

**MUNICIPALITY OF MADISON**  
MADISON, SOUTH DAKOTA

**AUDIT REPORT**

FOR THE YEAR JANUARY 1, 2014 TO DECEMBER 31, 2014

*Schoenfish & Co., Inc.*

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

MUNICIPALITY OF MADISON

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2014

MAYOR:

Roy Lindsay, Jr.

GOVERNING BOARD:

Nick Abraham  
Jeremiah Corbin  
Kelly Johnson  
Mike Waldner

FINANCE OFFICER:

Jennifer Eimers

ATTORNEY:

David Jencks

*Schoenfish & Co., Inc.*

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

Governing Board  
Municipality of Madison  
Madison, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Madison, South Dakota (Municipality), as of December 31, 2014 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated July 31, 2015. We did not audit the financial statements of Madison Housing and Redevelopment Commission, which represents 100 percent of the assets, liabilities, net position, revenue and expenses of the discretely presented component unit on the government-wide statement of net position and statement of activities. We have issued a disclaimer of opinion on the discretely presented component unit. We also issued a qualified opinion for the governmental activities, business-type activities, and major proprietary funds because we were unable to determine if the liability for other post-employment benefits (OPEB) is properly calculated.

**Internal Control Over Financial Reporting**

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

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

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

### Compliance and Other Matters

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

### Purpose of this Report

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



Schoenfish & Co., Inc.  
Certified Public Accountants  
July 31, 2015

*Schoenfish & Co., Inc.*

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MUNICIPALITY OF MADISON  
SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDINGS:

There are no prior other audit findings to disclose.

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MUNICIPALITY OF MADISON  
SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT OTHER AUDIT FINDINGS:

There are no current other audit findings to disclose.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the officials during the course of the audit and with two Board Members and the Finance Officer on August 11, 2015.

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**INDEPENDENT AUDITOR'S REPORT**

Governing Board  
Municipality of Madison  
Madison, South Dakota

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Madison, South Dakota, (Municipality) as of December 31, 2014 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

**Management's Responsibility for the Financial Statements**

The Municipality's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Basis for Disclaimer of Opinion*

We were not engaged to audit and we were unable to obtain audited financial statements supporting the financial balances and activities of the Madison Housing and Redevelopment Commission, and we did not attempt to satisfy ourselves as to those amounts by other auditing procedures. Those financial activities are included on the basic financial statements referred to above as a component unit of the Municipality of Madison and represent one hundred percent of the December 31, 2014 balances and activities for the year then ended of the component unit column.

*Basis for Qualified Opinion*

The Municipality did not determine the liability for other post-employment benefits based on actuarially determined amounts in the governmental activities, business-type activities, and major proprietary funds. The annual required contribution of the employer was not actuarially determined in accordance with GASB Statement 45 and the liability at December 31, 2014 could not be verified.

*Disclaimer of Opinion*

Because of the effects of the item discussed in the Basis for Disclaimer of Opinion, we were not able to apply other auditing procedures to satisfy ourselves as to the component unit, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the aggregate discretely presented component unit.

*Qualified Opinion*

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and major proprietary funds of the Municipality of Madison as of December 31, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Unmodified Opinions*

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the Municipality of Madison as of December 31, 2014, 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.

*Schoenfish & Co., Inc.*

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## Other Matters

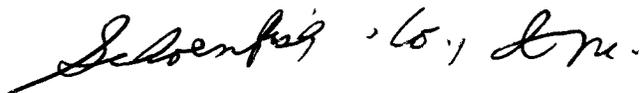
### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and the Schedule of Funding Progress, on pages 47 through 53 and page 55, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2015, on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.  
Certified Public Accountants  
July 31, 2015

*Schoenfish & Co., Inc.*

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**MUNICIPALITY OF MADISON  
STATEMENT OF NET POSITION  
December 31, 2014**

|   | Primary Government         |                             |                      | Component<br>Unit   |
|---|----------------------------|-----------------------------|----------------------|---------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |                     |
| <b>ASSETS:</b>                            |                            |                             |                      |                     |
| Cash and Cash Equivalents                 | 7,916,932.59               | 6,185,046.54                | 14,101,979.13        | 73,565.00           |
| Investments                               | 558.23                     |                             | 558.23               | 118,498.00          |
| Accounts Receivable, Net                  | 983,118.24                 | 1,893,916.33                | 2,877,034.57         | 10,710.00           |
| Inventories                               | 182,648.46                 | 627,607.01                  | 810,255.47           |                     |
| Other Assets                              | 29,468.35                  | 50,854.85                   | 80,323.20            | 3,404.00            |
| Restricted Assets:                        |                            |                             |                      |                     |
| Cash and Cash Equivalents                 | 271,441.87                 | 604,736.83                  | 876,178.70           | 2,377.00            |
| Investments                               |                            | 316,500.01                  | 316,500.01           | 75,910.00           |
| Deposits                                  | 99,739.62                  | 1,994,375.60                | 2,094,115.22         | 23,943.00           |
| Capital Assets:                           |                            |                             |                      |                     |
| Land and Construction Work in Progress    | 747,198.92                 | 161,298.80                  | 908,497.72           | 310,740.00          |
| Other Capital Assets, Net of Depreciation | 19,177,587.12              | 26,407,952.32               | 45,585,539.44        | 2,138,020.00        |
| <b>TOTAL ASSETS</b>                       | <b>29,408,693.40</b>       | <b>38,242,288.29</b>        | <b>67,650,981.69</b> | <b>2,757,167.00</b> |
| <b>LIABILITIES :</b>                      |                            |                             |                      |                     |
| Accounts Payable                          | 165,537.63                 | 695,729.02                  | 861,266.65           | 37,014.00           |
| Other Current Liabilities                 | 56,407.91                  | 147,993.97                  | 204,401.88           | 48,067.00           |
| Unearned Revenue                          |                            | 28,804.74                   | 28,804.74            | 15,897.00           |
| Noncurrent Liabilities:                   |                            |                             |                      |                     |
| Due Within One Year                       | 596,741.54                 | 1,021,129.80                | 1,617,871.34         | 53,855.00           |
| Due in More than One Year                 | 3,309,738.95               | 12,391,056.03               | 15,700,794.98        | 1,255,124.00        |
| <b>TOTAL LIABILITIES</b>                  | <b>4,128,426.03</b>        | <b>14,284,713.56</b>        | <b>18,413,139.59</b> | <b>1,409,957.00</b> |
| <b>NET POSITION:</b>                      |                            |                             |                      |                     |
| Net Investment in Capital Assets          | 16,537,969.82              | 13,584,939.45               | 30,122,909.27        | 1,140,489.00        |
| Restricted for:                           |                            |                             |                      |                     |
| Capital Projects Purposes                 | 458,260.32                 |                             | 458,260.32           |                     |
| Debt Service Purposes                     | 313,474.02                 | 464,060.00                  | 777,534.02           |                     |
| Community Development Purposes            | 345,585.73                 |                             | 345,585.73           |                     |
| City Promotion Purposes                   | 43,734.63                  |                             | 43,734.63            |                     |
| Parks and Recreation Purposes             | 471,057.46                 |                             | 471,057.46           |                     |
| 100 Year Anniversary Purposes             | 558.23                     |                             | 558.23               |                     |
| Community Building Purposes               | 450,000.00                 |                             | 450,000.00           |                     |
| Replacement Purposes                      |                            |                             | 0.00                 | 78,287.00           |
| Cumulative Insurance Reserve Purposes     | 99,739.62                  |                             | 99,739.62            |                     |
| Lewis & Clark Rural Water                 |                            | 1,994,375.60                | 1,994,375.60         |                     |
| Unrestricted (Deficit)                    | 6,559,887.54               | 7,914,199.68                | 14,474,087.22        | 128,434.00          |
| <b>TOTAL NET POSITION</b>                 | <b>25,280,267.37</b>       | <b>23,957,574.73</b>        | <b>49,237,842.10</b> | <b>1,347,210.00</b> |

