359,859.86
Leave Liability: Paid by Governmental Funds	376,161.35	23,902.96		400,064.31	150,000.00
Total Governmental Activities	744,116.05	9,023,902.96	524,710.89	9,243,308.12	509,859.86
Business-Type Activities:					
2007 Clean Water State Revolving Loan	2,387,854.93		265,780.31	2,122,074.62	274,524.02
2021 Taxable Electric Generation Revenue Refunding Bonds	1,470,000.00		110,726.52	1,359,273.48	102,863.26
2020 Drinking Water Revenue Refunding Bond	1,799,492.19		240,217.27	1,559,274.92	245,637.89
Leave Liability: Paid by the Enterprise Funds	242,090.81	19,688.28		261,779.09	150,000.00
Total Business-Type Activities	5,899,437.93	19,688.28	616,724.10	5,302,402.11	773,025.17
Total Primary Government	6,643,553.98	9,043,591.24	1,141,434.99	14,545,710.23	1,282,885.03

Liabilities payable at December 31, 2022 are comprised of the following:

Tax Increment Financing District Loan:

Maturity Date: January 3, 2024

Fixed Interest Rate: 4.09%

Paid by Tax Increment District \$ 19,547.50

Sales Tax Revenue Bonds, Series 2022:

Maturity Date: December 1, 2041

Fixed Interest Rate: 2.73%

Payable by General Fund \$ 8,823,696.31

2007 Clean Water State Revolving Loan:

Maturity Date: October 15, 2029

Fixed Interest Rate and Fee: 3.25%

Payable from Sewer Fund \$ 2,122,074.62

2021 Taxable Electric Generation Revenue Refunding Bonds:

Maturity Date: December 15, 2025

Fixed Interest Rate: 1.33%

Payable from Electric Fund \$ 1,359,273.48

2020 Drinking Water Revenue Bonds:

Maturity Date: June 1, 2028

Fixed Interest Rate: 2.25%

Payable from Water Fund \$ 1,559,274.92

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Compensated Absences:

Accrued Leave Balances of Municipality Employees

Payable from General Fund	\$ 400,064.31
Payable from Water Fund	\$ 106,463.71
Payable from Electric Fund	\$ 89,854.34
Payable from Sewer Fund	\$ 24,209.28
Payable from Solid Waste/Recycling Fund	\$ 17,516.33
Payable from After School/Youth Fund	\$ 4,666.52
Payable from Community Center Fund	\$ 19,068.91

Primary Government

The annual requirements to amortize all debt outstanding as of December 31, 2022, except for compensated absences, are as follows:

Annual Requirements to Maturity for Long-Term Debt
December 31, 2022

Year Ending December 31,	Tax Increment Financing District Loan		Sales Tax Revenue Bonds, Series 2022		2007 Clean Water State Revolving Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	0.00	0.00	359,859.86	238,447.51	274,524.02	65,644.22
2024	19,547.50	1,016.16	369,751.09	228,556.29	283,555.37	56,612.87
2025			379,914.18	218,393.20	292,883.86	47,284.38
2026			390,356.63	207,950.75	302,519.21	37,649.03
2027			401,086.10	197,221.28	312,471.57	27,696.67
2028-2032			2,176,982.91	814,553.97	656,120.59	24,215.89
2033-2037			2,493,074.56	498,462.32		
2038-2042			2,252,670.98	140,558.51		
Totals	19,547.50	1,016.16	8,823,696.31	2,544,143.83	2,122,074.62	259,103.06

Year Ending December 31,	2021 Taxable Electric Generation Revenue Refunding Bonds		2020 Drinking Water Revenue Refunding Bonds		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	102,863.26	18,089.73	245,637.89	32,319.91	982,885.03	354,501.37
2024	690,136.74	13,460.43	251,164.74	26,730.88	1,614,155.44	326,376.63
2025	566,273.48	5,386.50	256,815.94	21,016.10	1,495,887.46	292,080.18
2026			262,594.30	15,172.74	955,470.14	260,772.52
2027			268,502.68	9,197.90	982,060.35	234,115.85
2028-2032			274,559.37	3,073.24	3,107,662.87	841,843.10
2033-2037					2,493,074.56	498,462.32
2038-2042					2,252,670.98	140,558.51
Totals	1,359,273.48	36,936.66	1,559,274.92	107,510.77	13,883,866.83	2,948,710.48

11. 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

NOTES TO THE FINANCIAL STATEMENTS
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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, 2022, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$2,083,474.93.

