

CITY OF MADISON
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2024

Prepared by the
Administration and Finance Departments

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CITY OF MADISON, SOUTH DAKOTA

List of Principal Officials
December 31, 2024

Title	Name
Mayor	Roy Lindsay
Council Member	Daniel Buresh
Council Member	Kelly Dybdahl
Council Member	Jennifer Wolff
Council Member	Jerae Wire
City Finance Officer	Amy Wills
City Attorney	David Jencks
City Administrator	Jameson Berreth



INDEPENDENT AUDITORS' REPORT

To the City Council
 City of Madison, South Dakota

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Madison, South Dakota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City of Madison, South Dakota's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
Discretely Presented Component Unit	Unmodified
General Fund	Unmodified
2 nd Cent Sales Tax	Unmodified
City Hall Construction	Unmodified
Creek Bridge Mitigation	Unmodified
Water	Qualified
Sewer	Qualified
Electric	Qualified
Aggregate Remaining Fund Information	Qualified

Qualified Opinions on Governmental Activities, Business-Type Activities, Water, Sewer, Electric, and Aggregate Remaining Fund Information

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities, Business-Type Activities, Water, Sewer, Electric, and Aggregate Remaining Fund Information of the City of Madison, South Dakota, as of December 31, 2024, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on General Fund, 2nd Cent Sales Tax, City Hall Construction, Creek Bridge Mitigation, and Discretely Presented Component Unit

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, 2nd Cent Sales Tax, City Hall Construction, Creek Bridge Mitigation, and Discretely Presented Component Unit of the City of Madison, South Dakota, as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of The Housing and Redevelopment Commission of the City of Madison, South Dakota, which comprise the discretely presented component unit of the City of Madison, South Dakota as of December 31, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Housing and Redevelopment Commission of the City of Madison, South Dakota, is based solely on the report of the other auditors.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Madison, South Dakota, 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 qualified and unmodified audit opinions.

Matter Giving Rise to Qualified Opinions on the Governmental Activities, Business-Type Activities, Water, Sewer, Electric, and Aggregate Remaining Fund Information

Management has not determined the City's other postemployment benefits liability in accordance with GASB Statement No. 75 for the governmental activities, business-type activities, Water Fund, Sewer Fund, Electric Fund, and aggregate remaining fund information. Accounting principles generally accepted in the United States of America require that the City recognize and disclose its other postemployment benefits liability, related deferred outflows of resources and deferred inflows of resources, and OPEB expense in accordance with GASB Statement No. 75. The amount by which this departure would affect liabilities, deferred outflows of resources, deferred inflows of resources, net position and fund net position, and expenses of the governmental activities, business-type activities, Water Fund, Sewer Fund, Electric Fund, and aggregate remaining fund information has not been determined.

Correction of an Error

As described in Note 22 to the financial statements, the City identified and corrected errors in the previously issued financial statements related to the estimation of unbilled utility revenue in the Water, Sewer, Electric, and Solid Waste Funds; the classification and reporting of construction-in-progress, capital assets, and certain utility receivables in the Electric Fund; and the reporting of a land lease right-of-use asset and the related lease and interest liabilities, as well as certain capital assets and construction-in-progress, within the Governmental Activities. The beginning net position of these funds and activities has been restated to correct these errors. Our opinion is not modified with respect to this matter.

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 City of Madison, South Dakota'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.

Auditors' 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 auditors' report that includes our opinions. 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 and *Government 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 and *Government 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 City of Madison, South Dakota'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 City of Madison, South Dakota's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of the City's proportionate share of the net pension liability (asset), and schedule of the City's contributions to the South Dakota Retirement System on pages 48 through 56 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Management has omitted management's discussion and analysis and the schedule of changes in the total OPEB liability and related ratios 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 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 opinions on the basic financial statements are 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 City of Madison, South Dakota's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the supplementary information of the qualified opinions on the basic financial statements as explained in the Basis for Qualified and Unmodified Opinions section, the combining and individual nonmajor fund financial statements, budgetary comparison schedules and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's 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 City's internal control over financial reporting and compliance.

Williams & Company P.C.

Certified Public Accountants
Sheldon, Iowa
April 29, 2026

CITY OF MADISON, SOUTH DAKOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 7,439,303	\$ 5,017,658	\$ 12,456,961	\$ 1,055,010
Receivables:				
Taxes	48,513	-	48,513	-
Accounts	437,428	1,462,045	1,899,473	13,710
Accrued Interest	-	-	-	198
Special Assessments	26,825	-	26,825	-
Due from Other Governmental Agencies	2,930,260	9,653	2,939,913	-
Prepaid Expenses & Other Assets	25,443	32,812	58,255	28,127
Unbilled Usage	-	1,854,457	1,854,457	-
Inventory of Supplies	92,049	1,872,464	1,964,513	-
Inventory of Stores Purchased for Resale	39,928	-	39,928	-
Restricted Assets:				
Cash and Cash Equivalents	349,938	811,579	1,161,517	36,411
Net Pension Asset	5,334	2,714	8,048	293
Land	1,645,316	161,299	1,806,615	295,156
Construction in Progress	24,512,244	33,255,444	57,767,688	68,670
Infrastructure, Property and Equipment, Net of Accumulated Depreciation/Amortization	22,771,362	30,059,177	52,830,539	2,281,506
Total Assets	<u>60,323,943</u>	<u>74,539,302</u>	<u>134,863,245</u>	<u>3,779,081</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	899,881	458,020	1,357,901	50,253
LIABILITIES				
Accounts Payable	3,965,589	2,079,257	6,044,846	11,680
Accrued Wages	142,646	80,678	223,324	4,978
Accrued Interest Payable	32,380	31,941	64,321	2,656
Accrued Taxes	-	-	-	24,156
Unearned Revenue	-	39,169	39,169	3,631
Due to Other Governments	179	37,990	38,169	20,987
Payables from Restricted Assets:				
Customer Deposits	8,255	113,070	121,325	36,411
Noncurrent Liabilities:				
Due within one year:				
Compensated Absences Payable	99,428	103,943	203,371	2,801
Lease Agreements	21,933	-	21,933	-
Revenue Bonds Payable	445,559	1,133,746	1,579,305	-
Notes Payable	3,019,424	164,212	3,183,636	67,555
Due in more than one year:				
Compensated Absences Payable	298,285	311,832	610,117	1,186
Lease Agreements	46,845	-	46,845	-
Revenue Bonds Payable	12,088,735	5,461,037	17,549,772	-
Notes Payable	94,774	10,185,895	10,280,669	843,004
Total Liabilities	<u>20,264,032</u>	<u>19,742,770</u>	<u>40,006,802</u>	<u>1,019,045</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows	687,206	349,772	1,036,978	37,441
Total Deferred Inflows of Resources	<u>687,206</u>	<u>349,772</u>	<u>1,036,978</u>	<u>37,441</u>
NET POSITION				
Net Investment in Capital Assets	33,098,546	45,565,886	78,664,432	1,734,773
Restricted for:				
Debt Service	1,218,590	673,627	1,892,217	-
Capital Improvements	1,545,946	-	1,545,946	-
City Promotion	382,744	-	382,744	-
SDRS Pension Purposes	5,334	2,714	8,048	13,105
Unrestricted	4,021,426	8,662,553	12,683,979	1,024,970
Total Net Position	<u>\$ 40,272,586</u>	<u>\$ 54,904,780</u>	<u>\$ 95,177,366</u>	<u>\$ 2,772,848</u>

See Accompanying Notes to Financial Statements

**CITY OF MADISON, SOUTH DAKOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Governmental Activities:								
General Government	\$ 2,596,798	\$ 379,559	\$ 104,293	\$ -	\$ (2,112,946)	\$ -	\$ (2,112,946)	\$ -
Public Safety	2,271,037	1,255	-	-	(2,269,782)	-	(2,269,782)	-
Public Works	2,443,491	100,797	-	-	(2,342,694)	-	(2,342,694)	-
Culture and Recreation	1,940,852	59,171	-	-	(1,881,681)	-	(1,881,681)	-
Community Development	6,560,735	-	-	1,250,727	(5,310,008)	-	(5,310,008)	-
Debt Service	399,671	-	-	-	(399,671)	-	(399,671)	-
Total Governmental Activities	16,212,584	540,782	104,293	1,250,727	(14,316,782)	-	(14,316,782)	-
Business-Type Activities:								
Water	1,883,422	2,107,774	-	3,179,900	-	3,404,252	3,404,252	-
Sewer	1,497,255	1,848,300	-	1,295,531	-	1,646,576	1,646,576	-
Electric	10,130,132	11,196,477	-	-	-	1,066,345	1,066,345	-
Nonmajor	1,646,251	1,408,565	243,937	-	-	6,251	6,251	-
Total Business-Type Activities	15,157,060	16,561,116	243,937	4,475,431	-	6,123,424	6,123,424	-
Total Primary Government	31,369,644	17,101,898	348,230	5,726,158	(14,316,782)	6,123,424	(8,193,358)	
Component Unit:								
Housing & Redevelopment Commission	1,557,900	399,266	913,114	94,639				(150,881)
Total Component Unit	\$ 1,557,900	\$ 399,266	\$ 913,114	\$ 94,639				(150,881)
General Revenues:								
Property Taxes					2,308,435	-	2,308,435	-
Sales and Other Taxes					5,258,263	-	5,258,263	-
Special Assessments					213,122	-	213,122	-
Interest					421,815	215,403	637,218	14,935
State Shared Revenue					380,039	-	380,039	-
County Shared Revenue					11,718	-	11,718	-
Miscellaneous					5,704,840	558,598	6,263,438	100,541
Gain on Sale of Capital Assets					111,800	34,400	146,200	-
Interfund Transfers					771,039	(771,039)	-	-
Total General Revenues					15,181,071	37,362	15,218,433	115,476
Change in Net Position					864,289	6,160,786	7,025,075	(35,405)
Net Position - Beginning					39,425,515	48,289,273	87,714,788	2,808,253
Correction of an Error, Net					(17,218)	454,721	437,503	-
Net Position - Beginning, as Restated					39,408,297	48,743,994	88,152,291	2,808,253
Net Position - Ending					\$ 40,272,586	\$ 54,904,780	\$ 95,177,366	\$ 2,772,848

See Accompanying Notes to Financial Statements

**CITY OF MADISON, SOUTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

			(Formerly Major)		(Formerly Major)	
	General	City Hall Construction	2nd Cent Fund	Creek Bridge Mitigation Project	3rd Cent Fund	Business Improvement
ASSETS						
Cash and Cash Equivalents	\$ 2,321,043	\$ -	\$ 2,390,113	\$ 693,106	\$ -	\$ -
Receivables (Net where applicable, of allowance for uncollectibles):						
Taxes	47,533	-	-	-	-	-
Accounts	436,332	-	-	-	-	-
Special Assessments	26,825	-	-	-	-	-
Due from Other Funds	319,924	-	-	-	-	-
Due from Other Governmental Agencies	2,318,685	-	50,102	559,316	-	-
Inventory of Supplies	92,049	-	-	-	-	-
Inventory of Stores Purchased for Resale	39,928	-	-	-	-	-
Prepays	25,443	-	-	-	-	-
Restricted Assets:						
Cash and Cash Equivalents	66,872	-	-	-	-	-
Total Assets	5,694,634	-	2,440,215	1,252,422	-	-
LIABILITIES						
Accounts Payable	3,391,713	103,482	13,012	454,373	-	-
Accrued Wages	142,646	-	-	-	-	-
Customer Deposits	8,255	-	-	-	-	-
Due to Other Funds	-	319,924	-	-	-	-
Due to Other Governments	179	-	-	-	-	-
Total Liabilities	3,542,793	423,406	13,012	454,373	-	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Property Taxes	37,147	-	-	-	-	-
Unavailable Revenue - Special Assessments	26,825	-	-	-	-	-
Total Deferred Inflows of Resources	63,972	-	-	-	-	-
FUND BALANCES						
Non-Spendable:						
Prepaid Expenses	25,443	-	-	-	-	-
Inventories	131,977	-	-	-	-	-
Restricted:						
Debt Service	58,617	-	-	798,049	-	-
Capital Improvement	-	-	-	-	-	-
City Promotion	-	-	-	-	-	-
Unassigned	1,871,832	(423,406)	2,427,203	-	-	-
Total Fund Balances (Deficits)	2,087,869	(423,406)	2,427,203	798,049	-	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 5,694,634	\$ -	\$ 2,440,215	\$ 1,252,422	\$ -	\$ -

(Formerly Major) Special Maintenance Fee	(Formerly Major) TIF #2 Debt Service	(Formerly Major) Swimming Pool Debt Service	(Formerly Major) Grant Circle TIF Debt Service Fund	(Formerly Major) Gerry Maloney Nature Capital Project	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,035,041	\$ 7,439,303
-	-	-	-	-	980	48,513
-	-	-	-	-	1,096	437,428
-	-	-	-	-	-	26,825
-	-	-	-	-	-	319,924
-	-	-	-	-	2,157	2,930,260
-	-	-	-	-	-	92,049
-	-	-	-	-	-	39,928
-	-	-	-	-	-	25,443
-	-	-	-	-	283,066	349,938
-	-	-	-	-	2,322,340	11,709,611
-	-	-	-	-	3,009	3,965,589
-	-	-	-	-	-	142,646
-	-	-	-	-	-	8,255
-	-	-	-	-	-	319,924
-	-	-	-	-	-	179
-	-	-	-	-	3,009	4,436,593
-	-	-	-	-	980	38,127
-	-	-	-	-	-	26,825
-	-	-	-	-	980	64,952
-	-	-	-	-	-	25,443
-	-	-	-	-	-	131,977
-	-	-	-	-	389,661	1,246,327
-	-	-	-	-	1,545,946	1,545,946
-	-	-	-	-	382,744	382,744
-	-	-	-	-	-	3,875,629
-	-	-	-	-	2,318,351	7,208,066
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,322,340	\$ 11,709,611