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

**MUNICIPALITY OF MADISON  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2014**

| Functions/Programs   | Program Revenues     |                         |  |  | Net (Expense) Revenue and<br>Changes in Net Position |                             |                       |
|--|----------------------|-------------------------|--|--|--|-----------------------------|-----------------------|
|  | Expenses             | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary Government                                   |                             |                       |
|  |                      |                         |  |  | Governmental<br>Activities                           | Business-Type<br>Activities | Total                 |
| Component<br>Units   |                      |                         |  |  |  |                             |                       |
| <b>Primary Government:</b>                                   |                      |                         |  |  |  |                             |                       |
| Governmental Activities:                                     |                      |                         |  |  |  |                             |                       |
| General Government   | 555,260.54           | 176,006.40              |  |  | (379,254.14)   |                             | (379,254.14)          |
| Public Safety  | 1,357,203.41         | 1,995.50                | 9,623.13                                 |  | (1,345,584.78)                                       |                             | (1,345,584.78)        |
| Public Works   | 2,041,402.05         | 206,962.88              | 301,315.04                               | 226,398.64                             | (1,306,725.49)                                       |                             | (1,306,725.49)        |
| Health and Welfare   | 19,398.08            | 690.00                  | 10,903.00                                |  | (7,805.08)   |                             | (7,805.08)            |
| Culture and Recreation                                       | 1,288,829.70         | 94,781.68               | 2,123.87                                 |  | (1,191,924.15)                                       |                             | (1,191,924.15)        |
| Conservation and Development                                 | 481,773.13           |                         |  |  | (481,773.13)   |                             | (481,773.13)          |
| *Interest on Long-term Debt                                  | 138,563.46           |                         |  |  | (138,563.46)   |                             | (138,563.46)          |
| <b>Total Governmental Activities</b>                         | <b>5,882,430.37</b>  | <b>480,436.46</b>       | <b>323,965.04</b>                        | <b>226,398.64</b>                      | <b>(4,851,630.23)</b>                                |                             | <b>(4,851,630.23)</b> |
| Business-type Activities:                                    |                      |                         |  |  |  |                             |                       |
| Water  | 1,264,646.70         | 1,419,470.17            |  |  | 154,823.47   |                             | 154,823.47            |
| Sewer  | 1,051,547.90         | 1,119,083.84            |  |  | 67,535.94  |                             | 67,535.94             |
| Electric   | 8,668,572.47         | 9,936,661.18            | 4,318.30                                 |  | 1,272,407.01   |                             | 1,272,407.01          |
| Community Center   | 900,494.78           | 733,970.92              |  |  | (166,523.86)   |                             | (166,523.86)          |
| Solid Waste  | 200,670.68           | 253,318.37              |  |  | 52,647.69  |                             | 52,647.69             |
| Recycling  | 129,651.82           | 110,495.11              |  |  | (19,156.71)  |                             | (19,156.71)           |
| <b>Total Business-type Activities</b>                        | <b>12,215,584.35</b> | <b>13,572,999.59</b>    | <b>4,318.30</b>                          | <b>0.00</b>                            | <b>1,361,733.54</b>                                  |                             | <b>1,361,733.54</b>   |
| <b>Total Primary Government</b>                              | <b>18,098,014.72</b> | <b>14,053,436.05</b>    | <b>328,283.34</b>                        | <b>226,398.64</b>                      | <b>(4,851,630.23)</b>                                |                             | <b>(3,489,896.69)</b> |
| <b>Component Units:</b>                                      |                      |                         |  |  |  |                             |                       |
| Housing and Redevelopment Commission                         | 1,108,539.00         | 383,376.00              | 649,514.00                               | 15,584.00                              |  |                             | (60,065.00)           |
| <b>General Revenues:</b>                                     |                      |                         |  |  |  |                             |                       |
| Taxes:   |                      |                         |  |  |  |                             |                       |
| Property Taxes   |                      |                         |  |  | 2,013,162.31   |                             | 2,013,162.31          |
| Sales Taxes  |                      |                         |  |  | 3,307,400.70   |                             | 3,307,400.70          |
| State Shared Revenues  |                      |                         |  |  | 62,130.15  |                             | 62,130.15             |
| Grants and Contributions not Restricted to Specific Programs |                      |                         |  |  | 13,357.83  |                             | 13,357.83             |
| Unrestricted Investment Earnings                             |                      |                         |  |  | 61,258.45  |                             | 61,258.45             |
| Miscellaneous Revenue  |                      |                         |  |  | 178,997.24   |                             | 178,997.24            |
| Transfers  |                      |                         |  |  | (34,536.21)  |                             | (34,536.21)           |
| <b>Total General Revenues and Transfers</b>                  |                      |                         |  |  | <b>5,601,770.47</b>                                  |                             | <b>5,723,118.73</b>   |
| Change in Net Position                                       |                      |                         |  |  | 750,140.24   |                             | 2,233,222.04          |
| Net Position - Beginning                                     |                      |                         |  |  | 24,570,027.13  |                             | 46,972,974.08         |
| Adjustments:   |                      |                         |  |  |  |                             |                       |
| To Correct Recording of Prior Year Interfund Transfer        |                      |                         |  |  | (39,900.00)  |                             | 0.00                  |
| To Adjust Prior Year Accounts Payable to Actual              |                      |                         |  |  |  |                             | 31,645.98             |
| To Correct for Errors and Bring to Actual                    |                      |                         |  |  |  |                             | 0.00                  |
| Adjusted Net Position-Beginning                              |                      |                         |  |  | 24,530,127.13  |                             | 47,004,620.06         |
| <b>NET POSITION - ENDING</b>                                 |                      |                         |  |  | <b>25,280,267.37</b>                                 |                             | <b>49,237,842.10</b>  |

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

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

MUNICIPALITY OF MADISON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2014

|  | General Fund        | Parks & Recreation Fund | 3rd Cent Fund    | Community Development Fund | 2nd Cent Fund       | Special Maintenance Fee Fund | Swimming Pool Debt Service Fund | Grant Circle TIF Debt Service Fund | Gerry Maloney Nature Capital Projects Fund | Total Governmental Funds |
|--|---------------------|-------------------------|------------------|----------------------------|---------------------|------------------------------|---------------------------------|------------------------------------|--|--------------------------|
| <b>ASSETS:</b>                             |                     |                         |                  |                            |                     |                              |                                 |                                    |  |                          |
| Cash and Cash Equivalents                  | 5,017,522.41        | 472,922.34              | 25,616.47        | 345,585.73                 | 1,702,689.98        | 185,181.26                   | 163,988.04                      | 4,026.36                           |  | 7,916,932.59             |
| Investments                                | 558.23              |                         |                  |                            |                     |                              |                                 |                                    |  | 558.23                   |
| Taxes Receivable--Delinquent               | 41,526.24           |                         |                  |                            |                     |                              |                                 |                                    |  | 41,526.24                |
| Accounts Receivable, Net                   | 40,460.99           | 1,644.87                |                  |                            |                     |                              | 9,401.28                        |                                    |  | 50,927.52                |
| Special Assessments Receivable--Current    | 10,423.87           |                         |                  |                            |                     |                              |                                 |                                    |  | 42,105.86                |
| Special Assessments Receivable--Delinquent | 3,686.54            |                         |                  |                            |                     |                              |                                 |                                    |  | 10,423.87                |
| Special Assessments Receivable--Deferred   | 34,550.78           |                         |                  |                            |                     |                              |                                 |                                    |  | 3,686.54                 |
| Interest Receivable--Special Assessments   | 6,590.20            |                         |                  |                            |                     |                              |                                 |                                    |  | 34,550.78                |
| Notes Receivable                           |                     |                         |                  | 382,310.73                 |                     |                              |                                 |                                    |  | 6,590.20                 |
| Due from Other Governments                 | 241,481.58          |                         | 18,517.16        |                            | 174,601.11          | 16,336.91                    | 1,585.98                        |                                    |  | 382,310.73               |
| Inventory of Supplies                      | 171,838.84          | 10,809.62               |                  |                            |                     |                              |                                 |                                    |  | 452,522.74               |
| Deposits                                   | 99,739.62           |                         |                  |                            |                     |                              |                                 |                                    |  | 182,648.46               |
| Prepaid Expenses                           | 15,476.18           | 3,122.17                |                  |                            |                     |                              |                                 |                                    |  | 99,739.62                |
| Restricted Cash and Cash Equivalents       |                     |                         |                  |                            |                     |                              |                                 |                                    | 271,441.87                                 | 18,598.35                |
| <b>TOTAL ASSETS</b>                        | <b>5,683,855.48</b> | <b>487,899.00</b>       | <b>44,133.63</b> | <b>727,896.46</b>          | <b>1,877,291.09</b> | <b>201,518.17</b>            | <b>174,975.30</b>               | <b>4,026.36</b>                    | <b>271,441.87</b>                          | <b>9,473,037.36</b>      |

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

MUNICIPALITY OF MADISON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2014

|   | General Fund        | Parks & Recreation Fund | 3rd Cent Fund    | Community Development Fund | 2nd Cent Fund       | Special Maintenance Fee Fund | Swimming Pool Debt Service Fund | Grant Circle TIF Debt Service Fund | Gerry Maloney Nature Capital Projects Fund | Total Governmental Funds |
|---|---------------------|-------------------------|------------------|----------------------------|---------------------|------------------------------|---------------------------------|------------------------------------|--|--------------------------|
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>      |                     |                         |                  |                            |                     |                              |                                 |                                    |  |                          |
| Liabilities:  |                     |                         |                  |                            |                     |                              |                                 |                                    |  |                          |
| Accounts Payable  | 53,757.56           | 1,346.23                | 399.00           |                            | 91,308.76           | 14,699.72                    |                                 | 4,026.36                           |  | 165,537.63               |
| Due to Other Government   | 105.14              | 55.75                   |                  |                            |                     |                              |                                 |                                    |  | 160.89                   |
| Accrued Wages Payable   | 17,633.46           | 1,507.77                |                  |                            |                     |                              |                                 |                                    |  | 19,141.23                |
| <b>Total Liabilities</b>  | <b>71,496.16</b>    | <b>2,909.75</b>         | <b>399.00</b>    | <b>0.00</b>                | <b>91,308.76</b>    | <b>14,699.72</b>             | <b>0.00</b>                     | <b>4,026.36</b>                    | <b>0.00</b>                                | <b>184,839.75</b>        |
| Deferred Inflows of Resources:  |                     |                         |                  |                            |                     |                              |                                 |                                    |  |                          |
| Unavailable Revenue--Property Taxes                                       | 41,526.24           |                         |                  |                            |                     |                              | 9,401.28                        |                                    |  | 50,927.52                |
| Unavailable Revenue--Special Assessments                                  | 55,251.39           |                         |                  |                            |                     |                              |                                 |                                    |  | 55,251.39                |
| <b>Total Deferred Inflows of Resources</b>                                | <b>96,777.63</b>    | <b>0.00</b>             | <b>0.00</b>      | <b>0.00</b>                | <b>0.00</b>         | <b>0.00</b>                  | <b>9,401.28</b>                 | <b>0.00</b>                        | <b>0.00</b>                                | <b>106,178.91</b>        |
| <b>Fund Balances:</b>   |                     |                         |                  |                            |                     |                              |                                 |                                    |  |                          |
| Nonspendable for Notes Receivable   |                     |                         |                  | 382,310.73                 |                     |                              |                                 |                                    |  | 382,310.73               |
| Nonspendable for Inventory  | 171,838.84          | 10,809.62               |                  |                            |                     |                              |                                 |                                    |  | 182,648.46               |
| Nonspendable for Cumulative Insurance Reserve                             | 99,739.62           |                         |                  |                            |                     |                              |                                 |                                    |  | 99,739.62                |
| Nonspendable for Prepaid Expenses   | 15,476.18           | 3,122.17                |                  |                            |                     |                              |                                 |                                    |  | 18,598.35                |
| Restricted for Community Building Maintenance                             | 450,000.00          |                         |                  |                            |                     |                              |                                 |                                    |  | 450,000.00               |
| Restricted for 100 Year Fund  | 558.23              |                         |                  |                            |                     |                              |                                 |                                    |  | 558.23                   |
| Restricted for Parks & Recreation   |                     | 471,057.46              |                  |                            |                     |                              |                                 |                                    |  | 471,057.46               |
| Restricted for City Promotion   |                     |                         | 43,734.63        |                            |                     |                              |                                 |                                    |  | 43,734.63                |
| Restricted for Community Development                                      |                     |                         |                  | 345,585.73                 |                     |                              |                                 |                                    |  | 345,585.73               |
| Restricted for Debt Service   |                     |                         |                  |                            | 147,900.00          |                              | 165,574.02                      |                                    | 271,441.87                                 | 313,474.02               |
| Restricted for Gerry Maloney Nature Capital Projects                      |                     |                         |                  |                            |                     |                              |                                 |                                    |  | 186,818.45               |
| Restricted for Capital Project Purposes                                   |                     |                         |                  |                            | 1,638,082.33        | 186,818.45                   |                                 |                                    |  | 1,638,082.33             |
| Committed for Capital Improvements  |                     |                         |                  |                            |                     |                              |                                 |                                    |  | 8,678.10                 |
| Committed for Library Friends   | 8,678.10            |                         |                  |                            |                     |                              |                                 |                                    |  | 8,678.10                 |
| Committed for Maloney Reserve   | 4,997.18            |                         |                  |                            |                     |                              |                                 |                                    |  | 4,997.18                 |
| Committed for Hillian Trust   | 15,898.58           |                         |                  |                            |                     |                              |                                 |                                    |  | 15,898.58                |
| Committed for Library Building  | 6,599.28            |                         |                  |                            |                     |                              |                                 |                                    |  | 6,599.28                 |
| Assigned for Next Year's Budget   | 301,104.00          |                         |                  |                            |                     |                              |                                 |                                    |  | 301,104.00               |
| Assigned for Capital Outlay Accumulation                                  | 2,349,355.25        |                         |                  |                            |                     |                              |                                 |                                    |  | 2,349,355.25             |
| Unassigned  | 2,091,336.43        |                         |                  |                            |                     |                              |                                 |                                    |  | 2,091,336.43             |
| <b>Total Fund Balances</b>  | <b>5,515,581.69</b> | <b>484,989.25</b>       | <b>43,734.63</b> | <b>727,896.46</b>          | <b>1,785,962.33</b> | <b>186,818.45</b>            | <b>165,574.02</b>               | <b>0.00</b>                        | <b>271,441.87</b>                          | <b>9,182,018.70</b>      |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> | <b>5,683,855.48</b> | <b>487,899.00</b>       | <b>44,133.63</b> | <b>727,896.46</b>          | <b>1,877,291.09</b> | <b>201,518.17</b>            | <b>174,975.30</b>               | <b>4,026.36</b>                    | <b>271,441.87</b>                          | <b>9,473,037.36</b>      |