12. SHORT-TERM DEBT

The Municipality has entered into a short-term 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 following is the short-term loan activity for the year.

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
General - First Premier Bank	784,080.84	1,168,782.69		(89,493.11)	1,863,370.42
Water - First Bank & Trust	5,268,633.46	2,392,249.96			7,660,883.42
Sewer - First Premier Bank	694,587.73	1,025,098.71		89,493.11	1,809,179.55
Totals	<u>6,747,302.03</u>	<u>4,586,131.36</u>	<u>0.00</u>	<u>0.00</u>	<u>11,333,433.39</u>

13. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2022, was as follows:

Major Purposes:

Governmental Activities:

SDSR Pension Purposes	\$ 332,678.28
Capital Projects Purposes	6,114,447.33
Debt Service Purposes	519,398.72
Community Development Purposes	
3rd Cent Sales Tax - City Promotion Purposes	61,440.90
Park & Recreation Purposes	
100 Year Anniversary Purposes	590.75
Community Building Purposes	450,000.66
Total Restricted Net Position - Governmental Activities	<u>\$ 7,478,556.64</u>

Business-Type Activities:

SDSR Pension Purposes	\$ 226,320.25
Debt Service Purposes	995,168.24
Lewis & Clark Rural Water Future Expansion	1,994,375.60
Total Restricted Net Position - Business-Type Activities	<u>\$ 3,215,864.09</u>

TOTAL RESTRICTED NET POSITION \$ 10,694,420.73

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

NOTES TO THE FINANCIAL STATEMENTS
(continued)

14. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at December 31, 2022 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 42,225.68	
2019 September Flood Fund		\$ 42,225.68
Electric Fund	\$ 54,051.81	
Community Center Fund		\$ 54,051.81

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.

15. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2022 were as follows:

<u>Fund:</u>	<u>Governmental</u>	<u>Proprietary</u>	<u>Purpose</u>
General Fund	\$ (3,386,429.85)		Operations
Parks & Recreation Fund	(766,506.72)		Operations
Community Development Fund	(27,063.43)		Operations
2nd Cent Sales Tax Fund	(1,197,902.00)		Operations
Creek Bridge Mitigation Cap. Proj. Fund	1,197,902.00		Operations
City Hall Construction Cap. Proj. Fund	4,000,000.00		Operations
Community Center Fund		180,000.00	Operations
Solid Waste/Recycling Fund		361,043.72	Operations
Recycling Fund		(361,043.72)	Operations
TOTAL	<u>\$ (180,000.00)</u>	<u>\$ 180,000.00</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, 2022, the Municipality abated sales taxes totaling \$115,555.38 under this program, including the following tax abatement agreements, that are 100 percent of the total amount abated:

NOTES TO THE FINANCIAL STATEMENTS
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- 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, 2022, 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:

- 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.

The Municipality entered into a property tax abatement agreement under SDCL 11-9-3, Resolution No. 2022-30. The tax increment district was created to assist with the public improvements related to the construction of an independent and assisted living facility and multi-family units or townhouses in the tax increment district.

For the year ended December 31, 2022, the Municipality entered into an agreement with HME Senior Living (“Developer”) to introduce the Madison Senior Living Community in the Municipality. The tax increment will start to be collected in 2024 and will end prior to 2043. The agreement provides that:

- 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 \$4,000,000 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. RESTATEMENT OF PRIOR PERIOD

The Municipality recorded the interim loan incorrectly to the wrong fund in the prior year. As a result, beginning net position has been restated as of January 1, 2022.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Sewer Fund</u>
Net Position January 1, 2022, as previously reported	\$ 38,689,942.85	\$ 38,923,295.95	\$ 7,628,457.89
Restatement:			
Prior Year Interim Loan Recorded to Wrong Fund	89,493.11	(89,493.11)	(89,493.11)
Net Position January 1, 2022, as Restated	<u>\$ 38,779,435.96</u>	<u>\$ 38,833,802.84</u>	<u>\$ 7,538,964.78</u>