See Accompanying Notes to Financial Statements

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**CITY OF MADISON, SOUTH DAKOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2024**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 9)	\$ 7,208,066
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	48,928,922
Unavailable revenues that do not provide current financial resources for governmental activities	64,952
Accrued expenses from the balance sheet that do not require current financial resources for governmental activities	(32,380)
Pension related deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, are not due and payable in the current year and, therefore are not reported in the governmental funds	212,675
Long-term liabilities, including bonds payable and lease agreements, and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds	(16,114,983)
The net pension asset does not provide resources in the current period and therefore is not reported in the funds	<u>5,334</u>
Total Net Position - Governmental Activities (page 6)	<u><u>\$ 40,272,586</u></u>

CITY OF MADISON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	General	City Hall Construction	2nd Cent Fund	Creek Bridge Mitigation Project	(Formerly Major) 3rd Cent Fund	(Formerly Major) Business Improvement
Revenue:						
Property Taxes	\$ 2,257,812	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and Other Taxes	2,404,440	-	2,404,440	-	-	-
Special Assessments	-	-	-	-	-	-
Licenses and Permits	81,105	-	-	-	-	-
Intergovernmental	1,651,472	-	-	-	-	-
Charges for Services	540,782	-	-	-	-	-
Fines and Forfeits	447	-	-	-	-	-
Interest on Investments	164,747	-	242,207	-	-	-
Miscellaneous	5,732,095	-	-	-	-	-
Total Revenue	12,832,900	-	2,646,647	-	-	-
Current Expenditures:						
General Government	1,627,888	-	-	-	-	-
Public Safety	2,244,442	-	-	-	-	-
Public Works	1,405,993	-	-	-	-	-
Culture and Recreation	1,651,372	-	-	-	-	-
Community Development	6,188,535	-	122,289	-	-	-
Capital Outlay	2,802,579	8,316,533	-	3,219,577	-	-
Debt Service	928,854	-	-	-	-	-
Total Expenditures	16,849,663	8,316,533	122,289	3,219,577	-	-
Excess (Deficiency) of Revenues Over Expenditures	(4,016,763)	(8,316,533)	2,524,358	(3,219,577)	-	-
Other Financing Sources (Uses):						
Issuance of Debt	2,184,199	-	-	2,931,598	-	-
Proceeds from Sale of Fixed Assets	111,800	-	-	-	-	-
Transfers In	5,151,039	6,000,000	-	-	-	-
Transfers Out	(6,180,000)	-	(4,200,000)	-	-	-
Total Other Financing Sources (Uses)	1,267,038	6,000,000	(4,200,000)	2,931,598	-	-
Net Change in Fund Balances	(2,749,725)	(2,316,533)	(1,675,642)	(287,979)	-	-
Fund Balances - Beginning of Year, As Previously Presented	4,837,594	1,893,127	4,102,845	1,086,028	227,404	96,822
Change in Reporting Entity - Major to Nonmajor	-	-	-	-	(227,404)	(96,822)
Fund Balances - Beginning of Year, as Restated	4,837,594	1,893,127	4,102,845	1,086,028	-	-
Fund Balances (Deficits) - End of Year	\$ 2,087,869	\$ (423,406)	\$ 2,427,203	\$ 798,049	\$ -	\$ -

(Formerly Major) Special Maintenance Fee	(Formerly Major) TIF #2 Debt Service	(Formerly Major) Swimming Pool Debt Service	(Formerly Major) Grant Circle TIF Debt Service Fund	(Formerly Major) Gerry Maloney Nature Capital Project	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,986	\$ 2,306,798
-	-	-	-	-	435,881	5,244,761
-	-	-	-	-	251,877	251,877
-	-	-	-	-	-	81,105
-	-	-	-	-	-	1,651,472
-	-	-	-	-	-	540,782
-	-	-	-	-	-	447
-	-	-	-	-	14,861	421,815
-	-	-	-	-	-	5,732,095
-	-	-	-	-	751,605	16,231,152
-	-	-	-	-	-	1,627,888
-	-	-	-	-	-	2,244,442
-	-	-	-	-	16,760	1,422,753
-	-	-	-	-	-	1,651,372
-	-	-	-	-	250,290	6,561,114
-	-	-	-	-	300,435	14,639,124
-	-	-	-	-	45,279	974,133
-	-	-	-	-	612,764	29,120,826
-	-	-	-	-	138,841	(12,889,674)
-	-	-	-	-	-	5,115,797
-	-	-	-	-	-	111,800
-	-	-	-	-	-	11,151,039
-	-	-	-	-	-	(10,380,000)
-	-	-	-	-	-	5,998,636
-	-	-	-	-	138,841	(6,891,038)
1,187,128	864	358,049	27,041	282,202	-	14,099,104
(1,187,128)	(864)	(358,049)	(27,041)	(282,202)	2,179,510	-
-	-	-	-	-	2,179,510	14,099,104
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,318,351	\$ 7,208,066

See Accompanying Notes to Financial Statements

**CITY OF MADISON, SOUTH DAKOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 12)	\$	(6,891,038)
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization expense in the current year:

Expenditures for Capital Assets	\$	14,230,512	
Depreciation/Amortization Expense	\$	(1,851,212)	12,379,300

Revenues reported in the funds that are not available to provide current financial resources		1,637
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Accrued interest expense that does not require current financial resources		4,420
--	--	-------

Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied		(38,755)
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Pension expenses reported in the Statement of Activities do not require the use of current financial resources		(85,436)
--	--	----------

In the governmental funds, compensated absences are recognized as expenditures only to the extent they are paid using current financial resources during the fiscal year. Amounts earned by employees but unpaid at year-end are not reported as liabilities in the governmental fund statements. At the government-wide level, the related expense and liability are recognized as employees earn leave benefits.		18,063
--	--	--------

Proceeds from the issuance of long-term debt		(5,115,797)
--	--	-------------

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds without affecting the net position. The Statement of Activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was:		591,895
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Change in net position of governmental activities (page 7)	\$	<u>864,289</u>
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**CITY OF MADISON, SOUTH DAKOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2024**

	Business-Type							Totals
	Water	Sewer	Electric	(Formerly Major) Community Center	(Formerly Major) Solid Waste/ Recycling	(Formerly Major) After School/ Youth Fund	Nonmajor	
ASSETS								
Current Assets:								
Cash and Cash Equivalents	\$ 202,639	\$ 2,288,269	\$ 1,485,333	\$ -	\$ -	\$ -	\$ 1,041,417	\$ 5,017,658
Receivables (Net where applicable, of allowance for uncollectibles):								
Accounts	155,234	155,518	1,087,706	-	-	-	63,587	1,462,045
Due from Other Governmental Agencies	-	-	9,259	-	-	-	394	9,653
Unbilled Usage	215,085	201,577	1,396,358	-	-	-	41,437	1,854,457
Inventory of Supplies	113,860	7,263	1,737,221	-	-	-	14,120	1,872,464
Prepaid Insurance	8,004	4,914	15,561	-	-	-	4,333	32,812
Total Current Assets	694,822	2,657,541	5,731,438	-	-	-	1,165,288	10,249,089
Noncurrent Assets:								
Restricted Assets:								
Restricted Cash	51,135	9,044	751,400	-	-	-	-	811,579
Net Pension Asset	561	369	1,191	-	-	-	593	2,714
Land	110,344	44,923	6,032	-	-	-	-	161,299
Construction in Progress	20,930,165	9,056,741	3,268,538	-	-	-	-	33,255,444
Infrastructure, Property and Equipment, Net of Accumulated Depreciation/Amortization	10,537,434	6,475,238	12,617,506	-	-	-	428,999	30,059,177
Total Noncurrent Assets	31,629,639	15,586,315	16,644,667	-	-	-	429,592	64,290,213
Total Assets	32,324,461	18,243,856	22,376,105	-	-	-	1,594,880	74,539,302
DEFERRED OUTFLOWS OF RESOURCES								
Pension Related Deferred Outflows	94,646	62,328	200,969	-	-	-	100,077	458,020
LIABILITIES								
Current Liabilities:								
Accounts Payable	760,382	538,433	705,010	-	-	-	75,432	2,079,257
Accrued Wages	16,563	10,821	33,226	-	-	-	20,068	80,678
Accrued Interest Payable	15,389	16,103	449	-	-	-	-	31,941
Due to Other Governments	27	-	33,497	-	-	-	4,466	37,990
Customer Deposits	-	-	113,070	-	-	-	-	113,070
Unearned Revenue	-	-	33,611	-	-	-	5,558	39,169
Compensated Absences Payable - Current	24,745	23,514	41,782	-	-	-	13,902	103,943
Revenue Bonds Payable - Current	270,169	297,304	566,273	-	-	-	-	1,133,746
Notes Payable - Current	107,391	56,821	-	-	-	-	-	164,212
Total Current Liabilities	1,194,666	942,996	1,526,918	-	-	-	119,426	3,784,006
Noncurrent Liabilities:								
Revenue Bonds Payable	2,863,765	2,597,272	-	-	-	-	-	5,461,037
Notes Payable	7,458,861	2,727,034	-	-	-	-	-	10,185,895
Compensated Absences Payable	74,234	70,543	125,346	-	-	-	41,709	311,832
Total Noncurrent Liabilities	10,396,860	5,394,849	125,346	-	-	-	41,709	15,958,764
Total Liabilities	11,591,526	6,337,845	1,652,264	-	-	-	161,135	19,742,770
DEFERRED INFLOWS OF RESOURCES								
Pension Related Deferred Inflows	72,277	47,597	153,473	-	-	-	76,425	349,772
NET POSITION								
Net Investment in Capital Assets	20,274,554	9,536,530	15,325,803	-	-	-	428,999	45,565,886
Restricted for:								
Debt Service	35,746	-	637,881	-	-	-	-	673,627
SDRS Pension Purposes	561	369	1,191	-	-	-	593	2,714
Unrestricted	444,443	2,383,843	4,806,462	-	-	-	1,027,805	8,662,553
Total Net Position	\$ 20,755,304	\$ 11,920,742	\$ 20,771,337	\$ -	\$ -	\$ -	\$ 1,457,397	\$ 54,904,780

**CITY OF MADISON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Business-Type							Totals
	Water	Sewer	Electric	(Formerly Major) Community Center	(Formerly Major) Solid Waste/ Recycling	(Formerly Major) After School/ Youth Fund	Nonmajor	
Operating Revenues:								
Charges for Services	\$ 2,107,774	\$ 1,848,300	\$ 11,196,477	\$ -	\$ -	\$ -	\$ 1,408,565	\$ 16,561,116
Miscellaneous	39,611	4,400	511,974	-	-	-	2,056	558,041
Total Operating Revenues	2,147,385	1,852,700	11,708,451	-	-	-	1,410,621	17,119,157
Operating Expenses:								
Personal Services	640,482	671,315	1,434,187	-	-	-	924,662	3,670,646
Other Current Expense	423,595	293,573	1,546,124	-	-	-	661,433	2,924,725
Materials (Cost of Goods Sold)	147,620	-	6,505,826	-	-	-	-	6,653,446
Depreciation and Amortization	408,901	397,091	638,023	-	-	-	60,156	1,504,171
Total Operating Expenses	1,620,598	1,361,979	10,124,160	-	-	-	1,646,251	14,752,988
Operating Income (Loss)	526,787	490,721	1,584,291	-	-	-	(235,630)	2,366,169
Nonoperating Income (Expense):								
Operating Grants	-	-	-	-	-	-	243,937	243,937
Investment Earnings	16,684	88,777	87,565	-	-	-	22,377	215,403
Rental Revenue	-	-	557	-	-	-	-	557
Interest Expense	(262,824)	(119,206)	(5,972)	-	-	-	-	(388,002)
Debt Service	-	(16,070)	-	-	-	-	-	(16,070)
Gain/Loss on Sale of Assets	-	-	3,900	-	-	-	30,500	34,400
Total Nonoperating Income (Expense)	(246,140)	(46,499)	86,050	-	-	-	296,814	90,225
Income Before Contributions & Transfers	280,647	444,222	1,670,341	-	-	-	61,184	2,456,394
Contributions and Transfers								
Transfers In	-	-	-	-	-	-	180,000	180,000
Transfers (Out)	(136,500)	(117,975)	(696,564)	-	-	-	-	(951,039)
Capital Grants and Contributions	3,179,900	1,295,531	-	-	-	-	-	4,475,431
Total Contributions and Transfers	3,043,400	1,177,556	(696,564)	-	-	-	180,000	3,704,392
Change in Net Position	3,324,047	1,621,778	973,777	-	-	-	241,184	6,160,786
Net Position - Beginning of Year, as Previously Presented	17,357,437	10,231,656	19,449,106	(50,672)	1,240,426	61,320	-	48,289,273
Change in Reporting Entity - Major to Nonmajor Correction of Error	73,820	67,308	348,454	-	(1,240,426)	(61,320)	1,251,074	-
							(34,861)	454,721
Net Position - Beginning of Year, as Restated	17,431,257	10,298,964	19,797,560	-	-	-	1,216,213	48,743,994
Net Position - End of Year	\$ 20,755,304	\$ 11,920,742	\$ 20,771,337	\$ -	\$ -	\$ -	\$ 1,457,397	\$ 54,904,780