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

**MUNICIPALITY OF MADISON**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2014**

|  |                             |
|--|-----------------------------|
| Total Fund Balances - Governmental Funds   | <u>9,182,018.70</u>         |
| Amounts reported for governmental activities in the statement of net position are different because:   |                             |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.  | <u>19,924,786.04</u>        |
| Long-term liabilities, including bonds payable, other post employment and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.                          | <u>(3,906,480.49)</u>       |
| Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds. | <u>106,178.91</u>           |
| Bond discounts are recorded as expenditures in the funds, but are deferred and amortized over the term of the related debt in the statement of net position.   | <u>10,870.00</u>            |
| Bond premiums are not due and payable in the current period, and therefore are amortized over the life of the related debt in the statement of net position.   | <u>(27,595.00)</u>          |
| Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.  | <u>(9,510.79)</u>           |
| Net Position - Governmental Activities   | <u><u>25,280,267.37</u></u> |

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

**MUNICIPALITY OF MADISON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2014**

|  | General Fund        | Park & Recreation Fund | 3rd Cent Fund     | Community Development Fund | 2nd Cent Fund       | Special Maintenance Fee Fund | Swimming Pool Service Fund | Grant Circle TIF Debt Service Fund | Gerry Maloney Nature Capital Projects Fund | Total Governmental Funds |
|--|---------------------|------------------------|-------------------|----------------------------|---------------------|------------------------------|----------------------------|------------------------------------|--|--------------------------|
| <b>Revenues:</b>                           |                     |                        |                   |                            |                     |                              |                            |                                    |  |                          |
| <b>Taxes:</b>                              |                     |                        |                   |                            |                     |                              |                            |                                    |  |                          |
| General Property Taxes                     | 1,626,146.77        |                        |                   |                            |                     |                              | 361,170.38                 | 33,591.43                          |  | 2,020,908.58             |
| General Sales and Use Taxes                | 1,564,316.80        |                        | 178,767.14        | 1,564,316.76               |                     |                              |                            |                                    |  | 3,307,400.70             |
| Amusement Taxes                            | 984.00              |                        |                   |                            |                     |                              |                            |                                    |  | 984.00                   |
| Penalties and Interest on Delinquent Taxes | 13,196.32           |                        |                   |                            |                     |                              | 2,089.31                   |                                    |  | 15,285.63                |
| Licenses and Permits                       | 76,955.00           |                        |                   |                            |                     |                              |                            |                                    |  | 76,955.00                |
| <b>Intergovernmental Revenue:</b>          |                     |                        |                   |                            |                     |                              |                            |                                    |  |                          |
| Federal Grants                             | 8,108.09            |                        |                   |                            |                     |                              |                            |                                    |  | 8,108.09                 |
| State Grants                               | 4,000.00            | 10,903.00              |                   |                            |                     |                              |                            |                                    |  | 14,903.00                |
| State Shared Revenue:                      |                     |                        |                   |                            |                     |                              |                            |                                    |  |                          |
| Bank Franchise Tax                         | 12,605.15           |                        |                   |                            |                     |                              |                            |                                    |  | 12,605.15                |
| Liquor Tax Reversion                       | 41,983.31           |                        |                   |                            |                     |                              |                            |                                    |  | 41,983.31                |
| Motor Vehicle Licenses                     | 87,372.76           |                        |                   |                            |                     |                              |                            |                                    |  | 87,372.76                |
| State Payments in Lieu of Taxes            | 6,168.02            |                        |                   |                            |                     |                              | 1,373.67                   |                                    |  | 7,541.69                 |
| County Shared Revenue:                     |                     |                        |                   |                            |                     |                              |                            |                                    |  |                          |
| County Road Tax                            | 11,717.70           |                        |                   |                            |                     |                              |                            |                                    |  | 11,717.70                |
| County Highway & Bridge Reserve Tax        | 202,224.58          |                        |                   |                            |                     |                              |                            |                                    |  | 202,224.58               |
| <b>Charges for Goods and Services:</b>     |                     |                        |                   |                            |                     |                              |                            |                                    |  |                          |
| General Government                         | 1,700.00            |                        |                   |                            |                     |                              |                            |                                    |  | 1,700.00                 |
| Public Safety                              | 585.00              |                        |                   |                            |                     |                              |                            |                                    |  | 585.00                   |
| Highways and Streets                       | 11,054.86           |                        |                   |                            |                     |                              |                            |                                    |  | 11,054.86                |
| Sanitation                                 | 32,991.10           |                        |                   |                            |                     |                              |                            |                                    |  | 32,991.10                |
| Health                                     | 690.00              |                        |                   |                            |                     |                              |                            |                                    |  | 690.00                   |
| Culture and Recreation                     | 90,925.68           |                        |                   |                            |                     |                              |                            |                                    |  | 90,925.68                |
| Other                                      | 162,916.92          |                        |                   |                            |                     |                              |                            |                                    |  | 162,916.92               |
| <b>Fines and Forfeits:</b>                 |                     |                        |                   |                            |                     |                              |                            |                                    |  |                          |
| Court Fines and Costs                      | 1,410.50            |                        |                   |                            |                     |                              |                            |                                    |  | 1,410.50                 |
| Other                                      | 1,400.00            |                        |                   |                            |                     |                              |                            |                                    |  | 1,400.00                 |
| <b>Miscellaneous Revenue:</b>              |                     |                        |                   |                            |                     |                              |                            |                                    |  |                          |
| Investment Earnings                        | 34,847.24           | 3,713.99               | 5.58              | 14,234.34                  | 6,032.89            |                              |                            |                                    | 2,424.41                                   | 61,258.45                |
| Rentals                                    | 95,951.40           | 3,856.00               |                   |                            |                     |                              |                            |                                    |  | 99,807.40                |
| Special Assessments                        | 4,893.68            |                        |                   |                            |                     | 193,719.95                   |                            |                                    |  | 4,893.68                 |
| Maintenance Assessments                    |                     |                        |                   |                            |                     |                              |                            |                                    |  |                          |
| Contributions and Donations                | 13,357.83           | 2,123.87               |                   |                            |                     |                              |                            |                                    |  | 15,481.70                |
| from Private Sources                       | 138,541.91          | 784.99                 |                   |                            |                     |                              |                            |                                    |  | 139,326.90               |
| Other                                      |                     |                        |                   |                            |                     |                              |                            |                                    |  |                          |
| <b>Total Revenue</b>                       | <b>4,156,118.94</b> | <b>112,307.53</b>      | <b>178,772.72</b> | <b>14,234.34</b>           | <b>1,570,349.65</b> | <b>193,719.95</b>            | <b>364,633.36</b>          | <b>33,591.43</b>                   | <b>2,424.41</b>                            | <b>6,626,152.33</b>      |