See Independent Auditor’s Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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 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:

NOTES TO THE FINANCIAL STATEMENTS
(continued)

- 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.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

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 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, 2022, 2021, and 2020 were \$259,780.48, \$253,796.71, and \$244,984.13, 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, 2022, SDRS is 100.1% 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, 2022 and reported by the Municipality as of December 31, 2022 are as follows:

Proportionate share of pension liability	\$ 25,596,395.20
Less proportionate share of net pension restricted for pension benefits	<u>\$ 25,613,531.15</u>
Proportionate share of net pension liability (asset)	<u>\$ (17,135.95)</u>

At December 31, 2022, the Municipality reported a liability (asset) of \$(17,135.95) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022 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, 2022, the Municipality’s proportion was 0.18132100%, which is an increase (decrease) of 0.0008490% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Municipality recognized pension expense (reduction of expense) of \$(93,221.23). At December 31, 2022 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS
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	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience.	\$ 326,196.25	\$ 1,112.42
Changes in assumption.	\$ 1,089,109.93	\$ 954,459.20
Net difference between projected and actual earnings on pension plan investments.		\$ 41,065.84
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.		\$ 6,258.66
Municipality contributions subsequent to the measurement date.	\$ 129,452.52	
TOTAL	\$ 1,544,758.70	\$ 1,002,896.12

\$129,452.52 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, 2023. 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:			
2023	\$	107,623.91	
2024		237,223.42	
2025		(271,788.75)	
2026		339,351.48	
TOTAL	\$	412,410.06	

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2022 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 7.66% at entry to 3.15% after 25 years of service	
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%	
Future COLAs	2.10%	

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
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Mortality Rates

- All mortality rates based on Pub-2010 amount-weighted mortality tables, projected Generationally with improvement scale MP-2020
- Active and Terminated Vested Members:
 - Teachers, Certified Regents, and Judicial PubT-2010
 - Other Class A Members: PubG-2010
 - Public Safety Members: PubS-2010
- Retired Members:
 - Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
 - Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above.
 - Public Safety Retirees: PubS-2010, 102% of rates at all ages.
- Beneficiaries:
 - PubG-2010 contingent survivor mortality table
- Disabled Members:
 - Public Safety: PubS-2010 disabled member mortality table
 - Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2022 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, 2022 (see the discussion of the pension plan’s investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	<u>100%</u>	<u>2.70%</u>

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$3,558,126.98	\$(17,135.95)	\$(2,939,070.45)

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, 2022, the Municipality was not involved in any significant litigation.

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, 2022, 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.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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, 2022, no claims were filed for unemployment benefits. At December 31, 2022, 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

As a result of the 2022 Audit, it was noted that as of 7/24/2024, the Municipality had paid \$486,410.22 less than the amortization schedule for the Taxable Electric Generation Revenue Refunding Bonds, Series 2021. The Municipality and US Bank agreed on a repayment schedule which included a lump sum payment of \$244,500 which was remitted in August 2024. The remaining deficit will be evenly spread over the last three payments of the bond.

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, 2022 the draw downs on the bonds totaled \$7,660,883.42.

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 Project in the amounts of \$3,214,000.00 and \$3,434,000.00, respectively. At December 31, 2022, the draw downs on the bonds totaled \$1,809,179.55 and \$1,863,370.42, respectively.

On June 6, 2022, the Municipality of Madison passed resolutions to issue SRF Revenue Bonds for Water and Sewer Improvements in the amounts of \$7,315,950 and \$3,284,680, respectively.

In 2023, the Municipality of Madison passed resolutions to create TIF #5 and TIF #6 for the Trojan Village Addition and new childcare facility.

On June 15, 2024, the Municipality of Madison passed resolutions to issue SRF Revenue Bonds for Water and Sewer Improvements in the amounts of \$2,645,916 and \$2,692,547, respectively.

The March 2024 reporting for CLFRF funding was submitted late to the US Department of the Treasury.