See Accompanying Notes to Financial Statements

**CITY OF MADISON, SOUTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Business-Type				Totals
	Water	Sewer	Electric	Nonmajor	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 3,684,306	\$ 2,455,489	\$ 11,309,428	\$ 1,388,511	\$ 18,837,734
Cash Paid to Suppliers for Goods and Services	(1,621,112)	(611,448)	(8,476,482)	(639,334)	(11,348,376)
Cash Paid to Employees for Services	(623,760)	(590,268)	(1,328,212)	(896,275)	(3,438,515)
Other Nonoperating Revenues	-	-	557	243,937	244,494
Net Cash Provided by Operating Activities	<u>1,439,434</u>	<u>1,253,773</u>	<u>1,505,291</u>	<u>96,839</u>	<u>4,295,337</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and Construction of Capital Assets	(7,646,024)	(4,008,414)	(2,995,976)	(58,009)	(14,708,423)
Proceeds from Notes Payable	-	507,074	-	-	507,074
Proceeds on the Sale of Capital Assets	-	-	3,900	30,500	34,400
Proceeds from Bond Issuance	2,071,461	1,330,581	-	-	3,402,042
Principal Paid on Notes, Bonds, and Leases	(355,404)	(300,117)	(690,137)	-	(1,345,658)
Interest Paid on Notes and Bond	(259,958)	(133,738)	(13,460)	-	(407,156)
Capital Grants	3,179,900	1,295,531	-	-	4,475,431
Net Cash (Used) by Capital and Related Financing Activities	<u>(3,010,025)</u>	<u>(1,309,083)</u>	<u>(3,695,673)</u>	<u>(27,509)</u>	<u>(8,042,290)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Due to Other Funds	-	-	-	(54,452)	(54,452)
Due From Other Funds	-	-	54,707	-	54,707
Due from Other Governments	-	-	-	(58)	(58)
Transfers In	-	-	-	180,000	180,000
Transfers (Out)	(136,500)	(117,975)	(696,564)	-	(951,039)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(136,500)</u>	<u>(117,975)</u>	<u>(641,857)</u>	<u>125,490</u>	<u>(770,842)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest and Dividends on Investments	16,684	88,777	87,565	22,377	215,403
Net Cash Provided by Investing Activities	<u>16,684</u>	<u>88,777</u>	<u>87,565</u>	<u>22,377</u>	<u>215,403</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,690,407)	(84,508)	(2,744,674)	217,197	(4,302,392)
Cash and Cash Equivalents at Beginning of Year	1,944,181	2,381,821	4,981,407	824,220	10,131,629
Cash and Cash Equivalents at End of Year	<u>\$ 253,774</u>	<u>\$ 2,297,313</u>	<u>\$ 2,236,733</u>	<u>\$ 1,041,417</u>	<u>\$ 5,829,237</u>

(continued)

**CITY OF MADISON, SOUTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Business-Type				Totals
	Water	Sewer	Electric	Nonmajor	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating Income (Loss)	\$ 526,787	\$ 490,721	\$ 1,584,291	\$ (235,630)	\$ 2,366,169
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:					
Depreciation/Amortization	408,901	397,091	638,023	60,156	1,504,171
Other Nonoperating Income	-	-	557	243,937	244,494
(Increase) Decrease in Assets and Deferred Outflows of Resources:					
Accounts Receivable	(11,837)	(11,400)	(199,923)	(21,574)	(244,734)
Due From Other Governmental Agencies	1,548,785	614,189	(8,170)	(394)	2,154,410
Net Pension Asset	1,100	882	2,121	879	4,982
Unbilled Usage	-	-	(157,805)	(5,021)	(162,826)
Inventory of Supplies	42,045	17	(519,392)	(2,165)	(479,495)
Pension Related Deferred Outflows	34,981	35,268	57,540	14,781	142,570
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:					
Accounts Payable	(1,091,942)	(317,892)	94,860	29,285	(1,285,689)
Customer Deposits	-	-	(520)	-	(520)
Unearned Revenue	-	-	(27,357)	(142)	(27,499)
Due to Other Governments	(27)	-	(5,248)	-	(5,275)
Compensated Absences	(7,234)	60,846	61,160	11,088	125,860
Pension Related Deferred Inflows	(12,125)	(15,949)	(14,846)	1,639	(41,281)
Total Adjustments	912,647	763,052	(79,000)	332,469	1,929,168
Net Cash Provided by Operating Activities	<u>\$ 1,439,434</u>	<u>\$ 1,253,773</u>	<u>\$ 1,505,291</u>	<u>\$ 96,839</u>	<u>\$ 4,295,337</u>

Reconciliation of Cash and Cash Equivalents to the Statement of Net Position

Cash and Cash Equivalents	\$ 202,639	\$ 2,288,269	\$ 1,485,333	\$ 1,041,417	\$ 5,017,658
Restricted Cash and Cash Equivalents	51,135	9,044	751,400	-	811,579
	<u>\$ 253,774</u>	<u>\$ 2,297,313</u>	<u>\$ 2,236,733</u>	<u>\$ 1,041,417</u>	<u>\$ 5,829,237</u>

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Madison was incorporated in 1885 under the provisions of South Dakota Codified Law, as amended. The City operates under the Council-Manager form of government. The funds included in this report are controlled by or dependent upon the City's governing board.

The City's financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The reporting entity of the City of Madison 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 City 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 City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

The Housing and Redevelopment Commission of the City 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 nonexchange 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., and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a.

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City'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) 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City can electively add funds, as major funds, which have specific community focus. The non-major funds are combined into a single column in the fund financial statements.

Governmental Fund Types – The focus of the governmental funds' measurement (in the fund statements) is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund types of the City:

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

Special Revenue Funds – The special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects).

Debt Service Fund – The debt service funds account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs not being financed by proprietary funds.

Capital Projects Funds – The capital project funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. Operating revenues and expenses are distinguished from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses, and depreciation on capital assets. The United States Generally Accepted Accounting Principles used are those applicable to similar businesses in the private sector.

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Enterprise Funds – Enterprise funds are used to account for those operations (a) that are financed and operated in a manner similar to private business or enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City reports the following major governmental funds.

General Fund –The General Fund is always considered to be a major fund—see the description above.

Special Revenue Funds:

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

Capital Project Funds:

Creek Bridge Mitigation Capital Project Fund - The City uses a capital projects fund to account for the creek bridge mitigation project.

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

The City reports the following major enterprise funds:

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

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

Electric Fund – This fund is established to provide electric services to customers within the City of Madison. (SDCL 9-39-1 and SDLC 9-39-26)

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 and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental, and business-type 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 fund types 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 City of Madison, the length of that cycle is 30 days. The revenues which were accrued at December 31, 2024, are taxes receivable, amounts due from other governments for grants, and other receivables due within 30 days.

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. Reported deferred inflows of resources are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

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

All proprietary and fiduciary funds 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. Cash and Cash Equivalents

For the purposes of the proprietary funds' Statement of Cash Flows, the City 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.

E. Deposits

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.

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Prepaid Items

Certain payments made to vendors for services that will benefit periods beyond December 31, 2024 are recorded as prepaid items in both government-wide and fund financial statements. The City uses the consumption method to record its changes in prepaid items in which the City reports a prepaid asset in the period which they are purchased and defer the recognition of the expenditure until the period in which the items are consumed.

G. Inventory of Supplies and Resale

Inventories are valued at the lower of cost or market using the first-in/first-out (FIFO) method. In the government-wide financial statements, governmental fund statements and proprietary fund statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed. In the governmental funds, reported inventories are equally offset by a “non-spendable” fund balance classification, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

The City’s governmental fund inventories are limited to supplies used by the Public Works Department and aviation fuel maintained for resale at the City’s airport.

H. Short Term Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of December 31, 2024, balances of short-term interfund amounts payable or receivable have been recorded as “due to other funds” and “due from other funds.”

I. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

J. Interfund Eliminations and Reclassifications

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

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 are 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” when applicable.

K. Capital Assets

Capital assets, which includes property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position and in the proprietary fund Statement of Net Position.

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements:

Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Machinery, equipment, and buildings with initial individual costs of \$5,000 or more are considered capital assets. Infrastructure has been capitalized using historical or estimated historical of \$5,000 or more beginning in 1980 required by GASB 34. Depreciation expense is calculated using the straight-line method over the following useful lives:

Buildings and Improvements	5 - 99 Years
Machinery and Equipment	5 - 50 Years
Infrastructure	5 - 75 Years

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.

L. Leases

City as Lessee: The City is the lessee for noncancellable land lease. The City has recognized a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the City determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the non-cancellable period of the lease. Lease payments and a purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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 statements. The long-term liabilities consist of revenue bonds, direct borrowings and notes payable, lease agreements, and compensated absences.

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

N. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick, and compensation time hours for subsequent use or for payment upon termination, death or retirement. A liability for this and any related benefits is recorded when incurred in the government-wide and proprietary fund financial statements when each of the following have occurred: the leave is attributable to services already rendered, the leave accumulates and carries forward from one reporting period to the next and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. A liability for these amounts is reported in governmental fund financial statements only for the portion which is expected to be liquidated with expendable available financial resources. This amount normally consists of payments to employees who had resigned or retired at year end but had not yet been compensated for the accrued absences. The compensated absences liability has been computed based on rates of pay in effect at December 31, 2024.

O. Other Post Employment Benefits

The City allows certain retirees to continue participating in the City's health insurance coverage after retirement in accordance with its personnel policies. Under current practice, retirees who elect continued coverage are responsible for 100 percent of the premiums for the coverage selected. The City does not reimburse any portion of retiree health insurance premiums and does not provide reimbursement for supplemental Medicare coverage.

This retiree healthcare benefit is not administered through a formal defined benefit OPEB plan and is not provided through a trust that meets the criteria of GASB Statement No. 75. The City's authority for offering retiree access to coverage is based on its own policy and the general statutory authority provided by SDCL 9-14-35.

For the year ended December 31, 2024, the City did not obtain an actuarial valuation and did not apply the alternative measurement method permitted under GASB Statement No. 75. Accordingly, the City has not measured or reported a total OPEB liability, OPEB expense, or related deferred outflows of resources or deferred inflows of resources in the government-wide financial statements for this benefit, and the detailed note disclosures otherwise required by GASB Statement No. 75, including significant assumptions, sensitivity information, and a schedule of changes in the total OPEB liability, have not been presented.

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. 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. City and net pension liability (asset) are recognized on an accrual basis of accounting.

Q. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred inflows and 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.

R. Equity Classifications

Government-Wide Statements:

Equity is classified as net position and is displayed in three components:

1. Net Investment in Capital Assets – This component 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 – This component consists of net position with constraints placed on their use either by (a) external groups such as creditors, granters, 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” are considered unrestricted.

Fund Financial Statements:

Governmental fund equity is classified as fund balance and may distinguish between “Restricted,” “Assigned,” “Unassigned,” “Nonspendable,” and “Committed” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

S. Application of Net Position

It is the City'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 position are available.

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. 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 City 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 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 (may be assigned by the City Council)
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

Nonspendable Fund Balance is comprised of the following:

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

The City uses *restricted* 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 City would first use *committed*, then *assigned*, and lastly, *unassigned amounts* of unrestricted fund balance when expenditures are made.

U. Program Revenues

Program revenues derive directly from the program itself or from parties other than the City'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.

V. Proprietary Funds Revenue and Expense Classifications

In the proprietary fund 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 or expenses.

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 – CASH AND CASH EQUIVALENTS

The City 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 City'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 City 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, 2024, the Municipality did have funds deposited with SDFIT, as shown below, which is reported as a cash and cash equivalent.

As of December 31, 2024, the City had the following investments:

<u>Investments</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
External Investment Pools:			
SDFIT	Unrated	N/A	\$ 468,461
Total Investments			\$ 468,461

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine-member board with representation from municipalities, school districts, and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

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

Interest Rate Risk – The City 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.

Concentration of Investment – The City places no limit on the amount that may be invested in any one issuer.

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 City's policy is to credit all income from deposits and investments to the fund making the investment.

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

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	\$ 58,617	Bond covenants
General Fund	8,255	Customer Deposits
Water Fund	51,135	Bond covenants
Sewer Fund	9,044	Bond covenants
Electric Fund	638,330	Bond covenants
Electric Fund	113,070	Customer Deposits
Gerry Malloney Nature Capital Project Fund	282,202	Capital Improvement
TIF Debt Service	864	Tax Increment Financing
	<u>\$ 1,161,517</u>	

NOTE 3 – RECEIVABLES AND PAYABLES

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

At December 31, 2024, amounts Due from Other Governments were as follows:

<u>Description</u>	<u>General</u>	<u>2nd Cent Fund</u>	<u>Creek Bridge Mitigation Project</u>	<u>Electric</u>	<u>Nonmajor Governmental</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
County Remitted Taxes	\$ 24,459	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,459
State Remitted Sales Tax	50,103	50,102	-	-	2,157	-	102,362
State Remitted Liquor and Other Taxes	56,324	-	-	-	-	-	56,324
Federal and State Grants	2,187,799	-	559,316	-	-	-	2,747,115
Other	-	-	-	9,259	-	394	9,653
	<u>\$ 2,318,685</u>	<u>\$ 50,102</u>	<u>\$ 559,316</u>	<u>\$ 9,259</u>	<u>\$ 2,157</u>	<u>\$ 394</u>	<u>\$ 2,939,913</u>

NOTE 4 – ESTIMATED UNCOLLECTIBLE RECEIVABLES

Accounts receivable are reported at gross amounts, reduced by an allowance for uncollectible accounts. The allowance is established through a provision for uncollectible accounts charged to operations and represents management's best estimate of probable credit losses based on historical experience and a review of the status of existing receivables. The allowance for uncollectible receivables at December 31, 2024 consisted of the following:

<u>Fund</u>	<u>Uncollectible</u>
Water	\$ 5,803
Sewer	5,681
Electric	66,035
Nonmajor Enterprise	1,136
Total	<u>\$ 78,655</u>

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 – PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year. The county bills and collects the city taxes and remits them to the City. City property tax revenues are recognized to the extent that they are used to finance each year's appropriations.

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

General Fund	\$27
Bond Redemption Funds	As Required by Bond Agreement
Judgment Fund (Upon Judgment Being Made)	\$10

State statute allows the tax rates to be raised by special election of the voters.

NOTE 6 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2024 is as follows:

Primary Government	(Restated) Balance January 1, 2024	Additions	Deletions	Reclassifications & Adjustments	Balance December 31, 2024
Governmental Activities:					
Capital Assets, not being depreciated/amortized					
Land	\$ 1,492,268	\$ 153,048	\$ -	\$ -	\$ 1,645,316
Construction in Progress	11,480,197	13,560,593	528,546	-	24,512,244
Total Capital Assets, not being depreciated/amortized	12,972,465	13,713,641	528,546	-	26,157,560
Capital Assets, being depreciated/amortized:					
Lease Right of Use Asset - Land	113,118	-	-	-	113,118
Buildings & Improvements	16,316,611	319,243	-	34,797	16,670,651
Infrastructure	35,844,662	279,975	-	-	36,124,637
Equipment	9,365,997	446,197	137,195	(34,797)	9,640,202
Total Capital Assets, being depreciated/amortized	61,640,388	1,045,415	137,195	-	62,548,608
Less Accumulated Depreciation/Amortization for:					
Lease Right of Use Asset - Land	28,280	22,624	-	-	50,904
Buildings & Improvements	10,210,296	547,151	137,195	-	10,620,252
Infrastructure	20,771,282	872,343	-	-	21,643,625
Equipment	7,053,371	409,094	-	-	7,462,465
Total Accumulated Depreciation/Amortization	38,063,229	1,851,212	137,195	-	39,777,246
Total Capital Assets being depreciated/amortized, net	23,577,159	(805,797)	-	-	22,771,362
Governmental Activities Capital Assets, net	\$ 36,549,624	\$ 12,907,844	\$ 528,546	\$ -	\$ 48,928,922

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Construction in progress at December 31, 2024 for the governmental activities consisted of costs associated with various street and infrastructure additions and improvements.