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

**MUNICIPALITY OF MADISON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2014**

|  | General Fund        | Park & Recreation Fund | 3rd Cent Fund     | Community Development Fund | 2nd Cent Fund     | Special Maintenance Fee Fund | Swimming Pool Debt Service Fund | Grant Circle TIF Debt Service Fund | Gerry Maloney Nature Capital Projects Fund | Total Governmental Funds |
|--|---------------------|------------------------|-------------------|----------------------------|-------------------|------------------------------|---------------------------------|------------------------------------|--|--------------------------|
| <b>Expenditures:</b>   |                     |                        |                   |                            |                   |                              |                                 |                                    |  |                          |
| General Government:  |                     |                        |                   |                            |                   |                              |                                 |                                    |  |                          |
| Legislative  | 69,175.14           |                        |                   |                            |                   |                              |                                 |                                    |  | 69,175.14                |
| Financial Administration                                     | 178,730.58          |                        |                   |                            |                   |                              |                                 |                                    |  | 178,730.58               |
| Other  | 286,665.07          |                        |                   |                            |                   |                              |                                 |                                    |  | 286,665.07               |
| <b>Total General Government</b>                              | <b>534,570.79</b>   | <b>0.00</b>            | <b>0.00</b>       | <b>0.00</b>                | <b>0.00</b>       | <b>0.00</b>                  | <b>0.00</b>                     | <b>0.00</b>                        | <b>0.00</b>                                | <b>534,570.79</b>        |
| Public Safety:   |                     |                        |                   |                            | 133,405.76        |                              |                                 |                                    |  | 1,049,487.19             |
| Police   | 916,081.43          |                        |                   |                            |                   |                              |                                 |                                    |  | 213,939.86               |
| Fire   | 213,939.86          |                        |                   |                            |                   |                              |                                 |                                    |  | 213,939.86               |
| <b>Total Public Safety</b>                                   | <b>1,130,021.29</b> | <b>0.00</b>            | <b>0.00</b>       | <b>0.00</b>                | <b>133,405.76</b> | <b>0.00</b>                  | <b>0.00</b>                     | <b>0.00</b>                        | <b>0.00</b>                                | <b>1,263,427.05</b>      |
| Public Works:  |                     |                        |                   |                            | 101,950.14        | 6,901.50                     |                                 |                                    |  | 881,171.33               |
| Highways and Streets   | 772,319.69          |                        |                   |                            |                   |                              |                                 |                                    |  | 29,878.29                |
| Sanitation   | 29,878.29           |                        |                   |                            |                   |                              |                                 |                                    |  | 318,810.46               |
| Water  |                     |                        |                   |                            | 318,810.46        |                              |                                 |                                    |  | 194,606.36               |
| Airport  | 194,606.36          |                        |                   |                            |                   |                              |                                 |                                    |  | 194,606.36               |
| <b>Total Public Works</b>                                    | <b>996,804.34</b>   | <b>0.00</b>            | <b>0.00</b>       | <b>0.00</b>                | <b>420,760.60</b> | <b>6,901.50</b>              | <b>0.00</b>                     | <b>0.00</b>                        | <b>0.00</b>                                | <b>1,424,466.44</b>      |
| Health and Welfare:  |                     |                        |                   |                            |                   |                              |                                 |                                    |  | 19,398.08                |
| Health   | 4,000.00            | 15,398.08              |                   |                            |                   |                              |                                 |                                    |  | 19,398.08                |
| <b>Total Health and Welfare</b>                              | <b>4,000.00</b>     | <b>15,398.08</b>       | <b>0.00</b>       | <b>0.00</b>                | <b>0.00</b>       | <b>0.00</b>                  | <b>0.00</b>                     | <b>0.00</b>                        | <b>0.00</b>                                | <b>19,398.08</b>         |
| Culture and Recreation:                                      |                     |                        |                   |                            |                   |                              |                                 |                                    |  | 231,350.95               |
| Recreation   | 3,000.00            | 228,350.95             |                   |                            |                   |                              |                                 |                                    |  | 299,349.11               |
| Parks  |                     | 298,839.14             |                   |                            |                   |                              |                                 |                                    | 509.97                                     | 387,154.58               |
| Libraries  | 387,154.58          |                        |                   |                            |                   |                              |                                 |                                    |  | 50,634.23                |
| Auditorium   | 50,634.23           |                        |                   |                            |                   |                              |                                 |                                    |  | 50,634.23                |
| <b>Total Culture and Recreation</b>                          | <b>440,788.81</b>   | <b>527,190.09</b>      | <b>0.00</b>       | <b>0.00</b>                | <b>0.00</b>       | <b>0.00</b>                  | <b>0.00</b>                     | <b>0.00</b>                        | <b>509.97</b>                              | <b>968,488.87</b>        |
| Conservation and Development:                                |                     |                        |                   |                            |                   |                              |                                 |                                    |  | 478,637.87               |
| Economic Development and Assistance (Industrial Development) | 50,561.74           |                        |                   |                            | 204,432.62        |                              |                                 |                                    |  | 478,637.87               |
| <b>Total Conservation and Development</b>                    | <b>50,561.74</b>    | <b>0.00</b>            | <b>223,643.51</b> | <b>0.00</b>                | <b>204,432.62</b> | <b>0.00</b>                  | <b>0.00</b>                     | <b>0.00</b>                        | <b>0.00</b>                                | <b>526,037.93</b>        |
| Debt Service   | 16,509.00           |                        |                   |                            | 142,862.50        |                              |                                 |                                    |  | 399,753.02               |
| <b>Total Debt Service</b>                                    | <b>16,509.00</b>    | <b>0.00</b>            | <b>0.00</b>       | <b>0.00</b>                | <b>142,862.50</b> | <b>0.00</b>                  | <b>0.00</b>                     | <b>0.00</b>                        | <b>0.00</b>                                | <b>399,753.02</b>        |
| Capital Outlay   | 375,003.02          | 24,750.00              |                   |                            |                   |                              |                                 |                                    |  | 5,614,780.05             |
| <b>Total Capital Outlay</b>                                  | <b>375,003.02</b>   | <b>24,750.00</b>       | <b>0.00</b>       | <b>0.00</b>                | <b>0.00</b>       | <b>0.00</b>                  | <b>0.00</b>                     | <b>0.00</b>                        | <b>0.00</b>                                | <b>5,614,780.05</b>      |
| <b>Total Expenditures</b>                                    | <b>3,548,258.99</b> | <b>567,338.17</b>      | <b>223,643.51</b> | <b>0.00</b>                | <b>901,461.48</b> | <b>6,901.50</b>              | <b>333,075.00</b>               | <b>33,591.43</b>                   | <b>509.97</b>                              | <b>5,614,780.05</b>      |

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

**MUNICIPALITY OF MADISON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2014**

|   | General Fund | Park & Recreation Fund | 3rd Cent Fund | Community Development Fund | 2nd Cent Fund | Special Maintenance Fee Fund | Swimming Pool Debt Service Fund | Grant Circle TIF Debt Service Fund | Gerry Maloney Nature Capital Projects Fund | Total Governmental Funds |
|---|--------------|------------------------|---------------|----------------------------|---------------|------------------------------|---------------------------------|------------------------------------|--|--------------------------|
| Excess of Revenue Over (Under) Expenditures                           | 607,859.95   | (455,030.64)           | (44,870.79)   | 14,234.34                  | 668,888.17    | 186,818.45                   | 31,558.36                       | 0.00                               | 1,914.44                                   | 1,011,372.28             |
| <b>Other Financing Sources:</b>                                       |              |                        |               |                            |               |                              |                                 |                                    |  |                          |
| Transfers In  | 19,800.00    | 502,571.00             | 61,000.00     |                            | 131,276.00    |                              |                                 |                                    |  | 714,647.00               |
| Sale of Municipal Property  | 23,664.77    | 6,906.61               |               |                            |               |                              |                                 |                                    |  | 30,571.38                |
| Compensation for Loss or Damage to Capital Assets                     | 2,114.00     | 4,500.00               |               |                            |               |                              |                                 |                                    |  | 6,614.00                 |
| Transfers Out   | (155,826.00) |                        |               | (86,250.00)                | (229,000.00)  |                              |                                 |                                    |  | (471,076.00)             |
| Total Other Financing Sources   | (110,247.23) | 513,977.61             | 61,000.00     | (86,250.00)                | (97,724.00)   | 0.00                         | 0.00                            | 0.00                               | 0.00                                       | 280,756.38               |
| Net Change in Fund Balances   | 497,612.72   | 58,946.97              | 16,129.21     | (72,015.66)                | 571,164.17    | 186,818.45                   | 31,558.36                       | 0.00                               | 1,914.44                                   | 1,292,128.66             |
| Fund Balance - Beginning  | 5,057,868.97 | 426,042.28             | 27,605.42     | 799,912.12                 | 1,214,818.16  | 0.00                         | 134,015.66                      | 0.00                               | 269,527.43                                 | 7,929,790.04             |
| Adjustments:<br>To Correct Recording of Prior Year Interfund Transfer | (39,900.00)  |                        |               |                            |               |                              |                                 |                                    |  | (39,900.00)              |
| Adjusted Fund Balance - Beginning                                     | 5,017,968.97 | 426,042.28             | 27,605.42     | 799,912.12                 | 1,214,818.16  | 0.00                         | 134,015.66                      | 0.00                               | 269,527.43                                 | 7,889,890.04             |
| FUND BALANCE - ENDING   | 5,515,581.69 | 484,989.25             | 43,734.63     | 727,896.46                 | 1,785,982.33  | 186,818.45                   | 165,574.02                      | 0.00                               | 271,441.87                                 | 9,182,018.70             |

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

**MUNICIPALITY OF MADISON**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended December 31, 2014**

|  |                          |
|--|--------------------------|
| Net Change in Fund Balances - Total Governmental Funds   | <u>1,292,128.66</u>      |
| Amounts reported for governmental activities in the statement of activities are different because:   |                          |
| This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.  | <u>399,753.02</u>        |
| This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.  | <u>(1,281,158.17)</u>    |
| The refunding of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.  | <u>380,041.54</u>        |
| The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".  | <u>(24,015.90)</u>       |
| Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.  | <u>27,785.01</u>         |
| Governmental funds do not reflect the change in other post employment benefits, but the statement of activities reflects the change in these accruals through expenses.  | <u>(48,631.00)</u>       |
| Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits. | <u>(3,195.85)</u>        |
| Some expenses reported in the statement of activities so not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g. accrued interest expense)  | <u>5,536.93</u>          |
| Unamortized premiums and discounts are recorded as expenditures or other financing sources in the governmental funds. However, these items are amortized over the life of the debt in the governmental activities.   | <u>1,896.00</u>          |
| Change in Net Position of Governmental Activities  | <u><u>750,140.24</u></u> |