Management has evaluated whether any subsequent events have occurred through October 1, 2024, 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, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	2,090,414.00	2,090,414.00	2,079,137.09	(11,276.91)
General Sales and Use Taxes	1,802,500.00	1,802,500.00	2,095,844.07	293,344.07
Penalties and Interest on Delinquent Taxes	4,000.00	4,000.00	5,093.45	1,093.45
Licenses and Permits	96,348.00	96,348.00	122,566.16	26,218.16
Intergovernmental Revenue:				
Federal Grants	650,035.00	650,035.00	622,517.58	(27,517.42)
State Grants	240,000.00	240,000.00	269,640.27	29,640.27
State Shared Revenue:				
Bank Franchise Tax	18,500.00	18,500.00	19,635.34	1,135.34
Prorate License Fees	0.00	0.00	209,061.67	209,061.67
Liquor Tax Reversion	41,500.00	41,500.00	43,030.90	1,530.90
Motor Vehicle Licenses	75,000.00	75,000.00	83,480.14	8,480.14
Local Government Highway and Bridge Fund	195,000.00	195,000.00	0.00	(195,000.00)
Other	650.00	650.00	5,031.13	4,381.13
State Payments in Lieu of Taxes	6,500.00	6,500.00	6,377.85	(122.15)
County Shared Revenue:				
County Road Tax	11,718.00	11,718.00	11,718.70	0.70
Charges for Goods and Services:				
General Government	0.00	0.00	28,488.39	28,488.39
Public Safety	13,300.00	13,300.00	496.04	(12,803.96)
Highways and Streets	2,500.00	2,500.00	9,597.41	7,097.41
Sanitation	80,000.00	80,000.00	172,832.20	92,832.20
Health	4,200.00	4,200.00	259.00	(3,941.00)
Culture and Recreation	55,000.00	55,000.00	48,548.36	(6,451.64)
Other	155,000.00	155,000.00	170,343.23	15,343.23
Fines and Forfeits:				
Court Fines and Costs	400.00	400.00	425.44	25.44
Other	800.00	800.00	160.00	(640.00)
Miscellaneous Revenue:				
Investment Earnings	45,000.00	45,000.00	17,573.68	(27,426.32)
Rentals	25,500.00	25,500.00	64,383.96	38,883.96
Special Assessments	22,278.00	22,278.00	34,342.86	12,064.86
Contributions and Donations from				
Private Sources	94,500.00	94,500.00	204,855.67	110,355.67
Other	92,250.00	92,250.00	76,891.50	(15,358.50)
Total Revenue	5,822,893.00	5,822,893.00	6,402,332.09	579,439.09
Expenditures:				
General Government:				
Legislative	115,823.00	135,823.00	130,874.41	4,948.59
Contingency	450,000.00	450,000.00		
Amount Transferred		0.00		450,000.00
Financial Administration	605,093.00	635,093.00	591,938.26	43,154.74
Other	823,968.00	923,822.00	857,187.52	66,634.48
Total General Government	1,994,884.00	2,144,738.00	1,580,000.19	564,737.81