	Balance January 1, 2024	Additions	Deletions	Reclassifications & Adjustments	Balance December 31, 2024
Business-Type Activities:					
Capital Assets, not being depreciated/amortized					
Land	\$ 161,299	\$ -	\$ -	\$ -	\$ 161,299
Construction in Progress	19,199,347	15,199,663	1,171,393	27,827	33,255,444
Total Capital Assets, not being depreciated/amortized	19,360,646	15,199,663	1,171,393	27,827	33,416,743
Capital Assets, being depreciated/amortized:					
Buildings & Improvements	50,165,848	1,349,443	-	-	51,515,291
Equipment	4,543,243	300,400	92,865	-	4,750,778
Intangible Assets	-	1,994,376	-	-	1,994,376
Total Capital Assets, being depreciated/amortized	54,709,091	3,644,219	92,865	-	58,260,445
Less Accumulated Depreciation/Amortization for:					
Buildings & Improvements	23,575,846	1,286,019	-	-	24,861,865
Equipment	3,214,116	213,166	92,865	-	3,334,417
Intangible Assets	-	4,986	-	-	4,986
Total Accumulated Depreciation/Amortization	26,789,962	1,504,171	92,865	-	28,201,268
Total Capital Assets being depreciated/amortized, net	27,919,129	2,140,048	-	-	30,059,177
Business-Type Activities Capital Assets, net	\$ 47,279,775	\$ 17,339,711	\$ 1,171,393	\$ 27,827	\$ 63,475,920

	Balance January 1, 2024	Additions	Deletions	Balance December 31, 2024
Component Unit				
Capital Assets, not being depreciated/amortized				
Land	\$ 295,156	\$ -	\$ -	\$ 295,156
Construction in Progress	219,331	-	150,661	68,670
Total Capital Assets, not being depreciated/amortized	514,487	-	150,661	363,826
Capital Assets, being depreciated/amortized:				
Buildings and Improvements	8,411,814	232,907	-	8,644,721
Equipment	185,650	1,450	-	187,100
Total Capital Assets, being depreciated/amortized	8,597,464	234,357	-	8,831,821
Less Accumulated Depreciation/Amortization for:				
Buildings and Improvements	6,113,302	253,488	-	6,366,790
Equipment	181,143	2,382	-	183,525
Total Accumulated Depreciation/Amortization	6,294,445	255,870	-	6,550,315
Total Capital Assets being depreciated/amortized, net	2,303,019	(21,513)	-	2,281,506
Capital Assets, net	\$ 2,817,506	\$ (21,513)	\$ 150,661	\$ 2,645,332

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

Governmental Activities:		
Public Works	\$	674,156
Culture and Recreation		209,633
General Government		<u>967,423</u>
Total depreciation/amortization expense - Governmental Activities		<u>\$ 1,851,212</u>
Business-Type Activities:		
Water	\$	408,901
Sewer		397,091
Electric		638,023
Nonmajor		<u>60,156</u>
Total depreciation/amortization expense - Business-Type Activities		<u>\$ 1,504,171</u>

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-type Activities	Component Unit
Land	\$ 1,645,316	\$ 161,299	\$ 295,156
Construction in Progress	24,512,244	33,255,444	68,670
Capital Assets (net of accumulated depreciation/amortization)	22,771,362	30,059,177	2,281,506
Less: Lease Agreements	68,778	-	-
Revenue Bonds & Notes	15,648,492	17,360,665	910,559
Accounts Payable	113,106	965,144	-
Net Investment in Capital Assets	<u>\$ 33,098,546</u>	<u>\$ 45,150,111</u>	<u>\$ 1,734,773</u>

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 7 – LONG-TERM DEBT

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Lease Agreements	\$ 89,775	\$ -	\$ 20,997	68,778	\$ 21,933
Revenue Bonds Payable:					
Sales Tax Revenue, Series 2022	8,463,836	-	369,751	8,094,085	379,914
Sales Tax Revenue, Series 2024	-	2,000,000	-	2,000,000	-
Direct Borrowing:					
USDA Storm Sewer	2,274,556	184,199	18,546	2,440,209	65,645
Note Payable - Contract for Deed	365,200	-	182,600	182,600	182,600
State of SD IDRP FEMA Loan	-	2,931,598	-	2,931,598	2,836,824
Compensated Absences	415,776	-	18,063	397,713	99,428
Governmental Activity Long-Term Liabilities	<u>\$ 11,609,143</u>	<u>\$ 5,115,797</u>	<u>\$ 609,957</u>	<u>\$ 16,114,983</u>	<u>\$ 3,586,344</u>
Business-Type Activities:					
Bonds Payable:					
State Revolving Funds (Direct Borrowing)	\$ 4,417,597	\$ 3,402,043	\$ 1,224,857	\$ 6,594,783	\$ 1,133,746
USDA Bonds (Direct Borrowing)	9,963,834	507,074	120,801	10,350,107	164,212
Compensated Absences	289,916	125,859	-	415,775	103,943
Business-type Activity Long-Term Liabilities	<u>\$ 14,671,347</u>	<u>\$ 4,034,976</u>	<u>\$ 1,345,658</u>	<u>\$ 17,360,665</u>	<u>\$ 1,401,901</u>
Component Unit:					
Notes Payable	\$ 975,146	\$ -	\$ 64,587	\$ 910,559	\$ 67,555
Compensated Absences	2,707	1,280	-	3,987	2,801
Long-Term Liabilities	<u>\$ 977,853</u>	<u>\$ 1,280</u>	<u>\$ 64,587</u>	<u>\$ 914,546</u>	<u>\$ 70,356</u>

The change in compensated absences liability is presented as a net change.

Bonds Payable

A summary of the City's December 31, 2024 bonded indebtedness is as follows:

	Date of Issue	Interest Rates	Final Due Date	Fund Paid	Annual Payments	Amount Originally Issued	Outstanding December 31, 2024
Revenue Bonds:							
2022 Sales Tax Revenue Bonds	2022	2.730%	2041	General	\$598,300	\$ 9,000,000	\$ 8,094,085
2024 Sales Tax Revenue Bond Anticipation Note	2024	3.950%	2027	General	75,430 - 82,460	2,000,000	2,000,000
Note Payable - Direct Borrowing							
Contract for Deed	2023	8.000%	2025	General	196,967	547,800	182,600
South Dakota IRDP Loan	2023	0.000%	2026	General	None Until Balloon	2,931,598	2,931,598
Revenue Bonds (Direct Borrowing):							
2023 USDA Rural Development Loan	2023	1.875%	2053	General	110,840	2,458,756	2,440,209
2023 USDA Rural Development Loan	2023	3.000%	2063	Water	332,900	7,749,000	7,566,252
2013 Drinking Water State Revolving Loan	2013	2.250%	2028	Water	277,700	2,045,692	1,062,472
2024 Drinking Water State Revolving Loan	2024	1.625%	2050	Water	44,600 - 88,240	2,071,461	2,071,461
2021 Electric Generation Plant	2021	1.330%	2025	Electric	571,660	1,565,000	566,273
2022 USDA Rural Development Loan	2022	1.875%	2059	Sewer	108,530	2,835,468	2,783,856
2024 Clean Water State Revolving Loan	2024	2.125%	2054	Sewer	30,730 - 61,460	1,330,581	1,330,581
2011 Clean Water State Revolving Loan	2011	3.250%	2029	Sewer	\$340,170	4,762,032	1,563,995
Total Revenue Bonds & Notes						<u>\$39,297,388</u>	<u>\$32,593,382</u>

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for all debt outstanding as of December 31, 2024 are as follows:

Year Ending December 31,	Governmental Activities Revenue Bonds			Governmental Activities Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 379,914	\$ 293,822	\$ 673,736	\$ 3,085,069	\$ 59,559	\$ 3,144,628
2026	390,357	286,951	677,308	161,661	43,950	205,611
2027	2,401,086	279,684	2,680,770	68,152	42,685	110,837
2028	412,110	186,197	598,307	69,441	41,396	110,837
2029	423,438	174,870	598,308	70,754	40,083	110,837
2030 - 2034	2,298,303	693,236	2,991,539	374,354	179,831	554,185
2035 - 2039	2,632,010	359,528	2,991,538	411,117	143,067	554,184
2040 - 2044	1,156,867	39,746	1,196,613	451,491	102,694	554,185
2045 - 2049	-	-	-	495,829	58,355	554,184
2050 - 2054	-	-	-	366,539	12,153	378,692
	<u>\$ 10,094,085</u>	<u>\$ 2,314,034</u>	<u>\$ 12,408,119</u>	<u>\$ 5,554,407</u>	<u>\$ 723,773</u>	<u>\$ 6,278,180</u>

Year Ending December 31,	Business-Type Activities Revenue Bonds - Direct Borrowing			Component Unit Direct Borrowing		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 1,297,958	\$ 408,489	\$ 1,706,447	\$ 67,555	\$ 32,990	\$ 100,545
2026	823,271	386,799	1,210,070	70,132	30,413	100,545
2027	845,230	364,777	1,210,007	772,872	11,806	784,678
2028	867,208	342,746	1,209,954	-	-	-
2029	610,260	322,044	932,304	-	-	-
2030 - 2034	1,485,762	1,474,921	2,960,683	-	-	-
2035 - 2039	1,672,028	1,288,656	2,960,684	-	-	-
2040 - 2044	1,882,907	1,077,775	2,960,682	-	-	-
2045 - 2049	2,123,233	837,449	2,960,682	-	-	-
2050 - 2054	2,391,656	564,909	2,956,565	-	-	-
2055 - 2059	1,918,513	288,665	2,207,178	-	-	-
2060 - 2063	1,026,864	55,075	1,081,939	-	-	-
	<u>\$ 16,944,890</u>	<u>\$ 7,412,305</u>	<u>\$ 24,357,195</u>	<u>\$ 910,559</u>	<u>\$ 75,209</u>	<u>\$ 985,768</u>

Madison Housing and Redevelopment Commission Component Unit

In June of 2022, the Commission executed a real estate mortgage loan with a local financial institution to refinance the outstanding principal balance of a note payable balloon payment that had come due. The note, totaling \$910,559, carries an interest rate of 3.75% and calls for monthly principal and interest payments totaling \$8,379 with a balloon payment of \$751,163 due May of 2027. The note is secured by a collateral real estate mortgage on the property and an assignment of rents.

NOTE 8 – LEASES (LEASEE)

The City is a lessee in noncancelable leases for land used for governmental activities. These agreements are accounted for under GASB Statement No. 87, Leases, which requires recognition of a lease liability and an intangible right-to-use lease asset at the commencement of the lease term.

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 8 – LEASES (LEASEE) (CONTINUED)

On May 1, 2017, the City entered into a lease for land used for the landfill. The lease term is ten years, ending September 30, 2027. Fixed lease payments of \$25,000 are due annually in February. The agreement has an implicit rate of 4.37%. During the year, the City paid principal of \$20,997 and interest of \$4,003. The lease does not include variable payments, residual value guarantees, or purchase options.

At December 31, 2024, the City reported a right-to-use lease asset of \$113,118 and related accumulated amortization of \$50,904, presented aggregately with other capital assets in the government-wide statement of net position. The related lease liability was \$68,778 at December 31, 2024.

Future principal and interest requirements for the lease liability as of December 31, 2024, are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 21,933	\$ 3,067	\$ 25,000
2026	22,911	2,089	25,000
2027	23,934	1,066	25,000
	\$ 68,778	\$ 6,222	\$ 75,000

NOTE 9 – 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 from the related borrowers under loan agreements. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the City, 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, 2024, the Municipality had the following conduit bond issues outstanding:

- Bethel Lutheran Home Economic Development Revenue Bond – \$1,874,928

NOTE 10 – RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2024 was as follows:

Major Purposes:		
Debt Service - External Creditors	\$ 1,892,217	
Capital Improvements - Enabling Legislation	1,545,946	
City Promotion	382,744	
Total Major Purposes	\$ 3,820,907	
Other Purposes:		
SDRS Pension	\$ 8,048	
Total Other Purposes	8,048	
Total Restricted Net Position	\$ 3,828,955	

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 11 – INTERFUND TRANSFERS

The following is a summary of transfers between funds for the year ended December 31, 2024:

Transfer Out	Transfer In			Total
	General	City Hall Construction	Nonmajor Enterprise	
General	\$ -	\$ 6,000,000	\$ 180,000	\$ 6,180,000
Second Cent Sales Tax	4,200,000	-	-	4,200,000
Water	136,500	-	-	136,500
Electric	696,564	-	-	696,564
Sewer	117,975	-	-	117,975
Total Transfer In	\$ 5,151,039	\$ 6,000,000	\$ 180,000	\$ 11,331,039

Transfers are used to:

- 1) Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
- 2) To use unrestricted revenues collected in the general fund to finance various programs account for in other funds in accordance with budgetary authorizations.

NOTE 12 – TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in South Dakota Codified Law chapter 11-9. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers as an economic development grant. No other commitments were made by the City as part of these agreements. For the year ended December 31, 2024, the City abated \$26,208 of property tax under the urban renewal and economic development projects.

NOTE 13 – ECONOMIC DEVELOPMENT AGREEMENTS

- A. The City entered into sales tax abatement agreements with local businesses under SDCL 9-54 and 9-12-11. Under this agreement, the City 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 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 City. As of December 31, 2024, the remaining obligation on this agreement was \$12,041.

For the year ended December 31, 2024, the City abated sales taxes totaling \$83,717 under this program, including the following tax abatement agreements, that are 100 percent of the total amount abated:

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

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 13 – ECONOMIC DEVELOPMENT AGREEMENTS (CONTINUED)

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

For the year ended December 31, 2021, the City entered into an agreement with Madison Hospitality Group, LLC ("Developer") to introduce a Best Western Plus hotel and proposed conference center in the City. Under this agreement, all positive tax increments received in the TID shall, upon receipt by the City be paid out pursuant to SDCL 11-9-32. The City 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.