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

**MUNICIPALITY OF MADISON  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2014**

|   | Enterprise Funds |                |                |                       |                  | Totals          |
|---|------------------|----------------|----------------|-----------------------|------------------|-----------------|
|   | Water Fund       | Sewer Fund     | Electric Fund  | Community Center Fund | Solid Waste Fund |                 |
| <b>ASSETS:</b>                              |                  |                |                |                       |                  |                 |
| Current Assets:                             |                  |                |                |                       |                  |                 |
| Cash and Cash Equivalents                   | 1,624,272.80     | 1,064,335.58   | 2,551,713.89   | 427,351.75            | 290,875.74       | 226,496.78      |
| Accounts Receivable, Net                    | 203,131.64       | 159,547.50     | 1,489,759.72   | 3,155.45              | 35,250.01        | 2,400.40        |
| Special Assessments Receivable - Delinquent | 122.50           | 250.00         |                |                       |                  |                 |
| Interest Receivable                         |                  |                | 299.11         |                       |                  |                 |
| Inventory of Supplies                       | 90,745.15        | 4,455.84       | 519,752.60     |                       |                  | 12,653.42       |
| Prepaid Expenses                            | 4,403.30         | 1,598.45       | 7,897.05       | 343.76                | 477.46           | 135.83          |
| Total Current Assets                        | 1,922,675.39     | 1,230,187.37   | 4,569,422.37   | 430,850.96            | 326,603.21       | 241,686.43      |
| Noncurrent Assets:                          |                  |                |                |                       |                  |                 |
| Restricted Cash and Cash Equivalents        | 191,161.58       |                | 413,575.25     |                       |                  |                 |
| Restricted Investments                      |                  |                | 316,500.01     |                       |                  |                 |
| Deposits                                    | 1,994,375.60     |                |                |                       |                  |                 |
| Unamortized Discounts on Bonds Sold         |                  |                | 35,999.00      |                       |                  |                 |
| Capital Assets:                             |                  |                |                |                       |                  |                 |
| Land  | 110,343.51       | 44,923.24      | 6,032.05       |                       |                  |                 |
| Buildings                                   | 10,424,734.52    | 10,921,071.67  | 14,921,931.89  | 4,500,000.00          |                  | 341,786.30      |
| Machinery and Equipment                     | 217,083.60       | 731,340.53     | 843,295.99     | 97,211.16             | 393,766.10       | 177,316.41      |
| Less: Accumulated Depreciation              | (3,606,680.56)   | (4,959,498.88) | (6,594,357.97) | (1,457,606.79)        | (262,061.80)     | (281,379.85)    |
| Total Noncurrent Assets                     | 9,331,018.25     | 6,737,836.56   | 9,942,976.22   | 3,139,604.37          | 131,704.30       | 237,722.86      |
| <b>TOTAL ASSETS</b>                         | 11,253,693.64    | 7,968,023.93   | 14,512,398.59  | 3,570,455.33          | 458,307.51       | 479,409.29      |
|   |                  |                |                |                       |                  | 161,298.80      |
|   |                  |                |                |                       |                  | 41,109,524.38   |
|   |                  |                |                |                       |                  | 2,460,013.79    |
|   |                  |                |                |                       |                  | (17,161,585.85) |
|   |                  |                |                |                       |                  | 29,520,862.56   |
|   |                  |                |                |                       |                  | 6,185,046.54    |
|   |                  |                |                |                       |                  | 1,893,244.72    |
|   |                  |                |                |                       |                  | 372.50          |
|   |                  |                |                |                       |                  | 299.11          |
|   |                  |                |                |                       |                  | 627,607.01      |
|   |                  |                |                |                       |                  | 14,855.85       |
|   |                  |                |                |                       |                  | 8,721,425.73    |
|   |                  |                |                |                       |                  | 604,736.83      |
|   |                  |                |                |                       |                  | 316,500.01      |
|   |                  |                |                |                       |                  | 1,994,375.60    |
|   |                  |                |                |                       |                  | 35,999.00       |

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

**MUNICIPALITY OF MADISON  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2014**

|                                    | Enterprise Funds |              |               |                       |                  | Totals        |
|------------------------------------|------------------|--------------|---------------|-----------------------|------------------|---------------|
|                                    | Water Fund       | Sewer Fund   | Electric Fund | Community Center Fund | Solid Waste Fund |               |
| <b>LIABILITIES:</b>                |                  |              |               |                       |                  |               |
| Current Liabilities:               |                  |              |               |                       |                  |               |
| Accounts Payable                   | 35,641.47        | 12,887.83    | 583,970.37    | 58,447.39             | 1,186.98         | 695,729.02    |
| Due to State Government            |                  |              | 36,606.63     | 2,613.90              | 1,197.21         | 40,417.74     |
| Accrued Interest Payable           | 7,510.01         | 27,376.56    | 7,994.39      |                       |                  | 42,880.96     |
| Accrued Wages Payable              | 5,333.93         | 2,838.96     | 7,263.21      | 3,709.80              | 52.68            | 19,389.73     |
| Customer Deposits                  | 500.25           |              | 44,554.75     |                       |                  | 45,055.00     |
| Unearned Revenue                   |                  |              | 28,804.74     |                       |                  | 28,804.74     |
| Bonds Payable Current:             |                  |              |               |                       |                  |               |
| Revenue                            | 197,235.13       | 211,894.67   | 520,000.00    |                       |                  | 929,129.80    |
| Unamortized Premiums on Bonds Sold |                  |              | 250.54        |                       |                  | 250.54        |
| Total Current Liabilities          | 246,220.79       | 254,998.02   | 1,229,444.63  | 64,771.09             | 2,436.87         | 1,801,657.53  |
| Noncurrent Liabilities:            |                  |              |               |                       |                  |               |
| Bonds Payable:                     |                  |              |               |                       |                  |               |
| Revenue                            | 3,116,272.86     | 3,813,909.01 | 5,125,000.00  |                       |                  | 12,055,181.87 |
| Accrued Leave Payable              | 60,391.06        | 35,749.03    | 141,906.39    | 19,376.37             | 3,857.31         | 261,280.16    |
| Net OPEB Obligation                | 35,699.00        | 17,845.00    | 71,397.00     | 29,753.00             | 11,900.00        | 166,594.00    |
| Total Noncurrent Liabilities       | 3,212,362.92     | 3,867,503.04 | 5,338,303.39  | 49,129.37             | 15,757.31        | 12,483,056.03 |
| <b>TOTAL LIABILITIES</b>           | 3,458,583.71     | 4,122,501.06 | 6,567,748.02  | 113,900.46            | 18,194.18        | 14,284,713.56 |
| <b>NET POSITION:</b>               |                  |              |               |                       |                  |               |
| Net Investment in Capital Assets   | 3,831,973.08     | 2,712,032.88 | 3,531,901.96  | 3,139,604.37          | 131,704.30       | 13,584,939.45 |
| Restricted For:                    |                  |              |               |                       |                  |               |
| Revenue Bond Debt Service          | 1,994,375.60     |              | 464,060.00    |                       |                  | 464,060.00    |
| Lewis & Clark Rural Water          | 1,968,761.25     | 1,133,489.99 | 3,948,688.61  | 316,950.50            | 308,409.03       | 1,994,375.60  |
| Unrestricted Net Position          | 7,795,109.93     | 3,845,522.87 | 7,944,650.57  | 3,456,554.87          | 440,113.33       | 23,957,574.73 |
| <b>TOTAL NET POSITION</b>          |                  |              |               |                       |                  |               |

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

**MUNICIPALITY OF MADISON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2014**

|   | Enterprise Funds    |                     |                     |                       |                   | Totals               |
|---|---------------------|---------------------|---------------------|-----------------------|-------------------|----------------------|
|   | Water Fund          | Sewer Fund          | Electric Fund       | Community Center Fund | Solid Waste Fund  |                      |
| <b>Operating Revenue:</b>                             |                     |                     |                     |                       |                   |                      |
| Charges for Goods and Services                        | 1,415,033.57        | 1,118,243.69        | 9,792,735.25        | 645,741.23            | 253,318.37        | 1,009,554.71         |
| Revenue Dedicated to Servicing Debt                   |                     |                     |                     |                       |                   | 12,326,012.51        |
| Contributions and Donations                           | 4,436.60            | 840.15              | 143,925.93          | 3,162.00              |                   | 85,067.69            |
| Miscellaneous   |                     |                     |                     |                       |                   | 152,364.68           |
| <b>Total Operating Revenue</b>                        | <b>1,419,470.17</b> | <b>1,119,083.84</b> | <b>9,936,661.18</b> | <b>733,970.92</b>     | <b>253,318.37</b> | <b>13,572,999.59</b> |
| <b>Operating Expenses:</b>                            |                     |                     |                     |                       |                   |                      |
| Personal Services                                     | 524,838.49          | 357,082.49          | 943,000.84          | 442,742.28            | 94,440.14         | 2,400,618.05         |
| Other Current Expense                                 | 407,274.75          | 218,662.08          | 1,504,155.39        | 360,421.74            | 87,415.64         | 2,642,934.13         |
| Materials (Cost of Goods Sold)                        |                     |                     | 5,407,816.10        |                       |                   | 5,407,816.10         |
| Depreciation  | 251,740.97          | 342,175.88          | 411,512.10          | 97,330.76             | 18,814.90         | 1,147,708.09         |
| <b>Total Operating Expenses</b>                       | <b>1,183,854.21</b> | <b>917,920.45</b>   | <b>8,266,484.43</b> | <b>900,494.78</b>     | <b>200,670.68</b> | <b>11,599,076.37</b> |
| Operating Income (Loss)                               | 235,615.96          | 201,163.39          | 1,670,176.75        | (166,523.86)          | 52,647.69         | 1,973,923.22         |
| <b>Nonoperating Revenue (Expense):</b>                |                     |                     |                     |                       |                   |                      |
| Operating Grants                                      | 8,085.75            | 6,342.11            | 4,318.30            |                       | 898.31            | 4,318.30             |
| Investment Earnings                                   | 800.00              |                     | 18,554.56           |                       |                   | 33,880.73            |
| Rental Revenue  | (80,792.49)         | (133,627.45)        | 1,744.40            |                       |                   | 2,544.40             |
| Interest Expense                                      | 11,519.41           | 10,675.53           | (402,088.04)        | 1,739.70              |                   | (616,507.98)         |
| Other   |                     |                     | 24,202.28           |                       |                   | 50,386.92            |
| <b>Total Nonoperating Revenue (Expense)</b>           | <b>(60,387.33)</b>  | <b>(116,609.81)</b> | <b>(353,268.50)</b> | <b>1,739.70</b>       | <b>898.31</b>     | <b>(625,377.63)</b>  |
| Income (Loss) Before Contributions and Transfers      | 175,228.63          | 84,553.58           | 1,316,908.25        | (164,784.16)          | 53,546.00         | 1,448,545.59         |
| Capital Contributions                                 | 278,107.21          |                     |                     |                       |                   | 278,107.21           |
| Transfers In  | 50,000.00           | 16,870.20           |                     | 94,500.00             |                   | 161,370.20           |
| Transfers Out   | (102,308.20)        | (65,638.00)         | (236,995.00)        |                       |                   | (404,941.20)         |
| <b>Change in Net Position</b>                         | <b>401,027.64</b>   | <b>35,785.78</b>    | <b>1,079,913.25</b> | <b>(70,284.16)</b>    | <b>53,546.00</b>  | <b>1,483,081.80</b>  |
| Net Position - Beginning                              | 7,394,082.29        | 3,809,737.09        | 6,833,091.34        | 3,486,939.03          | 386,567.33        | 22,402,946.95        |
| <b>Adjustments:</b>                                   |                     |                     |                     |                       |                   |                      |
| To Correct Recording of Prior Year Interfund Transfer |                     |                     |                     | 39,900.00             |                   | 39,900.00            |
| To Correct Prior Year Accounts Payable                |                     |                     | 31,645.98           |                       |                   | 31,645.98            |
| <b>Adjusted Net Position - Beginning</b>              | <b>7,394,082.29</b> | <b>3,809,737.09</b> | <b>6,864,737.32</b> | <b>3,526,839.03</b>   | <b>386,567.33</b> | <b>22,474,492.93</b> |
| <b>NET POSITION - ENDING</b>                          | <b>7,795,109.93</b> | <b>3,845,522.87</b> | <b>7,944,650.57</b> | <b>3,456,554.87</b>   | <b>440,113.33</b> | <b>23,957,574.73</b> |