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (continued):				
Public Safety:				
Police	1,719,358.00	1,751,358.00	1,657,880.71	93,477.29
Fire	196,407.00	211,407.00	193,913.30	17,493.70
Other Protection	2,050.00	2,050.00	1,925.22	124.78
Total Public Safety	<u>1,917,815.00</u>	<u>1,964,815.00</u>	<u>1,853,719.23</u>	<u>111,095.77</u>
Public Works:				
Highways and Streets	6,003,304.00	6,003,304.00	4,212,217.22	1,791,086.78
Sanitation	87,404.00	94,404.00	91,183.99	3,220.01
Airport	450,167.00	450,167.00	375,986.59	74,180.41
Total Public Works	<u>6,540,875.00</u>	<u>6,547,875.00</u>	<u>4,679,387.80</u>	<u>1,868,487.20</u>
Health and Welfare:				
Health	6,750.00	6,750.00	2,750.00	4,000.00
Total Health and Welfare	<u>6,750.00</u>	<u>6,750.00</u>	<u>2,750.00</u>	<u>4,000.00</u>
Culture and Recreation:				
Recreation	311,175.00	321,175.00	320,629.14	545.86
Parks	871,492.00	871,492.00	933,206.82	(61,714.82)
Libraries	611,563.00	636,563.00	612,731.36	23,831.64
Auditorium	62,398.00	62,398.00	27,947.70	34,450.30
Total Culture and Recreation	<u>1,856,628.00</u>	<u>1,891,628.00</u>	<u>1,894,515.02</u>	<u>(2,887.02)</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	283,390.00	343,390.00	375,997.85	(32,607.85)
Total Conservation and Development	<u>283,390.00</u>	<u>343,390.00</u>	<u>375,997.85</u>	<u>(32,607.85)</u>
Debt Service	<u>606,122.00</u>	<u>606,122.00</u>	<u>412,376.98</u>	<u>193,745.02</u>
Total Expenditures	<u>13,206,464.00</u>	<u>13,505,318.00</u>	<u>10,798,747.07</u>	<u>2,706,570.93</u>
Excess of Revenue Over (Under) Expenditures	<u>(7,383,571.00)</u>	<u>(7,682,425.00)</u>	<u>(4,396,414.98)</u>	<u>3,286,010.02</u>
Other Financing Sources (Uses):				
Transfers In	966,097.00	966,097.00	793,570.15	(172,526.85)
Compensation for Loss or Damage to Capital Assets	0.00	0.00	136,806.13	136,806.13
Long-Term Debt Issued	10,877,860.00	10,877,860.00	10,168,782.69	(709,077.31)
Transfers Out	(4,718,000.00)	(4,758,000.00)	(4,180,000.00)	578,000.00
Total Other Financing Sources (Uses)	<u>7,125,957.00</u>	<u>7,085,957.00</u>	<u>6,919,158.97</u>	<u>(166,798.03)</u>
Net Change in Fund Balances	<u>(257,614.00)</u>	<u>(596,468.00)</u>	<u>2,522,743.99</u>	<u>3,119,211.99</u>
Fund Balance - Beginning	7,615,919.27	7,615,919.27	7,615,919.27	0.00
FUND BALANCE - ENDING	<u>7,358,305.27</u>	<u>7,019,451.27</u>	<u>10,138,663.26</u>	<u>3,119,211.99</u>

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PARK AND RECREATION FUND
For the Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Total Revenue	0.00	0.00	0.00	0.00
Expenditures:				
Total Expenditures	0.00	0.00	0.00	0.00
Excess of Revenue Over (Under) Expenditures	0.00	0.00	0.00	0.00
Other Financing Sources (Uses):				
Transfers Out	(900,000.00)	(900,000.00)	(766,506.72)	133,493.28
Total Other Financing Sources (Uses)	(900,000.00)	(900,000.00)	(766,506.72)	133,493.28
Net Change in Fund Balances	(900,000.00)	(900,000.00)	(766,506.72)	133,493.28
Fund Balance - Beginning	766,506.72	766,506.72	766,506.72	0.00
FUND BALANCE - ENDING	<u>(133,493.28)</u>	<u>(133,493.28)</u>	<u>0.00</u>	<u>133,493.28</u>

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
3RD CENT FUND
For the Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Sales and Use Taxes	200,000.00	200,000.00	242,770.38	42,770.38
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	30.23	30.23
Total Revenue	200,000.00	200,000.00	242,800.61	42,800.61
Expenditures:				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	238,000.00	238,000.00	230,245.00	7,755.00
Total Conservation and Development	238,000.00	238,000.00	230,245.00	7,755.00
Total Expenditures	238,000.00	238,000.00	230,245.00	7,755.00
Excess of Revenue Over (Under) Expenditures	(38,000.00)	(38,000.00)	12,555.61	50,555.61
Other Financing Sources (Uses):				
Transfers In	38,000.00	38,000.00	0.00	(38,000.00)
Total Other Financing Sources (Uses)	38,000.00	38,000.00	0.00	(38,000.00)
Net Change in Fund Balances	0.00	0.00	12,555.61	12,555.61
Fund Balance - Beginning	48,885.29	48,885.29	48,885.29	0.00
FUND BALANCE - ENDING	48,885.29	48,885.29	61,440.90	12,555.61