In the year 2024, the City abated property tax of \$45,279 under this agreement and as of December 31, 2024, had a remaining obligation of \$992,774.

- C.** The City entered into a property tax abatement agreement under SDCL 11-9-3, Resolution No. 2022-30. The tax increment district (TID) 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 City entered into an agreement with HME Senior Living ("Developer") to introduce the Madison Senior Living Community in the City. Under this agreement, all positive tax increments received in the TID shall, upon receipt by the City, be paid out pursuant to SDCL 11-9-32. The City agrees to pay to the 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. Tax increment collections began in 2024 and will terminate prior to 2043.

In the year 2024, the City began collecting TIF revenue under this agreement, and as of December 31, 2024, had a remaining obligation of \$4,000,000.

NOTE 14 – RISK MANAGEMENT

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2024, the City managed its risks as follows:

Employee Health Insurance

The City 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 City 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 lifetime maximum payment per person.

The City 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.

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 14 – RISK MANAGEMENT (CONTINUED)

Liability Insurance

The City 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 City'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 City. The City 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 City pays an annual premium to the pool to provide coverage for torts, thefts, errors and omissions, automobile, and general liability.

The City carries a \$500 deductible for the official's liability; \$2,000 deductible for law enforcement liability coverage; zero deductible for general liability; \$250 deductible for buildings, contents, miscellaneous property and EDP hardware; automobile liability with \$100 deductible for comprehensive and \$250 deductible for auto collision.

The City 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 City joined the South Dakota Municipal League Workers 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 the behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and develop a comprehensive loss control program. The City'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 City pays an annual premium to provide worker's compensation coverage for its employees under a self-funded program 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 of any claim per individual. The pool has reinsurance, which covers up to an additional \$2,000,000 per individual per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage over the past three years.

Unemployment Benefits

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended December 31, 2024, no claims were filed for unemployment benefits. At December 31, 2024, 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.

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 15 – PENSION PLAN

Plan Information

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provide 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://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 four classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation 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 public 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. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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

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

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 15 – PENSION PLAN (CONTINUED)

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. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2024, 2023 and 2022, equal to required contributions each year, were as follows:

Year	Amount
2024	\$ 348,076
2023	\$ 316,261
2022	\$ 268,917

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

At June 30, 2024, SDRS is 100.0% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System, for the City as of the measurement period ending June 30, 2024 and reported by the City as of December 31, 2024 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 29,665,410
Less: proportionate share Net Pension restricted for pension benefits	\$ 29,673,458
Proportionate share of net pension liability (asset)	\$ (8,048)

At December 31, 2024, the City reported an asset of \$8,050 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2024 and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2024, the City's proportion was 0.198853%, which is an increase of 0.009866% from its proportion measured as of June 30, 2023.

For the year ended December 31, 2024, the City recognized a reduction in pension expense of \$191,715. At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 15 – PENSION PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 745,391	\$ -
Changes in assumption	132,713	1,011,613
Net differences between projected and actual earnings on pension plan investments	303,205	-
Changes in proportions and differences between City contributions and proportionate share of contributions	-	25,365
City contributions subsequent to the measurement date	176,592	-
Total	\$ 1,357,901	\$ 1,036,978

\$176,592 reported as a deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. 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 Ending December 31,	
2025	\$ (291,225)
2026	378,984
2027	33,626
2028	22,946
Total	\$ 144,331

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
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	1.71%

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 15 – PENSION PLAN (CONTINUED)

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, 2024 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

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 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, 2024 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	56.3%	3.6%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.8%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
Total	100.0%	

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 from 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

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 15 – PENSION PLAN (CONTINUED)

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 City’s proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the City’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:

	1% Decrease	Current Discount Rate	1% Increase
City’s proportionate share of the net pension liability (asset)	\$ 4,090,330	\$ (8,048)	\$ (3,361,801)

Pension Plan Fiduciary Net Position

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

NOTE 16 – JOINTLY GOVERNED ORGANIZATION

The City is a member of the Lewis and Clark Regional Water System Inc. (The “System”). The System, in conjunction with the following municipalities and water systems, provide drinking water to consumers.

South Dakota	Minnesota	Iowa
Beresford	Lincoln-Pipestone RWS	Hull
Centerville	Luverne	Rock Rapids
Harrisburg	Rock County RWS	Sheldon
Lennox	Worthington	Sibley
Lincoln County RWS		Sioux Center
Madison		

The System will collect, treat, and distribute drinking water to the entities involved upon completion. The System’s board of directors is comprised of 20 members, one from each participating entity. Under the articles of incorporation, no member has a residual equity interest.

The City entered into an amended agreement with the System to provide 1.0 million gallons of drinking water per day to ensure that future water supply needs of the City can be met. In all, it is estimated that the City of Madison’s share of the \$529.3 million (July 2007 dollars) System project is currently \$1.99 million, in July 2007 dollars. The City’s investment to date of \$1.99 million is recorded in the Water Enterprise Fund as an intangible asset. Any remaining cost share above the prepayment amount will be made as part of a true-up upon completion of the project. The actual commitment costs may be higher due to cost indexing, construction over-runs and decreases in federal funding. The City is capitalizing an intangible asset to recognize the upfront payment to the System for the future option to purchase water. Such asset will be amortized over the estimated lifespan upon the receipt of benefits from the System.

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE

During fiscal year 2024, the City implemented the provisions of Governmental Accounting Standards Boards (GASB) Statement No. 101, Compensated Absences, which updated the accounting and financial reporting guidance for compensated absences, including accrued sick leave. Adoption did not have a material effect

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

on the City's financial statements; therefore, no adjustments to beginning net position/fund balance or current-period balances were recorded.

NOTE 18 – INTERFUND RECEIVABLES AND PAYABLES

The purpose of the City's interfund balances is to help finance the short-term cash flow shortages of various funds. Short-term interfund receivable and payable balances as of December 31, 2024 were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	City Hall Construction	\$ 319,924
		\$ 319,924

NOTE 19 – DEFICIT FUND EQUITY

The City has one fund with deficit equity balance at December 31, 2024. The City intends to finance this deficit fund equity with transfers from the General Fund. The individual fund deficits were as follows:

City Hall Construction Fund	\$ 423,406
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NOTE 20 – VIOLATIONS OF FINANCE- RELATED LEGAL AND CONTRACTUAL REQUIREMENTS

The City is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents disbursements exceeding the amounts budgeted for the current fiscal year:

General Fund	
Public Safety	
Police Department	\$ 43,757
Fire Department	\$ 21,802
Culture & Recreation	
Parks	\$ 14,761
Auditorium	\$ 45,001
Community Development	
Economic Development & Assitance	\$ 5,842,546
Debt Service	\$ 208,453
City Hall Construction Fund	
Capital Outlay	\$ 30,290
Special Maintenance Fee Fund	
Public Works	\$ 16,760

NOTE 21 - CHANGE IN ACCOUNTING PRINCIPLE– IMPLEMENTATION OF GASB STATEMENT NO. 87, LEASES

Effective for the year ended December 31, 2024, the City implemented GASB Statement No. 87, Leases. GASB 87 is effective for fiscal years beginning after June 15, 2021 and requires governments to recognize lease liabilities and related right-to-use lease assets for leases that were previously classified as operating leases.

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 21 - CHANGE IN ACCOUNTING PRINCIPLE– IMPLEMENTATION OF GASB STATEMENT NO. 87, LEASES (CONTINUED)

As part of this implementation, the City identified a land lease that commenced October 1, 2017 and extends through September 30, 2027, which had previously been accounted for as an operating lease. In accordance with the transition provisions of GASB 87, the City measured the lease liability and related right-to-use lease asset as of January 1, 2024 (the beginning of the current reporting period) based on the remaining lease term and the appropriate discount rate at that date. Because the lease should have been recognized in an earlier period, the City recorded a restatement of beginning net position as of January 1, 2024 to reflect the cumulative effect of implementing GASB 87 for this lease. See Note 22 for a reconciliation of beginning net position.

NOTE 22 – CORRECTION OF AN ERROR AND RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

Water Fund

The beginning net position of the Water Fund has been restated to correct an error in the prior period estimate of unbilled utility revenue, which had been understated. A reconciliation of the previously reported ending net position to the restated beginning net position is as follows:

Beginning net position	\$ 17,357,437
Adjustment to correct unbilled usage	<u>73,820</u>
Beginning net position, as restated	<u>\$ 17,431,257</u>

This adjustment represents a correction of a prior period error and was recorded as a restatement of beginning net position; accordingly, it did not affect the current year change in net position.

Sewer Fund

The beginning net position of the Sewer Fund has been restated to correct an error in the prior period estimate of unbilled utility revenue, which had been understated. A reconciliation of the previously reported ending net position to the restated beginning net position is as follows:

Beginning net position	\$ 10,231,656
Adjustment to correct unbilled usage	<u>67,308</u>
Beginning net position, as restated	<u>\$ 10,298,964</u>

This adjustment represents a correction of a prior period error and was recorded as a restatement of beginning net position; accordingly, it did not affect the current year change in net position.

Electric Fund

The beginning net position of the Electric Fund has been restated on the fund basis financial statements to correct an error in the prior year estimate of unbilled utility usage, CIP classification, and utility receivables. During the current year, it was determined that these areas had been understated (overstated) in the prior period. A reconciliation of the previously reported ending net position to the restated beginning net position is as follows:

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 22 – CORRECTION OF AN ERROR AND RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS (CONTINUED)

Beginning net position	\$ 19,449,106
Adjustment to correct unbilled usage	416,002
Adjustment to correct CIP misclassified	31,062
Adjustment to correct utility receivables	<u>(98,610)</u>
Beginning net position, as restated	<u>\$ 19,797,560</u>

This adjustment represents a correction of a prior period error and was recorded as a restatement of beginning net position; accordingly, it did not affect the current year change in net position.

Nonmajor Proprietary Fund

The beginning net position of the Sewer Fund has been restated to correct an error in the prior period estimate of unbilled utility revenue and inventory, which had been understated (overstated). A reconciliation of the previously reported ending net position to the restated beginning net position of the nonmajor proprietary fund is as follows:

Beginning net position	\$ 1,251,074
Adjustment to correct unbilled usage	12,137
Adjustment to inventory	<u>(46,998)</u>
Beginning net position, as restated	<u>\$ 1,216,213</u>

This adjustment represents a correction of a prior period error and was recorded as a restatement of beginning net position; accordingly, it did not affect the current year change in net position.

Governmental Activities

The beginning net position of the Governmental Activities in the government-wide Statement of Net Position has also been restated to record a correction of an error to correct the reporting of a land lease ROU asset and corresponding lease and interest liability, adjust the net book value of a capital asset, and reclassify construction-in-progress, which had been understated (overstated). A reconciliation of the previously reported ending net position to the restated beginning net position is as follows:

Beginning net position	\$ 39,425,515
Adjustment to correct ROU lease asset (net of amortization of \$28,280)	84,838
Adjustment to correct lease liability	(89,775)
Adjustment to correct interest liability	(3,662)
Adjustment to correct capital assets (net of depreciation of \$59,848)	22,443
Adjustment to correct CIP misclassified	<u>(31,062)</u>
Beginning net position, as restated	<u>\$ 39,408,297</u>

This adjustment represents a correction of a prior period error and was recorded as a restatement of beginning net position; accordingly, it did not affect the current year change in net position.

**CITY OF MADISON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 22 – CORRECTION OF AN ERROR AND RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS (CONTINUED)

Business-Type Activities

The beginning net position of the Business-Type Activities in the government-wide Statement of Net Position has also been restated to record a correction of an error to prior year estimate of unbilled utility usage, CIP classification, inventory, and utility receivables. A reconciliation of the previously reported ending net position to the restated beginning net position is as follows:

Beginning net position	\$ 48,289,273
Adjustment to correct unbilled usage (Water)	73,820
Adjustment to correct unbilled usage (Sewer)	67,308
Adjustment to correct unbilled usage (Electric)	416,002
Adjustment to correct CIP misclassified (Electric)	31,062
Adjustment to correct utility receivables (Electric)	(98,610)
Adjustment to correct unbilled usage (Nonmajor Proprietary)	12,137
Adjustment to inventory (Nonmajor Proprietary)	(46,998)
Beginning net position, as restated	<u>\$ 48,743,994</u>

This adjustment represents a correction of a prior period error and was recorded as a restatement of beginning net position; accordingly, it did not affect the current year change in net position.

NOTE 23 – COMMITMENTS

The City has entered into construction contracts totaling \$56,310,936 for street construction, utility infrastructure, economic development, and other various improvements. As of December 31, 2024, costs of \$49,984,296 had been incurred against the contracts. The balance of \$6,326,640 remaining at December 31, 2024 will be paid as work on the projects progresses.

NOTE 24 – CHANGE IN REPORTING ENTITY

During fiscal year 2024, the 3RD Cent Fund, Business Improvement Fund, Special Maintenance Fee Fund, TIF #2 Debt Service Fund, Swimming Pool Debt Service Fund, Grant Circle TIF Debt Service Fund, Gerry Maloney Nature Capital Project Fund, Community Center Fund, Solid Waste & Recycling Fund, and the After School/Youth Fund changed from major to nonmajor.

NOTE 25 – SUBSEQUENT EVENTS

On July 7, 2025 the City established Tax Increment Financing District No. 7 with the intention to promote affordable housing. The TIF plan authorizes project costs up to \$1,080,261 to be financed from tax increment revenues generated within the district. This event occurred subsequent to year-end and is not reflected in the accompanying financial statements.