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

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

For the Year Ended December 31, 2014

|   | Enterprise Funds |               |                  |                             |                        | Totals         |
|---|------------------|---------------|------------------|-----------------------------|------------------------|----------------|
|   | Water<br>Fund    | Sewer<br>Fund | Electric<br>Fund | Community<br>Center<br>Fund | Solid<br>Waste<br>Fund |                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                  |               |                  |                             |                        |                |
| Cash Receipts from Customers  | 1,386,819.81     | 1,104,799.44  | 9,526,173.20     | 647,442.97                  | 249,977.74             | 113,287.74     |
| Other Operating Cash Receipts   | 4,436.60         | 840.15        | 143,925.93       | 88,229.69                   |                        | 237,432.37     |
| Cash Payments to Employees for Services   | (522,397.81)     | (360,377.44)  | (942,486.54)     | (447,812.72)                | (94,890.67)            | (39,614.15)    |
| Cash Payments to Suppliers of Goods and Services  | (378,369.08)     | (207,009.08)  | (6,923,848.26)   | (330,133.94)                | (91,429.30)            | (59,537.65)    |
| Net Cash Provided (Used) by Operating Activities  | 490,489.52       | 538,253.07    | 1,803,764.33     | (42,274.00)                 | 63,657.77              | 14,135.94      |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>                                     |                  |               |                  |                             |                        |                |
| Operating Subsidies   |                  |               | 4,318.30         |                             |                        |                |
| Transfers In  | 50,000.00        | 16,870.20     |                  | 94,500.00                   |                        |                |
| Transfers Out   | (102,308.20)     | (65,638.00)   | (236,995.00)     |                             |                        |                |
| Net Cash Provided (Used) by Noncapital Financing Activities                                 | (52,308.20)      | (48,767.80)   | (232,676.70)     | 94,500.00                   | 0.00                   | 0.00           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                            |                  |               |                  |                             |                        |                |
| Proceeds from Capital Debt  | 1,569,603.41     |               |                  |                             |                        |                |
| Purchase of Capital Assets  | (1,719,338.37)   | (18,089.60)   | (788,898.12)     | (22,209.70)                 |                        |                |
| Principal Paid on Capital Debt  | (186,492.01)     | (205,145.74)  | (415,000.00)     |                             |                        |                |
| Interest Paid on Capital Debt   | (73,282.48)      | (135,022.50)  | (196,582.50)     |                             |                        |                |
| Other Receipts (Payments)   | 12,319.41        | 10,675.53     | 25,946.68        | 1,739.70                    |                        | 2,250.00       |
| Net Cash Provided (Used) by Capital and Related Financing Activities                        | (97,178.94)      | (347,582.31)  | (1,374,533.94)   | (20,470.00)                 | 0.00                   | (2,137,526.29) |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                  |               |                  |                             |                        |                |
| Cash Received for Interest  | 8,085.75         | 6,342.11      | 18,255.45        |                             | 898.31                 |                |
| Net Cash Provided by Investing Activities   | 8,085.75         | 6,342.11      | 18,255.45        | 0.00                        | 898.31                 | 0.00           |
| Net Increase (Decrease) in Cash and Cash Equivalents  | 49,077.03        | 148,245.07    | 214,809.14       | 31,756.00                   | 64,556.08              | 16,385.94      |
| Balances - Beginning  | 1,766,357.35     | 916,090.51    | 3,066,980.01     | 355,695.75                  | 226,319.66             | 210,110.84     |
| Adjustments to Beginning Balances:<br>To Correct Recording of Prior Year Interfund Transfer |                  |               |                  | 39,900.00                   |                        |                |
| Adjusted Balances - Beginning   | 1,766,357.35     | 916,090.51    | 3,066,980.01     | 395,595.75                  | 226,319.66             | 210,110.84     |
| Balances - Ending   | 1,815,434.38     | 1,064,335.58  | 3,281,789.15     | 427,351.75                  | 290,875.74             | 226,496.78     |

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

**MUNICIPALITY OF MADISON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2014**

|  | Enterprise Funds |             |               |                       |                  | Totals      |                |
|--|------------------|-------------|---------------|-----------------------|------------------|-------------|----------------|
|  | Water Fund       | Sewer Fund  | Electric Fund | Community Center Fund | Solid Waste Fund |             | Recycling Fund |
|  | 235,615.96       | 201,163.39  | 1,670,176.75  | (166,523.86)          | 52,647.69        | (19,156.71) | 1,973,923.22   |
|  | 251,740.97       | 342,175.88  | 411,512.10    | 97,330.76             | 18,814.90        | 26,133.48   | 1,147,708.09   |
|  | (28,133.76)      | (13,444.25) | (275,262.85)  | 1,701.74              | (3,340.63)       | 2,792.63    | (315,687.12)   |
|  | 6,144.86         | 413.76      | (5,022.77)    |                       |                  | 5,570.94    | 7,106.79       |
|  | 25,084.53        | 11,451.90   | (5,535.78)    | 34,163.35             | (3,102.18)       | 31.77       | 62,093.59      |
|  | (11,598.01)      | (8,395.43)  | (23,621.59)   | (11,306.44)           | (2,944.53)       | (1,100.34)  | (58,966.34)    |
|  | 6,556.69         | 1,360.48    | 9,172.89      | (3,966.45)            | (1,080.59)       |             | 12,043.02      |
|  | (2,323.72)       | (212.66)    | (1,318.22)    | 90.90                 | 169.11           | (135.83)    | (3,730.42)     |
|  | 7,482.00         | 3,740.00    | 14,963.00     | 6,236.00              | 2,494.00         |             | 34,915.00      |
|  | (80.00)          |             | (3,569.20)    |                       |                  |             | (3,569.20)     |
|  |                  |             | 12,270.00     |                       |                  |             | 12,190.00      |
|  | 490,489.52       | 538,253.07  | 1,803,764.33  | (42,274.00)           | 63,657.77        | 14,135.94   | 2,868,026.63   |
|  | 278,107.21       |             |               |                       |                  |             | 278,107.21     |

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

|  |  |
|--|--|
| Operating Income (Loss)  |  |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: |  |
| Depreciation Expense   |  |
| Change in Assets and Liabilities:  |  |
| Receivables  |  |
| Inventories  |  |
| Accounts and Other Payables  |  |
| Accrued Wages Payable  |  |
| Accrued Leave Payable  |  |
| Prepaid Expenses   |  |
| OPEB Payable   |  |
| Revenue Collected in Advance   |  |
| Customer Deposits  |  |
| Net Cash Provided (Used) by Operating Activities   |  |
| Noncash Investing, Capital and Financing Activities:   |  |
| Improvements Purchased by 2nd Cent Fund  |  |

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

**MUNICIPALITY OF MADISON  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
December 31, 2014**

|                           | <b>Agency<br/>Funds</b> |
|---------------------------|-------------------------|
| <b>ASSETS:</b>            |                         |
| Cash and Cash Equivalents | <u>87.41</u>            |
| <b>TOTAL ASSETS</b>       | <b>87.41</b>            |
| <b>LIABILITIES:</b>       |                         |
| Amounts Held for Others   | <u>87.41</u>            |
| <b>TOTAL LIABILITIES</b>  | <b>87.41</b>            |
| <b>NET POSITION</b>       | <u><u>0.00</u></u>      |

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

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NOTES TO THE FINANCIAL STATEMENTS1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESa. Financial Reporting Entity:

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

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

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

b. Basis of Presentation:Government-wide Financial Statements:

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

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

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

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

**Fund Financial Statements:**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

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

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

**Governmental Funds:**

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

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

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

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

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

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

See Independent Auditor's Report.

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

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

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

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

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

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

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

Proprietary Funds:

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

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

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

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

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

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

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

Fiduciary Funds:

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

Agency Funds – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Cafeteria Plan, under IRS §125, is the Municipality's only fiduciary fund.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental, business-type and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

**Fund Financial Statements:**

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Madison, the length of that cycle is 30 days. The revenues, which are accrued at December 31, 2014, are amounts due from governments and airplane fuel.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues 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 fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Deposits and Investments:

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

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

e. Capital Assets:

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

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

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NOTES TO THE FINANCIAL STATEMENTS  
 (continued)

Government-Wide Statements

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

The total December 31, 2014 balance of governmental activity capital assets and business-type capital assets are all valued at original cost.

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

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

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

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

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

f. Long-Term Liabilities:

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

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

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

g. Program Revenues:

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

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Deferred Inflows and Deferred Outflows of Resources:

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

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

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

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

k. Equity Classifications:

Government-wide Statements:

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

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned" and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Agency Funds have no fund equity. The Net Position is reported as Net Position Held in Agency Capacity.

l. Application of Net Position:

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

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

m. Fund Balance Classification Policies and Procedures:

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

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

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as inventory and prepaid expenses.
- Amount legally or contractually required to remain intact such as cumulative insurance reserve.
- Amount not in cash form such as long-term notes receivable.