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
COMMUNITY DEVELOPMENT FUND
For the Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
Revenues:				
Total Revenue	0.00	0.00	0.00	0.00
Expenditures:				
Total Expenditures	0.00	0.00	0.00	0.00
Excess of Revenue Over (Under) Expenditures	0.00	0.00	0.00	0.00
Other Financing Sources (Uses):				
Transfers Out	(27,063.00)	(27,063.00)	(27,063.43)	(0.43)
Total Other Financing Sources (Uses)	(27,063.00)	(27,063.00)	(27,063.43)	(0.43)
Net Change in Fund Balances	(27,063.00)	(27,063.00)	(27,063.43)	(0.43)
Fund Balance - Beginning	27,063.43	27,063.43	27,063.43	0.00
FUND BALANCE - ENDING	0.43	0.43	0.00	(0.43)

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
2ND CENT FUND
For the Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Sales and Use Taxes	1,802,500.00	1,802,500.00	2,095,843.98	293,343.98
Miscellaneous Revenue:				
Investment Earnings	13,520.00	13,520.00	2,795.80	(10,724.20)
Total Revenue	1,816,020.00	1,816,020.00	2,098,639.78	282,619.78
Expenditures:				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	75,000.00	75,000.00	16,740.03	58,259.97
Total Conservation and Development	75,000.00	75,000.00	16,740.03	58,259.97
Total Expenditures	75,000.00	75,000.00	16,740.03	58,259.97
Excess of Revenue Over (Under) Expenditures	1,741,020.00	1,741,020.00	2,081,899.75	340,879.75
Other Financing Sources (Uses):				
Transfers Out	(2,097,902.00)	(2,097,902.00)	(1,197,902.00)	900,000.00
Total Other Financing Sources (Uses)	(2,097,902.00)	(2,097,902.00)	(1,197,902.00)	900,000.00
Net Change in Fund Balances	(356,882.00)	(356,882.00)	883,997.75	1,240,879.75
Fund Balance - Beginning	1,345,721.89	1,345,721.89	1,345,721.89	0.00
FUND BALANCE - ENDING	988,839.89	988,839.89	2,229,719.64	1,240,879.75

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
BUSINESS IMPROVEMENT FUND
For the Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Sales and Use Taxes	30,000.00	30,000.00	47,262.00	17,262.00
Total Revenue	30,000.00	30,000.00	47,262.00	17,262.00
Expenditures:				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	30,000.00	30,000.00	11,760.50	18,239.50
Total Conservation and Development	30,000.00	30,000.00	11,760.50	18,239.50
Total Expenditures	30,000.00	30,000.00	11,760.50	18,239.50
Net Change in Fund Balances	0.00	0.00	35,501.50	35,501.50
Fund Balance - Beginning	23,188.50	23,188.50	23,188.50	0.00
FUND BALANCE - ENDING	23,188.50	23,188.50	58,690.00	35,501.50

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL MAINTENANCE FEE FUND
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous Revenue:				
Investment Earnings	1,719.00	1,719.00	0.00	(1,719.00)
Maintenance Assessments	229,238.00	229,238.00	230,179.71	941.71
Total Revenue	230,957.00	230,957.00	230,179.71	(777.29)
Expenditures:				
Public Works				
Highways and Streets	146,000.00	146,000.00	111,105.45	34,894.55
Total Public Works	146,000.00	146,000.00	111,105.45	34,894.55
Total Expenditures	146,000.00	146,000.00	111,105.45	34,894.55
Net Change in Fund Balances	84,957.00	84,957.00	119,074.26	34,117.26
Fund Balance - Beginning	1,054,137.97	1,054,137.97	1,054,137.97	0.00
FUND BALANCE - ENDING	1,139,094.97	1,139,094.97	1,173,212.23	34,117.26

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
2019 SEPTEMBER FLOOD FUND
For the Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Total Revenue	0.00	0.00	0.00	0.00
Expenditures:				
Total Expenditures	0.00	0.00	0.00	0.00
Excess of Revenue Over (Under) Expenditures	0.00	0.00	0.00	0.00
Other Financing Sources (Uses):				
Transfers Out	(39,034.00)	(39,034.00)	0.00	39,034.00
Total Other Financing Sources (Uses)	(39,034.00)	(39,034.00)	0.00	39,034.00
Net Change in Fund Balances	(39,034.00)	(39,034.00)	0.00	39,034.00
Fund Balance - Beginning	(3,191.79)	(3,191.79)	(3,191.79)	0.00
FUND BALANCE - ENDING	<u>(42,225.79)</u>	<u>(42,225.79)</u>	<u>(3,191.79)</u>	<u>39,034.00</u>

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, 2022.