In May of 2025, the City Council authorized the issuance of up to \$15,000,000 of Electric System Revenue Bonds to finance capital expansion. As of the date the financial statements were issued, \$4,500,000 had been sold.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MADISON, SOUTH DAKOTA
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts			Actual Amounts	Variance Positive (Negative)
	Original	Amendment	Final		
Revenues:					
Property Taxes	\$ 2,283,992	\$ -	\$ 2,283,992	\$ 2,257,812	\$ (26,180)
Sales and Other Taxes	2,373,750	-	2,373,750	2,404,440	30,690
Special Assessments	-	-	-	-	-
Licenses and Permits	98,550	-	98,550	81,105	(17,445)
Intergovernmental	1,070,732	-	1,070,732	1,651,472	580,740
Charges for Services	104,200	-	104,200	540,782	436,582
Fines and Forfeits	900	-	900	447	(453)
Interest on Investments	309,500	-	309,500	164,747	(144,753)
Miscellaneous Revenue	576,794	-	576,794	5,732,095	5,155,301
Total Revenues	6,818,418	-	6,818,418	12,832,900	6,014,482
Expenditures:					
General Government:					
Legislative	140,321	-	140,321	99,128	41,193
Financial Administration	1,108,452	39,219	1,147,671	907,338	240,333
Other	1,113,527	-	1,113,527	874,676	238,851
Contingency	450,000	(420,497)	29,503	-	29,503
Total General Government	2,812,300	(381,278)	2,431,022	1,881,142	549,880
Public Safety:					
Police Department	2,015,838	-	2,015,838	2,059,595	(43,757)
Fire Department	305,134	-	305,134	326,936	(21,802)
Other Protection	2,100	-	2,100	471	1,629
Total Public Safety	2,323,072	-	2,323,072	2,387,002	(63,930)
Public Works:					
Highways and Streets	1,965,760	610,540	2,576,300	2,564,271	12,029
Sanitation	669,694	-	669,694	91,756	577,938
Airport	832,816	-	832,816	505,416	327,400
Total Public Works	\$ 3,468,270	\$ 610,540	\$ 4,078,810	\$ 3,161,443	\$ 917,367

(continued)

CITY OF MADISON, SOUTH DAKOTA
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts			Actual Amounts	Variance Positive (Negative)
	Original	Amendment	Final		
Culture and Recreation:					
Recreation	\$ 364,177	\$ 88,518	\$ 452,695	\$ 377,875	\$ 74,820
Parks	1,107,660	-	1,107,660	1,122,421	(14,761)
Libraries	705,292	-	705,292	632,390	72,902
Auditorium	125,000	-	125,000	170,001	(45,001)
Total Culture and Recreation	<u>2,302,129</u>	<u>88,518</u>	<u>2,390,647</u>	<u>2,302,687</u>	<u>87,960</u>
Community Development:					
Economic Development and Assistance	335,766	10,223	345,989	6,188,535	(5,842,546)
Total Community and Development	<u>335,766</u>	<u>10,223</u>	<u>345,989</u>	<u>6,188,535</u>	<u>(5,842,546)</u>
Health and Welfare					
Health	2,750	-	2,750	-	2,750
Total Health and Welfare	<u>2,750</u>	<u>-</u>	<u>2,750</u>	<u>-</u>	<u>2,750</u>
Debt Service	720,401	-	720,401	928,854	(208,453)
Total Expenditures	<u>11,964,688</u>	<u>328,003</u>	<u>12,292,691</u>	<u>16,849,663</u>	<u>(4,556,972)</u>
Excess of Revenues over Expenditures	<u>(5,146,270)</u>	<u>(328,003)</u>	<u>(5,474,273)</u>	<u>(4,016,763)</u>	<u>1,457,510</u>
Other Financing Sources (Uses):					
Issuance of Debt	1,500,000	-	1,500,000	2,184,199	684,199
Proceeds from Sale of Fixed Assets	-	-	-	111,800	111,800
Transfers In	5,256,039	-	5,256,039	5,151,039	(105,000)
Transfers Out	(6,180,000)	-	(6,180,000)	(6,180,000)	-
Total Other Financing Sources (Uses)	<u>576,039</u>	<u>-</u>	<u>576,039</u>	<u>1,267,038</u>	<u>690,999</u>
Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>(4,570,231)</u>	<u>(328,003)</u>	<u>(4,898,234)</u>	<u>(2,749,725)</u>	<u>2,148,509</u>
Fund Balance - Beginning of Year	<u>4,837,594</u>	<u>-</u>	<u>4,837,594</u>	<u>4,837,594</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 267,363</u>	<u>\$ (328,003)</u>	<u>\$ (60,640)</u>	<u>\$ 2,087,869</u>	<u>\$ 2,148,509</u>

CITY OF MADISON, SOUTH DAKOTA
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR CAPITAL PROJECT FUND - CITY HALL CONSTRUCTION
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts			Actual Amounts	Variance Positive (Negative)
	Original	Amendment	Final		
Expenditures:					
Capital Outlay	\$ 6,000,000	\$ 2,286,243	\$ 8,286,243	\$ 8,316,533	\$ (30,290)
Total Expenditures	<u>6,000,000</u>	<u>2,286,243</u>	<u>8,286,243</u>	<u>8,316,533</u>	<u>(30,290)</u>
Excess of Revenues over Expenditures	<u>(6,000,000)</u>	<u>(2,286,243)</u>	<u>(8,286,243)</u>	<u>(8,316,533)</u>	<u>(30,290)</u>
Other Financing Sources (Uses):					
Transfers In	6,000,000	-	6,000,000	6,000,000	-
Total Other Financing Sources (Uses)	<u>6,000,000</u>	<u>-</u>	<u>6,000,000</u>	<u>6,000,000</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>-</u>	<u>(2,286,243)</u>	<u>(2,286,243)</u>	<u>(2,316,533)</u>	<u>(30,290)</u>
Fund Balance - Beginning of Year	<u>1,893,127</u>	<u>-</u>	<u>1,893,127</u>	<u>1,893,127</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,893,127</u>	<u>\$ (2,286,243)</u>	<u>\$ (393,116)</u>	<u>\$ (423,406)</u>	<u>\$ (30,290)</u>

CITY OF MADISON, SOUTH DAKOTA
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR CAPITAL PROJECT FUND - CREEK BRIDGE MITIGATION PROJECT
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts			Actual Amounts	Variance Positive (Negative)
	Original	Amendment	Final		
Expenditures:					
Capital Outlay	\$ 3,980,400	\$ -	\$ 3,980,400	\$ 3,219,577	\$ 760,823
Total Expenditures	3,980,400	-	3,980,400	3,219,577	760,823
Excess of Revenues over Expenditures	(3,980,400)	-	(3,980,400)	(3,219,577)	760,823
Other Financing Sources (Uses):					
Issuance of Debt	3,383,340	-	3,383,340	2,931,598	(451,742)
Total Other Financing Sources (Uses)	3,383,340	-	3,383,340	2,931,598	(451,742)
Excess (Deficiency) of Revenues over Expenditures and Other Uses	(597,060)	-	(597,060)	(287,979)	309,081
Fund Balance - Beginning of Year	1,086,028	-	1,086,028	1,086,028	-
Fund Balance - End of Year	\$ 488,968	\$ -	\$ 488,968	\$ 798,049	\$ 309,081

CITY OF MADISON, SOUTH DAKOTA
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR SPECIAL REVENUE FUND - 2ND CENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts			Actual Amounts	Variance Positive (Negative)
	Original	Amendment	Final		
Revenues:					
Sales and Other Taxes	\$ 2,373,750	\$ -	\$ 2,373,750	\$ 2,404,440	\$ 30,690
Interest on Investments	160,740	-	160,740	242,207	81,467
Total Revenues	<u>2,534,490</u>	<u>-</u>	<u>2,534,490</u>	<u>2,646,647</u>	<u>112,157</u>
Expenditures:					
Community Development	175,000	-	175,000	122,289	52,711
Total Expenditures	<u>175,000</u>	<u>-</u>	<u>175,000</u>	<u>122,289</u>	<u>52,711</u>
Excess of Revenues over Expenditures	<u>2,359,490</u>	<u>-</u>	<u>2,359,490</u>	<u>2,524,358</u>	<u>164,868</u>
Other Financing Sources (Uses):					
Transfers Out	(4,200,000)	-	(4,200,000)	(4,200,000)	-
Total Other Financing Sources (Uses)	<u>(4,200,000)</u>	<u>-</u>	<u>(4,200,000)</u>	<u>(4,200,000)</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>(1,840,510)</u>	<u>-</u>	<u>(1,840,510)</u>	<u>(1,675,642)</u>	<u>164,868</u>
Fund Balance - Beginning of Year	<u>4,102,845</u>	<u>-</u>	<u>4,102,845</u>	<u>4,102,845</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 2,262,335</u>	<u>\$ -</u>	<u>\$ 2,262,335</u>	<u>\$ 2,427,203</u>	<u>\$ 164,868</u>

CITY OF MADISON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund with a Legal Required Budget

The City 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 City Council introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget of the general fund, the special revenue funds, and the capital projects fund 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 5.0% of the total municipal budget and may be transferred by the resolution of the City Council 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. During the current year, the City Council adopted the following supplemental appropriation ordinance that included increases in previously budgeted amounts:

General Fund	
Expenditures	
General Government	\$ (381,278)
Public Works	610,540
Culture and Recreation	88,518
Community Development	10,223
City Hall Capital Project Fund	
Expenditures	
Capital Outlay	\$ 2,286,243

5. Unexpended appropriations lapse at year-end. The procedure used by the City is to adopt a supplemental appropriation ordinance during the following year by the Council to provide additional funds for certain purchase commitments outstanding at year-end. Any transfers of budgeted amounts between departments of the General fund, transfers between other funds, and any revision that alter the total expenditure of any department or fund must be approved by the City Council. This is the legal level of control.
6. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Capital Project, and Debt Service funds.
7. Budgets for the General, Capital Projects, Special Revenue, and Debt Service funds are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

Encumbrances carry over from one year to the next unless canceled by the City. These encumbrances are charged against the new year's budget until a supplemental appropriation ordinance is adopted as described in number 5 above.
8. GAAP/Budgetary Accounting Basis Differences – The financial statements prepared in conformity with U.S. GAAP 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 are related.

CITY OF MADISON, SOUTH DAKOTA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

	2015	2016	2017	2018	2019
Municipality's proportion of the net pension liability (asset)	0.1785500%	0.1816573%	0.1736765%	0.1766010%	0.1837050%
Municipality's proportionate share of net pension liability (asset)	\$ (757,282)	\$ 613,621	\$ (15,761)	\$ (4,119)	\$ (19,468)
Municipality's covered payroll	\$ 3,062,233	\$ 3,243,025	\$ 3,312,224	\$ 3,429,716	\$ 3,644,373
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	24.73%	18.92%	0.48%	0.12%	0.53%
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.1%	96.9%	100.1%	100.0%	100.1%
	2020	2021	2022	2023	2024
Municipality's proportion of the net pension liability (asset)	0.1858368%	0.1804720%	0.1813210%	0.1889870%	0.1988530%
Municipality's proportionate share of net pension liability (asset)	\$ (8,071)	\$ (1,382,107)	\$ (17,136)	\$ (18,446)	\$ (8,048)
Municipality's covered payroll	\$ 3,804,514	\$ 3,824,318	\$ 4,091,998	\$ 4,553,203	\$ 5,362,325
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.21%	36.14%	0.42%	0.41%	0.15%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.0%	105.5%	100.1%	100.1%	100.0%

Notes to the Schedule:

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

**CITY OF MADISON, SOUTH DAKOTA
SCHEDULE OF THE CITY'S CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM
LAST 10 YEARS**

	2015	2016	2017	2018	2019
Contractually required contribution	\$ 197,153	\$ 205,153	\$ 215,022	\$ 227,796	\$ 240,744
Contributions in relation to the contractually required contribution	197,153	205,153	215,022	227,796	240,744
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Municipality's covered payroll	\$ 3,084,923	\$ 3,210,987	\$ 3,354,156	\$ 3,536,360	\$ 3,743,380
Contributions as a percentage of covered payroll	6.39%	6.39%	6.41%	6.44%	6.43%
	2020	2021	2022	2023	2024
Contractually required contribution	\$ 244,984	\$ 253,797	\$ 268,917	\$ 316,261	\$ 348,076
Contributions in relation to the contractually required contribution	244,984	253,797	268,917	316,261	348,076
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Municipality's covered payroll	\$ 3,811,258	\$ 3,947,435	\$ 4,231,311	\$ 4,933,318	\$ 5,564,087
Contributions as a percentage of covered payroll	6.43%	6.43%	6.36%	6.41%	6.26%

CITY OF MADISON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
for the Year Ended December 31, 2024
Schedule of the Proportionate Share of the Net pension Liability (Asset) and
Schedule of Pension Contributions

Changes from Prior Valuation

The June 30, 2024, actuarial valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2023, actuarial valuation.

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

Benefit Provision Changes

During the 2024 legislative session, no significant SDRS benefit changes were made.

Actuarial Method Changes

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

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPIW over the prior year, no less than 0% 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, 2023 the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2024 SDRS COLA was limited to a restricted maximum of 1.91%. For the June 30, 2024, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.91%.

As of June 30, 2024 the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2025 SDRS COLA is limited to a restricted maximum of 1.71%. The July 2025 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024 actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

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 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 actuarial valuation.