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

| <u>Fund Balance Type</u> | <u>Amount</u>   | <u>Action</u> |
|--------------------------|-----------------|---------------|
| 2nd Penny                | \$ 1,638,082.33 | Ordinance     |
| Library Friends          | \$ 8,678.10     | Ordinance     |
| Maloney Reserve          | \$ 4,997.18     | Ordinance     |
| Hillian Trust            | \$ 15,898.58    | Ordinance     |
| Library Building         | \$ 6,599.28     | Ordinance     |

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

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

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

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

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

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS:

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

|                                   | <u>Year Ended</u><br><u>12/31/14</u> |
|-----------------------------------|--------------------------------------|
| General Fund:                     |                                      |
| <u>Activity</u>                   |                                      |
| Fire                              | \$ 38,550.81                         |
| 3rd Cent Fund:                    |                                      |
| <u>Activity</u>                   |                                      |
| Economic Development & Assistance | \$ 143.51                            |
| 2nd Cent Fund:                    |                                      |
| <u>Activity</u>                   |                                      |
| Police                            | \$ 27,405.76                         |
| Special Maintenance Fee Fund:     |                                      |
| <u>Activity</u>                   |                                      |
| Highways and Streets              | \$ 6,901.50                          |

The Municipal Council plans to take the following actions to address these violations: make contingency transfers or adopt supplemental appropriations when allowed by law.

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

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

Deposits – The Municipality’s cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

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

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

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality's policy is to credit all income from deposits and investments to the fund making the investment, except for interest generated by the Cemetery Perpetual Care Fund, which must be credited to the General Fund and used only for maintenance of the municipal cemetery, as required by SDCL 9-32-18.

4. RESTRICTED CASH AND INVESTMENTS

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

|               |  |
|---------------|--|
| Amount:       | Purpose:   |
| \$ 458,260.32 | For Capital Asset construction (Includes balances with trustees) |
| \$ 777,534.02 | For Debt Service, by debt covenants                              |

5. RECEIVABLES AND PAYABLES

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

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

6. INVENTORY

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

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

Government-wide Financial Statements:

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

Fund Financial Statements:

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

7. PROPERTY TAXES

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

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

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

**8. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the year ended December 31, 2014, is as follows:

|  | Balance<br>01/01/14    | Increases             | Decreases   | Balance<br>12/31/14    |
|--|------------------------|-----------------------|-------------|------------------------|
| Governmental Activities:                     |                        |                       |             |                        |
| Capital Assets, not being depreciated:       |                        |                       |             |                        |
| Land   | 644,115.10             |                       |             | 644,115.10             |
| Construction Work in Progress                | 8,714.05               | 94,369.77             |             | 103,083.82             |
| Total, not being depreciated                 | <u>652,829.15</u>      | <u>94,369.77</u>      | <u>0.00</u> | <u>747,198.92</u>      |
| Capital Assets, being depreciated:           |                        |                       |             |                        |
| Buildings & Improvements                     | 14,722,660.96          |                       |             | 14,722,660.96          |
| Infrastructure                               | 23,368,046.67          | 44,206.65             |             | 23,412,253.32          |
| Machinery & Equipment                        | 5,742,076.90           | 261,176.60            |             | 6,003,253.50           |
| Total, being depreciated                     | <u>43,832,784.53</u>   | <u>305,383.25</u>     | <u>0.00</u> | <u>44,138,167.78</u>   |
| Less Accumulated Depreciation for:           |                        |                       |             |                        |
| Buildings & Improvements                     | (5,063,657.79)         | (487,299.27)          |             | (5,550,957.06)         |
| Infrastructure                               | (14,405,050.20)        | (512,562.08)          |             | (14,917,612.28)        |
| Machinery & Equipment                        | (4,210,714.50)         | (281,296.82)          |             | (4,492,011.32)         |
| Total Accumulated Depreciation               | <u>(23,679,422.49)</u> | <u>(1,281,158.17)</u> | <u>0.00</u> | <u>(24,960,580.66)</u> |
| Total Capital Assets, being depreciated, net | <u>20,153,362.04</u>   | <u>(975,774.92)</u>   | <u>0.00</u> | <u>19,177,587.12</u>   |
| Governmental Activity Capital Assets, Net    | <u>20,806,191.19</u>   | <u>(881,405.15)</u>   | <u>0.00</u> | <u>19,924,786.04</u>   |

Depreciation expense was charged to functions as follows:

|  |                     |
|--|---------------------|
| Governmental Activities:                             |                     |
| General Government                                   | 8,814.11            |
| Public Safety  | 78,812.36           |
| Public Works   | 883,819.82          |
| Culture and Recreation                               | 306,576.62          |
| Conservation and Development                         | 3,135.26            |
| Total Depreciation Expense - Governmental Activities | <u>1,281,158.17</u> |

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

|  | Balance<br>1/1/2014 | Increases      | Decreases      | Balance<br>12/31/2014 |
|--|---------------------|----------------|----------------|-----------------------|
| Primary Government:                          |                     |                |                |                       |
| Business-Type Activities:                    |                     |                |                |                       |
| Capital Assets, not being depreciated:       |                     |                |                |                       |
| Land   | 161,298.80          |                |                | 161,298.80            |
| Construction Work in Progress                | 1,930,396.59        | 1,576,248.77   | (3,506,645.36) | 0.00                  |
| Total, not being depreciated                 | 2,091,695.39        | 1,576,248.77   | (3,506,645.36) | 161,298.80            |
| Capital Assets, being depreciated:           |                     |                |                |                       |
| Infrastructure                               | 36,447,052.89       | 4,662,471.49   |                | 41,109,524.38         |
| Machinery & Equipment                        | 2,365,445.69        | 94,568.10      |                | 2,460,013.79          |
| Total, being depreciated                     | 38,812,498.58       | 4,757,039.59   | 0.00           | 43,569,538.17         |
| Less Accumulated Depreciation for:           |                     |                |                |                       |
| Infrastructure                               | (14,331,725.44)     | (1,038,710.86) |                | (15,370,436.30)       |
| Machinery & Equipment                        | (1,682,152.32)      | (108,997.23)   |                | (1,791,149.55)        |
| Total Accumulated Depreciation               | (16,013,877.76)     | (1,147,708.09) | 0.00           | (17,161,585.85)       |
| Total Capital Assets, being depreciated, net | 22,798,620.82       | 3,609,331.50   | 0.00           | 26,407,952.32         |
| Business-Type Activity Capital Assets, Net   | 24,890,316.21       | 5,185,580.27   | (3,506,645.36) | 26,569,251.12         |

Depreciation expense was charged to functions as follows:

|   |              |
|---|--------------|
| Business-Type Activities:                             |              |
| Water   | 251,740.97   |
| Sewer   | 342,175.88   |
| Electric  | 411,512.10   |
| Solid Waste   | 18,814.90    |
| Community Center                                      | 97,330.76    |
| Recycling Center                                      | 26,133.48    |
| Total Depreciation Expense - Business-Type Activities | 1,147,708.09 |

Construction Work in Progress at December 31, 2014 is composed of the following:

| Project Name          | Project<br>Authorization | Expended<br>thru<br>12/31/2014 | Committed  | Required<br>Future<br>Financing |
|-----------------------|--------------------------|--------------------------------|------------|---------------------------------|
| Airport Improvement   | 37,049.91                | 37,049.91                      | 0.00       | 0.00                            |
| 2014 Sidewalk Project | 248,339.63               | 66,033.91                      | 182,305.72 | 0.00                            |
| TOTAL                 | 285,389.54               | 103,083.82                     | 182,305.72 | 0.00                            |

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

9. CHANGES IN COMPONENT UNIT FIXED ASSETS:

A summary of changes in component unit fixed assets for the year ended December 31, 2014 is as follows:

|                               | Balance<br>1/1/2014 | Additions           | Deletions          | Balance<br>12/31/2014 |
|-------------------------------|---------------------|---------------------|--------------------|-----------------------|
| Land                          | 295,156.00          |                     |                    | 295,156.00            |
| Buildings & Improvements      | 6,309,735.00        | 48,071.00           |                    | 6,357,806.00          |
| Furniture & Equipment         | 240,812.00          |                     | (17,830.00)        | 222,982.00            |
| Construction Work In Progress | 0.00                | 15,584.00           |                    | 15,584.00             |
| Less Accumulated Depreciation | (4,271,512.00)      | (171,256.00)        |                    | (4,442,768.00)        |
| Total                         | <u>2,574,191.00</u> | <u>(107,601.00)</u> | <u>(17,830.00)</u> | <u>2,448,760.00</u>   |

10. LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities follows:

|  | Beginning<br>Balance<br>1/1/2014 | Additions           | Deletions           | Ending<br>Balance<br>12/31/14 | Due Within<br>One Year |
|--|----------------------------------|---------------------|---------------------|-------------------------------|------------------------|
| Primary Government:                                      |                                  |                     |                     |                               |                        |
| Governmental Activities:                                 |                                  |                     |                     |                               |                        |
| 2006 Sales Tax Revenue Bonds                             | 105,000.00                       |                     | 105,000.00          | 0.00                          | 0.00                   |
| 2013 Sales Tax Revenue Refunding Bonds                   | 960,000.00                       |                     | 20,000.00           | 940,000.00                    | 130,000.00             |
| 2007 General Obligation Bonds                            | 2,370,000.00                     |                     | 220,000.00          | 2,150,000.00                  | 230,000.00             |
| Financing (Capital Acquisition) Lease                    | 53,442.91                        |                     | 14,450.61           | 38,992.30                     | 38,992.30              |
| Tax Increment Financing District Loan                    | 278,414.85                       |                     | 20,590.93           | 257,823.92                    | 22,611.49              |
| GASB-45 Expected Net OPEB Obligation                     | 183,412.00                       | 48,631.00           |                     | 232,043.00                    | 0.00                   |
| Leave Liability: Paid by Governmental Funds              | 284,425.42                       | 171,757.31          | 168,561.46          | 287,621.27                    | 170,000.00             |
| Total Governmental Activities                            | <u>4,234,695.18</u>              | <u>220,388.31</u>   | <u>548,603.00</u>   | <u>3,906,480.49</u>           | <u>591,603.79</u>      |
| Business-Type Activities:                                |                                  |                     |                     |                               |                        |
| 2010 Electric Revenue Refunding Bonds                    | 2,230,000.00                     |                     | 275,000.00          | 1,955,000.00                  | 290,000.00             |
| 2004B Taxable Electric Generation Facility Revenue Bonds | 140,000.00                       |                     | 140,000.00          | 0.00                          | 0.00                   |
| 2013 Taxable Electric Generation Revenue Refunding Bonds | 3,690,000.00                     |                     |                     | 3,690,000.00                  | 230,000.00             |
| 2007 Clean Water State Revolving Loan                    | 4,230,949.42                     |                     | 205,145.74          | 4,025,803.68                  | 211,894.67             |
| 2013 Drinking Water Revenue Bond                         | 1,930,396.59                     | 1,569,603.41        | 186,492.01          | 3,313,507.99                  | 197,235.13             |
| GASB-45 Expected Net OPEB Obligation                     | 131,679.00                       | 34,915.00           |                     | 166,594.00                    | 0.00                   |
| Leave Liability: Paid by the Enterprise Funds            | 249,237.14                       | 103,383.35          | 91,340.33           | 261,280.16                    | 92,000.00              |
| Total Business-Type Activities                           | <u>12,602,262.15</u>             | <u>1,707,901.76</u> | <u>897,978.08</u>   | <u>13,412,185.83</u>          | <u>1,021,129.80</u>    |
| Total Primary Government                                 | <u>16,836,957.33</u>             | <u>1,928,290.07</u> | <u>1,446,581.08</u> | <u>17,318,666.32</u>          | <u>1,612,733.59</u>    |

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NOTES TO THE FINANCIAL STATEMENTS  
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In prior years, the Municipality defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly the trust account assets and the liability for the defeased bonds are not included in the Municipality's financial statements. As of December 31, 2014, all of the bonds were retired.