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 Eight Years *

	Municipality's proportion of the net pension liability/asset	Municipality's proportionate share of net pension liability (asset)	Municipality's covered-employee payroll	Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2022	0.1813210%	\$ (17,136)	\$ 4,045,987	0.42%	100.10%
2021	0.1804720%	\$ (1,382,107)	\$ 3,824,318	36.14%	105.52%
2020	0.1858368%	\$ (8,071)	\$ 3,804,514	0.21%	100.04%
2019	0.1837050%	\$ (19,468)	\$ 3,644,373	0.53%	100.09%
2018	0.1766010%	\$ (4,119)	\$ 3,429,716	0.12%	100.02%
2017	0.1736765%	\$ (15,761)	\$ 3,312,224	0.48%	100.10%
2016	0.1816573%	\$ 613,621	\$ 3,243,025	18.92%	96.89%
2015	0.1785500%	\$ (757,282)	\$ 3,062,233	24.73%	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 6/30 of the previous fiscal year. Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY PENSION CONTRIBUTIONS

South Dakota Retirement System

* Last Eight Years

	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Municipality's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2022	\$ 259,780	\$ 259,780	\$ -	\$ 4,091,998	6.35%
2021	\$ 253,797	\$ 253,797	\$ -	\$ 3,947,435	6.43%
2020	\$ 244,984	\$ 244,984	\$ -	\$ 3,811,258	6.43%
2019	\$ 240,744	\$ 240,744	\$ -	\$ 3,743,380	6.43%
2018	\$ 227,796	\$ 227,796	\$ -	\$ 3,536,360	6.44%
2017	\$ 215,022	\$ 215,022	\$ -	\$ 3,354,156	6.41%
2016	\$ 205,153	\$ 205,153	\$ -	\$ 3,210,987	6.39%
2015	\$ 197,153	\$ 197,153	\$ -	\$ 3,084,923	6.39%

* Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

**Notes to Required Supplementary Information
for the Year Ended December 31, 2022**

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

Changes from Prior Valuation

The June 30, 2022 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2021 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

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes

As a result of an experience analysis covering the period from July 1, 2016 to June 30, 2021 and presented to the SDRS Board of Trustees in April and June, 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022 actuarial valuation.

This changes to economic assumptions including increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return of 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouse for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) 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%.

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021 Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

**Notes to Required Supplementary Information
for the Year Ended December 31, 2022**
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions.
(Continued)

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027 Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

Actuarial Method Changes

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.

MUNICIPALITY OF MADISON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures 2022
Department of Agriculture:			
Direct Federal Funding:			
Water and Waste Disposal Systems for Rural Communities	10.760		4,586,855.20
Total Department of Agriculture			4,586,855.20
US Department of Treasury - Pass Through Programs:			
SD Bureau of Finance and Management,			
Coronavirus Relief Fund	21.019		46,353.44
US Department of Treasury - Direct Programs:			
Coronavirus State and Local Fiscal Recovery Funds (Note 3)			
	21.027		1,012,573.96
Total US Department of Treasury			1,058,927.40
US Department of Transportation:			
Direct Federal Funding:			
Airport Improvement Program	20.106	3-46-0029-017-2020	144,050.59
Airport Improvement Program-CARES Act	20.106	3-46-0029-019-2020	1,222.32
Highway Safety Cluster:			
US Department of Transportation - Pass-Through Programs:			
SD Department of Public Safety			
State and Community Highway Safety	20.600		5,074.12
Total Highway Safety Cluster			5,074.12
Total US Department of Transportation			150,347.03
US General Services Administration - Pass-Through Programs:			
Indirect Federal Funding:			
SD Federal Property Agency,			
Donation of Federal Surplus Personal Property (Note 4)	39.003		45.25
Total US General Services Administration			45.25
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		423,608.28
Hazard Mitigation Grant	97.039		32,484.50
Total US Department of Homeland Security			456,092.78
GRAND TOTAL			6,252,267.66

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, 2022. 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.