SUPPLEMENTARY INFORMATION

**CITY OF MADISON, SOUTH DAKOTA
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
DECEMBER 31, 2024**

	Special Revenue		
	(Formerly Major)	(Formerly Major)	(Formerly Major)
	3rd Cent Fund	Business Improvement	Special Maintenance Fee
ASSETS			
Cash and Cash Equivalents	\$ 380,587	\$ 142,974	\$ 1,122,683
Receivables (Net where applicable, of allowance for uncollectibles):			
Taxes	-	-	-
Accounts	-	1,096	-
Due from Other Governmental Agencies	2,157	-	-
Cash and Cash Equivalents	-	-	-
	<u>382,744</u>	<u>144,070</u>	<u>1,122,683</u>
LIABILITIES			
Accounts Payable	-	3,009	-
Total Liabilities	-	<u>3,009</u>	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	-	-	-
Total Deferred Inflows of Resources	-	-	-
FUND BALANCES			
Restricted:			
Debt Service	-	-	-
Capital Improvement	-	141,061	1,122,683
City Promotion	382,744	-	-
Total Fund Balances	<u>382,744</u>	<u>141,061</u>	<u>1,122,683</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 382,744</u>	<u>\$ 144,070</u>	<u>\$ 1,122,683</u>

Debt Service				Capital Project	
(Formerly Major)		(Formerly Major)	(Formerly Major)	(Formerly Major)	Total
TIF #2 Debt Service	TIF #3 Debt Service	Swimming Pool Debt Service	Grant Circle TIF Debt Service Fund	Gerry Maloney Nature Capital Project	Governmental Nonmajor Funds
\$ -	\$ 3,013	\$ 358,743	\$ 27,041	\$ -	\$ 2,035,041
-	-	980	-	-	980
-	-	-	-	-	1,096
-	-	-	-	-	2,157
864	-	-	-	282,202	283,066
864	3,013	359,723	27,041	282,202	2,322,340
-	-	-	-	-	3,009
-	-	-	-	-	3,009
-	-	980	-	-	980
-	-	980	-	-	980
864	3,013	358,743	27,041	-	389,661
-	-	-	-	282,202	1,545,946
-	-	-	-	-	382,744
864	3,013	358,743	27,041	282,202	2,318,351
\$ 864	\$ 3,013	\$ 359,723	\$ 27,041	\$ 282,202	\$ 2,322,340

**CITY OF MADISON, SOUTH DAKOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL NONMAJOR FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Special Revenue</u>		
	<u>(Formerly Major)</u>	<u>(Formerly Major)</u>	<u>(Formerly Major)</u>
	3rd Cent Fund	Business Improvement	Special Maintenance Fee
Revenue:			
Property Taxes	\$ -	\$ -	\$ -
Sales and Other Taxes	377,177	58,704	-
Special Assessments	-	-	251,877
Interest on Investments	13,988	-	873
Total Revenue	<u>391,165</u>	<u>58,704</u>	<u>252,750</u>
Current Expenditures:			
Public Works	-	-	16,760
Community Development	235,825	14,465	-
Capital Outlay	-	-	300,435
Debt Service	-	-	-
Total Expenditures	<u>235,825</u>	<u>14,465</u>	<u>317,195</u>
Excess (Deficiency) of Revenues over Expenditures	<u>155,340</u>	<u>44,239</u>	<u>(64,445)</u>
Net Change in Fund Balances	155,340	44,239	(64,445)
Fund Balances - Beginning of Year, As Previously Presented	-	-	-
Change in Reporting Entity - Major to Nonmajor	<u>227,404</u>	<u>96,822</u>	<u>1,187,128</u>
Fund Balances (Deficits) - Beginning of Year, as Restated	<u>227,404</u>	<u>96,822</u>	<u>1,187,128</u>
Fund Balances - End of Year	<u>\$ 382,744</u>	<u>\$ 141,061</u>	<u>\$ 1,122,683</u>

Debt Service				Capital Project		
(Formerly Major)		(Formerly Major)	(Formerly Major)	(Formerly Major)		Total
TIF #2 Debt Service	TIF #3 Debt Service	Swimming Pool Debt Service	Grant Circle TIF Debt Service Fund	Gerry Maloney Nature Capital Project		Governmental Nonmajor Funds
\$ 45,279	\$ 3,013	\$ 694	\$ -	\$ -		\$ 48,986
-	-	-	-	-		435,881
-	-	-	-	-		251,877
-	-	-	-	-		14,861
45,279	3,013	694	-	-		751,605
-	-	-	-	-		16,760
-	-	-	-	-		250,290
-	-	-	-	-		300,435
45,279	-	-	-	-		45,279
45,279	-	-	-	-		612,764
-	3,013	694	-	-		138,841
-	3,013	694	-	-		138,841
-	-	-	-	-		-
864	-	358,049	27,041	282,202		2,179,510
864	-	358,049	27,041	282,202		2,179,510
\$ 864	\$ 3,013	\$ 358,743	\$ 27,041	\$ 282,202		\$ 2,318,351

**CITY OF MADISON, SOUTH DAKOTA
COMBINING STATEMENT OF NET POSITION
PROPRIETARY NONMAJOR FUNDS
DECEMBER 31, 2024**

	Business-Type			Totals
	(Formerly Major) Community Center	(Formerly Major) Solid Waste/ Recycling	(Formerly Major) After School/ Youth Fund	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 60,635	\$ 848,218	\$ 132,564	\$ 1,041,417
Receivables (Net where applicable, of allowance for uncollectibles):				
Accounts	23,934	38,408	1,245	63,587
Due from Other Governmental Agencies	312	-	82	394
Unbilled Usage	-	41,437	-	41,437
Inventory of Supplies	-	14,120	-	14,120
Prepaid Insurance	1,669	1,846	818	4,333
Total Current Assets	<u>86,550</u>	<u>944,029</u>	<u>134,709</u>	<u>1,165,288</u>
Noncurrent Assets:				
Restricted Assets:				
Net Pension Asset	367	159	67	593
Infrastructure, Property and Equipment, Net of Accumulated Depreciation/Amortization	89,251	339,748	-	428,999
Total Noncurrent Assets	<u>89,618</u>	<u>339,907</u>	<u>67</u>	<u>429,592</u>
Total Assets	<u>176,168</u>	<u>1,283,936</u>	<u>134,776</u>	<u>1,594,880</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	61,920	26,886	11,271	100,077
LIABILITIES				
Current Liabilities:				
Accounts Payable	59,096	15,749	587	75,432
Accrued Wages	12,911	4,616	2,541	20,068
Due to Other Governments	2,770	1,696	-	4,466
Unearned Revenue	5,558	-	-	5,558
Compensated Absences Payable - Current	5,012	7,588	1,302	13,902
Total Current Liabilities	<u>85,347</u>	<u>29,649</u>	<u>4,430</u>	<u>119,426</u>
Noncurrent Liabilities:				
Compensated Absences Payable	15,038	22,763	3,908	41,709
Total Noncurrent Liabilities	<u>15,038</u>	<u>22,763</u>	<u>3,908</u>	<u>41,709</u>
Total Liabilities	<u>100,385</u>	<u>52,412</u>	<u>8,338</u>	<u>161,135</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows	47,286	20,532	8,607	76,425
NET POSITION				
Net Investment in Capital Assets	89,251	339,748	-	428,999
SDRS Pension Purposes	367	159	67	593
Unrestricted	799	897,971	129,035	1,027,805
Total Net Position	<u>\$ 90,417</u>	<u>\$ 1,237,878</u>	<u>\$ 129,102</u>	<u>\$ 1,457,397</u>

See Accompanying Notes to Financial Statements

CITY OF MADISON, SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY NONMAJOR FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Business-Type			Totals
	(Formerly Major) Community Center	(Formerly Major) Solid Waste/ Recycling	(Formerly Major) After School/ Youth Fund	
Operating Revenues:				
Charges for Services	\$ 737,258	\$ 507,326	\$ 163,981	\$ 1,408,565
Miscellaneous	2,056	-	-	2,056
Total Operating Revenue	739,314	507,326	163,981	1,410,621
Operating Expenses:				
Personal Services	545,564	243,883	135,215	924,662
Other Current Expense	376,461	240,122	44,850	661,433
Depreciation and Amortization	7,473	52,683	-	60,156
Total Operating Expenses	929,498	536,688	180,065	1,646,251
Operating (Loss)	(190,184)	(29,362)	(16,084)	(235,630)
Nonoperating Income (Expense):				
Operating Grants	155,672	-	88,265	243,937
Investment Earnings	(4,399)	31,175	(4,399)	22,377
Gain/Loss on Sale of Assets	-	30,500	-	30,500
Total Nonoperating Income (Expense)	151,273	61,675	83,866	296,814
Income (Loss) Before Contributions & Transfers	(38,911)	32,313	67,782	61,184
Contributions and Transfers				
Transfers In	180,000	-	-	180,000
Total Contributions and Transfers	180,000	-	-	180,000
Change in Net Position	141,089	32,313	67,782	241,184
Net Position - Beginning of Year, as Previously Presented	-	-	-	-
Change in Reporting Entity - Major to Nonmajor	(50,672)	1,240,426	61,320	1,251,074
Correction of Error	-	(34,861)	-	(34,861)
Net Position - Beginning of Year, as Restated	(50,672)	1,205,565	61,320	1,216,213
Net Position - End of Year	\$ 90,417	\$ 1,237,878	\$ 129,102	\$ 1,457,397

See Accompanying Notes to Financial Statements

**CITY OF MADISON, SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Business-Type			Totals
	Community Center	Solid Waste/ Recycling	After School/ Youth Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 720,709	\$ 505,148	\$ 162,654	\$ 1,388,511
Cash Paid to Suppliers for Goods and Services	(344,976)	(246,934)	(47,424)	(639,334)
Cash Paid to Employees for Services	(533,747)	(224,578)	(137,950)	(896,275)
Other Nonoperating Revenues	155,672	-	88,265	243,937
Net Cash Provided (Used) by Operating Activities	<u>(2,342)</u>	<u>33,636</u>	<u>65,545</u>	<u>96,839</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING				
Acquisition and Construction of Capital Assets	(58,054)	45	-	(58,009)
Proceeds on the Sale of Capital Assets	-	30,500	-	30,500
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(58,054)</u>	<u>30,545</u>	<u>-</u>	<u>(27,509)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Due to Other Funds	(54,452)	-	-	(54,452)
Due from Other Governments	(118)	60	-	(58)
Transfers In	180,000	-	-	180,000
Net Cash Provided by Non-Capital Financing Activities	<u>125,430</u>	<u>60</u>	<u>-</u>	<u>125,490</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	(4,399)	31,175	(4,399)	22,377
Net Cash Provided (Used) by Investing Activities	<u>(4,399)</u>	<u>31,175</u>	<u>(4,399)</u>	<u>22,377</u>
				-
Net Increase in Cash and Cash Equivalents	60,635	95,416	61,146	217,197
Cash and Cash Equivalents at Beginning of Year	-	752,802	71,418	824,220
Cash and Cash Equivalents at End of Year	<u>\$ 60,635</u>	<u>\$ 848,218</u>	<u>\$ 132,564</u>	<u>\$ 1,041,417</u>

(continued)

**CITY OF MADISON, SOUTH DAKOTA
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Business-Type			Totals
	Community Center	Solid Waste/ Recycling	After School/ Youth Fund	
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities				
Operating (Loss)	\$ (190,184)	\$ (29,362)	\$ (16,084)	\$ (235,630)
Adjustments to Reconcile Net Operating (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation/Amortization	7,473	52,683	-	60,156
Other Nonoperating Income	155,672	-	88,265	243,937
(Increase) Decrease in Assets and Deferred Outflows of Resources:				
Accounts Receivable	(18,151)	(2,178)	(1,245)	(21,574)
Due From Other Governmental Agencies	(312)	-	(82)	(394)
Net Pension Asset	601	345	(67)	879
Unbilled Usage	-	(5,021)	-	(5,021)
Inventories	-	(2,165)	-	(2,165)
Pension Related Deferred Outflows	13,616	12,436	(11,271)	14,781
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:				
Accounts Payable	31,485	374	(2,574)	29,285
Unearned Revenue	(142)	-	-	(142)
Compensated Absences	(503)	11,595	(4)	11,088
Pension Related Deferred Inflows	(1,897)	(5,071)	8,607	1,639
Total Adjustments	187,842	62,998	81,629	332,469
Net Cash Provided (Used) by Operating Activities	\$ (2,342)	\$ 33,636	\$ 65,545	\$ 96,839

CITY OF MADISON, SOUTH DAKOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Tax 3rd Cent		
	Final Budgeted	Actual	Variance Positive (Negative)
Revenue:			
Taxes:			
Property Tax	\$ 350,000	\$ -	\$ (350,000)
General Sales & Use Tax	-	377,177	377,177
Special Assessments	-	-	-
Interest on Investments	-	13,988	13,988
Miscellaneous	1,730	-	(1,730)
Total Revenue	351,730	391,165	39,435
Current Expenditures:			
Public Works	-	-	-
Community Development	246,730	235,825	10,905
Capital Outlay	-	-	-
Total Expenditures	246,730	235,825	10,905
Excess (Deficiency) of Revenues over Expenditures	105,000	155,340	50,340
Other Financing Sources:			
Transfers Out	(105,000)	-	105,000
Total Other Financing Sources	(105,000)	-	105,000
Net Change in Fund Balances	\$ -	155,340	\$ 155,340
Fund Balances (Deficits) - Beginning of Year		227,404	
Fund Balances (Deficits) - End of Year		\$ 382,744	

Business Improvement			Special Maintenance Fee		
Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
49,500	58,704	9,204	-	-	-
-	-	-	251,847	251,877	30
-	-	-	-	873	873
-	-	-	-	-	-
<u>49,500</u>	<u>58,704</u>	<u>9,204</u>	<u>251,847</u>	<u>252,750</u>	<u>903</u>
-	-	-	-	16,760	(16,760)
49,500	14,465	35,035	-	-	-
-	-	-	360,000	300,435	59,565
<u>49,500</u>	<u>14,465</u>	<u>35,035</u>	<u>360,000</u>	<u>317,195</u>	<u>42,805</u>
-	44,239	(25,831)	(108,153)	(64,445)	43,708
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>44,239</u>	<u>\$ (25,831)</u>	<u>\$ (108,153)</u>	<u>(64,445)</u>	<u>\$ 43,708</u>
	<u>96,822</u>			<u>1,187,128</u>	
	<u>\$ 141,061</u>			<u>\$ 1,122,683</u>	

CITY OF MADISON, SOUTH DAKOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	TIF #2 Debt Service			TIF #3 Debt Service		
	Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
Revenue:						
Taxes:						
General Sales & Use	\$ 60,000	\$ 45,279	\$ (14,721)	\$ -	\$ 3,013	\$ 3,013
Total Revenue	<u>60,000</u>	<u>45,279</u>	<u>(14,721)</u>	<u>-</u>	<u>3,013</u>	<u>3,013</u>
Current Expenditures:						
Debt Service	60,000	45,279	14,721	-	-	-
Total Expenditures	<u>60,000</u>	<u>45,279</u>	<u>14,721</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(29,442)</u>	<u>-</u>	<u>3,013</u>	<u>3,013</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>-</u>	<u>\$ (29,442)</u>	<u>\$ -</u>	<u>3,013</u>	<u>\$ 3,013</u>
Fund Balances (Deficits) - Beginning of Year		<u>864</u>			<u>-</u>	
Fund Balances - End of Year		<u>\$ 864</u>			<u>\$ 3,013</u>	

Swimming Pool Debt Service			Grant Circle TIF Debt Service		
Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
\$ -	\$ 694	\$ 694	\$ -	\$ -	\$ -
-	694	694	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	694	694	-	-	-
<u>\$ -</u>	<u>694</u>	<u>\$ 694</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
	<u>358,049</u>			<u>27,041</u>	
	<u>\$ 358,743</u>			<u>\$ 27,041</u>	

**CITY OF MADISON, SOUTH DAKOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2024**

	Gerry Maloney Nature Capital Project		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)
Revenue:			
Total Revenue	\$ -	\$ -	\$ -
Current Expenditures:			
Total expenditures	-	-	-
(Deficiency) of Revenues over Expenditures	-	-	-
Net Change in Fund Balances	\$ -	-	\$ -
Fund Balances (Deficits) - Beginning of Year		282,202	
Fund Balances (Deficits) - End of Year		\$ 282,202	

**City of Madison, South Dakota
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Agency or Pass-Through Number	Passed Through to Subrecipients	Amount
United States Department of Transportation				
Direct Federal Funding:				
Airport Improvement Program, Infrastructure Investments and Jobs Act Programs, and COVID-19 Airport Programs	20.106	3-46-0029-026-2024	\$ -	\$ 56,800
Airport Improvement Program, Infrastructure Investments and Jobs Act Programs, and COVID-19 Airport Programs	20.106	3-46-0029-024-2023	-	6,986
			-	<u>63,786</u>
U. S. Department of Commerce				
Direct Federal Funding:				
Investments for Public Works and Economic Development Facilities	11.300	ED23DEN0G0040	<u>2,316,886</u>	<u>2,316,886</u>
U. S. Department of Agriculture				
Direct Federal Funding:				
Water and Waste Disposal Systems for Rural Communities	10.760	FY24	-	<u>691,273</u>
U. S. Department of Homeland Security				
Indirect through State of South Dakota Governor's Office Economic Community Development Bock Grants/State's program and Non-	97.036	4469DR-SD 135909	-	<u>62,914</u>
U. S. Department of Housing & Urban Development				
Indirect through State of South Dakota Governor's Office Economic Development Community Development Bock Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	B-23-DC-46-0001	-	<u>495,346</u>
U. S. Department of Education				
Indirect through South Dakota Department of Education American Rescue Plan - Elementary and Secondary Schools Emergency	84.425U	FY24	-	<u>86,707</u>
U.S. Department of Treasury				
Indirect through State of South Dakota Board of Water & Natural Resources COVID 19 - Coronavirus State and Local Fiscal Recover Funds (DW)	21.027	2022G-ARP-164	-	2,793,765
COVID 19 - Coronavirus State and Local Fiscal Recover Funds (CW)	21.027	2022G-ARP-163	-	1,293,501
			-	<u>4,087,266</u>
Total Expenditures of Federal Awards			<u>\$ 2,316,886</u>	<u>\$ 7,804,178</u>

**City of Madison, South Dakota
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024**

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Madison under programs of the federal government for the year ended December 31, 2024. The discretely presented component unit, which is separately audited, is excluded. 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 City of Madison, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the City of Madison.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance.

Note 3: Indirect Cost Rate

The City of Madison has not elected to use the de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Federal Loan Program

The City of Madison has the following loan balances outstanding from the U.S. Department of Agriculture Rural Development, Assistance Listing #10.760.

	Total Amount of Loan Outstanding
USDA RD Storm Sewer Loan	\$ 2,440,209
USDA RD Water Loan	7,566,252
USDA RD Sewer Loan	2,783,855
Total Program (#10.760)	<u>12,790,316</u>



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
City of Madison, South Dakota

We have audited, in accordance with the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Madison, South Dakota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise City of Madison, South Dakota's basic financial statements and have issued our report thereon dated April 29, 2026. Our report includes a reference to other auditors who audited the financial statements of The Housing and Redevelopment Commission of the City of Madison, South Dakota, as described in our report on the City of Madison, South Dakota's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Madison, South Dakota's internal control over financial reporting (internal control) as a basis for designing 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 City of Madison, South Dakota's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Madison, South Dakota'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 a 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 a 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 were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Madison, South Dakota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 findings and questioned costs as item 2024-002.

City of Madison, South Dakota's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Madison, South Dakota's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Madison, South Dakota's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company P.C.

Certified Public Accountants
Sheldon, Iowa
April 29, 2026



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

To the City Council
City of Madison, South Dakota

Report on Compliance for Each major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Madison, South Dakota's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Madison, South Dakota's major federal programs for the year ended December 31, 2024. The City of Madison, South Dakota's major federal programs are identified in the summary of the independent auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Madison, South Dakota 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, 2024.

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; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Madison, South Dakota 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 City of Madison, South Dakota's compliance with the compliance requirements referred to above.

Other Matters—Federal Expenditures Not Included in the Compliance Audit

The City of Madison, South Dakota's basic financial statements include the operations of the Madison Housing and Redevelopment Commission, which expended \$1,007,753 in federal awards which is not included in the City of Madison, South Dakota's schedule of expenditures of federal awards during the year ended December 31, 2024. Our audit, described in the Opinion on Each Major Federal Program section, did not include the operations of the Madison Housing and Redevelopment Commission because the organization engaged other auditors to perform an audit of compliance

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 the City of Madison, South Dakota's federal programs.

Auditors' 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 City of Madison, South Dakota'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 generally accepted auditing standards, *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 City of Madison, South Dakota's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 City of Madison, South Dakota'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 the City of Madison, South Dakota'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 City of Madison, South Dakota's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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 purpose.

Williams & Company P.C.

Certified Public Accountants
Sheldon, Iowa
April 29, 2026

CITY OF MADISON, SOUTH DAKOTA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024

Part I: Summary of the Independent Auditors' Results

- (a) Unmodified and Qualified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements. No significant deficiencies were noted.
- (c) The audit did disclose noncompliance which is material to the financial statements.
- (d) No material weaknesses or significant deficiencies in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Uniform Guidance.
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (h) City of Madison did not qualify as a low-risk auditee.
- (i) The major programs identified on the Schedule of Expenditures of Federal Awards include:

Assistance Listing #	Program Name
11.300	Investments for Public Works and Economic Development Facilities
21.027	Covid 19 – Coronavirus State and Local Fiscal Recovery Funds

Part II: Findings Related to the Financial Statements

Material Weakness:

2024-001 Financial Reporting – Material Adjustments

Criteria: Management is responsible for the preparation and fair presentation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Condition: During the audit, we identified material audit adjustments that were necessary for the financial statements to be presented in accordance with GAAP.

Cause: The City’s existing year-end financial reporting and review procedures did not detect all material misstatements prior to the audit.

Effect: As a result, the financial statements initially provided by management were not entirely presented in accordance with GAAP and required auditor-proposed adjustments to achieve fair presentation.

Recommendation: The entity should evaluate and enhance its financial reporting processes to ensure that all necessary year-end adjustments are properly identified, recorded, and reviewed in a timely manner prior to the preparation of the financial statements.

CITY OF MADISON, SOUTH DAKOTA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024

Part II: Findings Related to the Financial Statements (Continued)

Management Response: Management acknowledges the finding and will continue to review and strengthen financial reporting procedures to improve the accuracy and completeness of the financial statements.

Instances of Non-Compliance:

2024-002 Certified Budget

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."

Condition: Expenditures were excess of the amounts budgeted in three functions in the General Fund and one function in the City Hall Construction Fund.

Cause: The City expended money in excess of amounts budgeted without supplementing the budget as allowed by SDCL 9-21-7.

Effect: The City is not in compliance with the budget appropriations requirement of SD state statute 9-21-9, 9- 21-9.1, 9-21-9.2, 9-21-10, and 9-21-15.

Recommendation: The City should adhere to the budget appropriation requirements of South Dakota Codified Laws (SDCL 9-21-9 through 9-21-15) by implementing procedures to monitor budget-to-actual activity throughout the year and adopting supplemental appropriations, when necessary, in accordance with state statute to ensure expenditures do not exceed authorized amounts.

Management Response: Management acknowledges the finding and will continue to review and strengthen financial reporting procedures to improve the accuracy and completeness of the financial statements.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were noted

Internal Control Deficiencies:

No material weaknesses or significant deficiencies in internal control were noted.



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**CITY OF MADISON, SOUTH DAKOTA
Schedule of Prior Year Findings
For the Year Ended December 31, 2024**

FINANCIAL STATEMENT AUDIT:

Instances of Non-Compliance:

2023-003 Budgetary Reporting

Condition: Expenditures were excess of the amounts budgeted in the 3rd Cent Fund and in four departments in the General Fund.

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."

Cause of Condition: The Municipality expended money in excess of amounts budgeted without supplementing the budget as allowed by SDCL 9-21-7.

Potential Effect of Condition: Without adopting a budget supplement or limiting expenditures, expenditures are being made without proper authority.

Identification as a Repeat Finding: This is a continuing audit finding since 2022.

Recommendation: 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.

Status: This finding still exists at December 31, 2024. (See comment 2024-002)

Material Weakness:

2023-002 Internal Control – Related Finding

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.

CITY OF MADISON, SOUTH DAKOTA
Schedule of Prior Year Findings
For the Year Ended December 31, 2024

FINANCIAL STATEMENT AUDIT (CONTINUED):

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. Special assessment receivables were not reconciled with the county auditor and not adjusted at year end.
- c. Outstanding taxes receivable were not reconciled with the county auditor and not adjusted at year end.
- d. The financial statements were not adjusted to reflect the actual inventory at year end.
- e. The project summaries provided did not match the acquired asset listing report, making it difficult to determine construction in progress balances.
- f. The depreciation schedule should be adjusted to reflect trade-ins, additions and disposals and the financials records should be adjusted accordingly.
- g. Federal Grants receipts were traced through the general ledger journal. Numerous coding errors were noted and corrected where possible.
- h. Receivables should be recorded in the fund in which the corresponding revenue is recorded.
- i. Utility receivable amounts by fund in the utility billing were not posted correctly between the funds as several variances were noted between the Account Balance With As of Date Report compared to the General Ledger Accounts Receivable Reconciliation Report.

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

Identification as a Repeat Finding: This is a continuing audit finding since 2022.

Recommendation: 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.

Status: This finding still exists at December 31, 2024. (See comment 2024-001)

CITY OF MADISON, SOUTH DAKOTA
Schedule of Prior Year Findings
For the Year Ended December 31, 2024

FEDERAL AWARD PROGRAMS AUDIT:

Instances of Non-Compliance:

No matters were noted

Material Weakness:

2023-001 Internal Control Over Compliance– Related Finding

Condition: The Municipality did not have adequate internal controls, specifically including a written procurement policy in place during the audit period. As a result, federal funds were expended without documented procedures to guide the appropriate selection of contractors, competition requirements, or adequate safeguards against conflicts of interest required under federal award programs.

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.

- **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 and formal policies over procurement 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.

Identification as a Repeat Finding: This is a continuing audit finding since 2022.

Recommendation: We recommend that management design and implement formal, written internal control policies and procedures to ensure compliance with federal compliance requirements. This should include:

- **Procurement Policy:** Develop and implement a formal, written procurement policy that adheres to federal procurement standards under the *Uniform Guidance* 2 CFR 200.318.

CITY OF MADISON, SOUTH DAKOTA
Schedule of Prior Year Findings
For the Year Ended December 31, 2024

FEDERAL AWARD PROGRAMS AUDIT (CONTINUED):

- *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.

Status: This matter was resolved during the current audit period and is no longer applicable as of December 31, 2024.



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Schedule of Findings and Questioned Costs Corrective Action Plan December 31, 2024

The City of Madison, South Dakota, respectfully submits the following corrective action plan for the year ended December 31, 2024.

The audit was performed by Williams & Company, P.C., 140 North Runger Ave, P.O. Box 68, Sheldon, Iowa, for the fiscal year ended December 31, 2024.

The finding from the December 31, 2024 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

MATERIAL WEAKNESS:

2024-001 Financial Reporting

Condition and Criteria – The auditors were required to propose and have management post adjusting journal entries to the fund financial statements in order for the financial statements to conform with U.S. generally accepted accounting principles. Management is responsible for the preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Cause – The City’s existing year-end financial reporting and review procedures did not detect all material misstatements prior to the audit.

Effect – As a result, the financial statements initially provided by management were not entirely presented in accordance with GAAP and required auditor-proposed adjustments to achieve fair presentation.

Recommendation – The City should evaluate and enhance its financial reporting processes to ensure that all necessary year-end adjustments are properly identified, recorded, and reviewed in a timely manner prior to the preparation of the financial statements.

Response – Management acknowledges the finding and will continue to review and strengthen financial reporting procedures to improve the accuracy and completeness of the financial statements.

INSTANCES OF NON-COMPLIANCE:

2024-002 Certified Budget

Condition and Criteria: South Dakota Codified Laws (SDCL) 9-21-2 requires municipalities to adopt an annual appropriation ordinance, and SDCL 9-21-9 through 9-21-15 prohibit expenditures in excess of amounts appropriated without proper supplemental appropriations. During the audit, it was noted that expenditures exceeded the amounts budgeted in three



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INSTANCES OF NON-COMPLIANCE (CONTINUED):

functions within the General Fund and one function within the City Hall Construction Fund, without the adoption of supplemental appropriations as allowed by SDCL 9-21-7.

Cause: The City expended money in excess of amounts budgeted without supplementing the budget as allowed by SDCL 9-21-7.

Effect: The City is not in compliance with the budget appropriations requirement of SD state statute 9-21-9, 9- 21-9.1, 9-21-9.2, 9-21-10, and 9-21-15.

Recommendation: The City should adhere to the budget appropriation requirements of South Dakota Codified Laws (SDCL 9-21-9 through 9-21-15) by implementing procedures to monitor budget-to-actual activity throughout the year and adopting supplemental appropriations, when necessary, in accordance with state statute to ensure expenditures do not exceed authorized amounts.

Response: Management acknowledges the finding and will continue to review and strengthen financial reporting procedures to improve the accuracy and completeness of the financial statements.

If the involved agencies have any questions regarding this plan, please call Amy Wills at 605-256-7502.

Sincerely yours,

CITY OF MADISON, SOUTH DAKOTA

A handwritten signature in black ink that reads "Amy C. Wills".

Amy Wills, Finance Officer