In prior years, the Municipality defeased certain taxable electric generation revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly the trust account assets and the liability for the defeased bonds are not included in the Municipality's financial statements. As of December 31, 2014, all of the bonds were retired.

Liabilities payable at December 31, 2014 are comprised of the following:

2007 General Obligation Bonds:

Maturity Date: December 1, 2022

Fixed Interest Rate: 4.75%

Payable from Swimming Pool Debt Service Fund \$ 2,150,000.00

Tax Increment Financing District Loan:

Construction loan up to \$330,500

Fixed Interest Rate: 4.09%

Paid by Tax Increment District \$ 257,823.92

2010 Electric Revenue Refunding Bonds:

Maturity Date: December 2019

Fixed Interest Rate: 1.0% to 4.0%

Payable from Electric Fund \$ 1,955,000.00

2007 Clean Water State Revolving Loan:

Maturity Date: October 15, 2029

Fixed Interest Rate and Fee: 3.25%

Payable from Sewer Fund \$ 4,025,803.68

2013 Sales Tax Revenue Refunding Bonds:

Maturity Date: December 1, 2021

Fixed Interest Rate: 0.9% to 2.0%

Payable from 2<sup>nd</sup> Cent Sales Tax Fund \$ 940,000.00

2013 Taxable Electric Generation Revenue Refunding Bonds:

Maturity Date: December 15, 2025

Fixed Interest Rate: 1.25% to 3.75%

Payable from Electric Fund \$ 3,690,000.00

2013 Drinking Water Revenue Bonds:

Maturity Date: June 1, 2028

Fixed Interest Rate: 2.75%

Payable from Water Fund \$ 3,313,507.99

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

Compensated Absences:

Accrued Leave Balances of Municipality Employees

|                                     |               |
|-------------------------------------|---------------|
| Payable from General Fund           | \$ 272,644.25 |
| Payable from Park & Recreation Fund | \$ 14,977.02  |
| Payable from Water Fund             | \$ 60,391.06  |
| Payable from Electric Fund          | \$ 141,906.39 |
| Payable from Sewer Fund             | \$ 35,749.03  |
| Payable from Community Center Fund  | \$ 19,376.37  |
| Payable from Solid Waste Fund       | \$ 3,857.31   |

Financing (Capital Acquisition) Leases:

|                           |              |
|---------------------------|--------------|
| Lease for Motor Grader    |              |
| Payable from General Fund | \$ 38,992.30 |

The purchase price at the commencement of the financing (capital acquisition) leases were:

|           |                      |
|-----------|----------------------|
| Principal | \$ 124,630.25        |
| Interest  | <u>29,925.05</u>     |
| TOTAL     | <u>\$ 154,555.30</u> |

The principal amount, above, was included in the appropriate classification of capital assets, and is begin depreciated over the shorter of the estimated useful-life of the asset, or the lease term (where title never transfers), as appropriate.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

## Primary Government

The annual requirements to amortize all debt outstanding as of December 31, 2014, except for compensated absences, are as follows:

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2014

| Year Ending<br>December 31, | 2007 General<br>Obligation Bonds |                   | 2007 Clean Water<br>State Revolving Loan |                     | Financing (Capital Acquisition)<br>Lease - Motor Grader |               |
|-----------------------------|----------------------------------|-------------------|--|---------------------|---|---------------|
|                             | Principal                        | Interest          | Principal                                | Interest            | Principal   | Interest      |
| 2015                        | 230,000.00                       | 112,575.00        | 211,894.67                               | 128,273.57          | 38,835.33   | 156.97        |
| 2016                        | 240,000.00                       | 91,200.00         | 218,865.64                               | 121,302.60          |   |               |
| 2017                        | 250,000.00                       | 79,800.00         | 226,065.93                               | 114,102.31          |   |               |
| 2018                        | 265,000.00                       | 67,925.00         | 233,503.10                               | 106,665.14          |   |               |
| 2019                        | 275,000.00                       | 55,337.50         | 241,184.94                               | 98,983.30           |   |               |
| 2020-2024                   | 890,000.00                       | 85,737.50         | 1,330,294.31                             | 370,546.89          |   |               |
| 2025-2029                   |                                  |                   | 1,563,995.09                             | 136,846.11          |   |               |
| Totals                      | <u>2,150,000.00</u>              | <u>492,575.00</u> | <u>4,025,803.68</u>                      | <u>1,076,719.92</u> | <u>38,835.33</u>  | <u>156.97</u> |

| Year Ending<br>December 31, | Sales Tax Revenue<br>Refunding Bonds, Series 2013 |                  | 2010 Electric<br>Revenue Refunding Bonds |                   | Tax. Electric Generation Rev.<br>Refunding Bonds, Series 2013 |                   |
|-----------------------------|---|------------------|--|-------------------|---|-------------------|
|                             | Principal   | Interest         | Principal                                | Interest          | Principal   | Interest          |
| 2015                        | 130,000.00  | 13,272.50        | 290,000.00                               | 72,517.50         | 230,000.00  | 109,355.00        |
| 2016                        | 130,000.00  | 12,102.50        | 305,000.00                               | 63,817.50         | 240,000.00  | 106,480.00        |
| 2017                        | 130,000.00  | 10,737.50        | 320,000.00                               | 53,600.00         | 245,000.00  | 102,880.00        |
| 2018                        | 135,000.00  | 9,177.50         | 335,000.00                               | 41,600.00         | 270,000.00  | 97,980.00         |
| 2019                        | 135,000.00  | 7,355.00         | 705,000.00                               | 28,200.00         | 275,000.00  | 91,500.00         |
| 2020-2024                   | 280,000.00  | 8,162.50         |  |                   | 1,650,000.00  | 323,412.50        |
| 2025-2029                   |   |                  |  |                   | 780,000.00  | 29,250.00         |
| Totals                      | <u>940,000.00</u>                                 | <u>60,807.50</u> | <u>1,955,000.00</u>                      | <u>259,735.00</u> | <u>3,690,000.00</u>   | <u>860,857.50</u> |

| Year Ending<br>December 31, | Tax Increment<br>Financing District Loan |                  | 2013 Drinking Water<br>Revenue Bonds |                   | TOTALS               |                     |
|-----------------------------|--|------------------|--------------------------------------|-------------------|----------------------|---------------------|
|                             | Principal                                | Interest         | Principal                            | Interest          | Principal            | Interest            |
| 2015                        | 22,611.49                                | 10,270.19        | 197,235.13                           | 88,409.49         | 1,350,576.62         | 534,830.22          |
| 2016                        | 23,545.76                                | 9,335.92         | 202,659.09                           | 82,910.94         | 1,360,070.49         | 487,149.46          |
| 2017                        | 24,518.62                                | 8,363.06         | 208,232.22                           | 77,261.19         | 1,403,816.77         | 446,744.06          |
| 2018                        | 25,531.69                                | 7,349.99         | 213,958.60                           | 71,456.07         | 1,477,993.39         | 402,153.70          |
| 2019                        | 26,586.82                                | 6,295.07         | 219,842.46                           | 65,681.61         | 1,877,614.22         | 353,352.48          |
| 2020-2024                   | 135,029.54                               | 12,937.92        | 1,193,291.79                         | 232,413.22        | 5,478,615.64         | 1,033,210.53        |
| 2025-2029                   |  |                  | 1,078,288.70                         | 60,311.23         | 3,422,283.79         | 226,407.34          |
| Totals                      | <u>257,823.92</u>                        | <u>54,552.15</u> | <u>3,313,507.99</u>                  | <u>678,443.75</u> | <u>16,370,970.92</u> | <u>3,483,847.79</u> |

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

11. CONDUIT DEBT

In the past, the Municipality has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the Municipality, the State of South Dakota, nor any other political subdivision of the state is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2014, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$1,280,104.00.

12. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2014 was as follows:

Major Purposes:

Governmental Activities:

|   |                        |
|---|------------------------|
| Capital Projects Purposes                               | \$ 458,260.32          |
| Debt Service Purposes                                   | 313,474.02             |
| Community Development Purposes                          | 345,585.73             |
| 3rd Cent Sales Tax - City Promotion Purposes            | 43,734.63              |
| Park & Recreation Purposes                              | 471,057.46             |
| 100 Year Anniversary Purposes                           | 558.23                 |
| Community Building Purposes                             | 450,000.00             |
| Cummulative Insurance Reserve Purposes                  | <u>99,739.62</u>       |
| Total Restricted Net Position - Governmental Activities | <u>\$ 2,182,410.01</u> |

Business-Type Activities:

|  |                               |
|--|-------------------------------|
| Debt Service Purposes                                    | \$ 464,060.00                 |
| Lewis & Clark Rural Water Future Expansion               | 1,994,375.60                  |
| Total Restricted Net Position - Business-Type Activities | <u>\$ 2,458,435.60</u>        |
| TOTAL RESTRICTED NET POSITION                            | <u><u>\$ 4,640,845.61</u></u> |

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

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

13. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2014 were as follows:

| <u>Fund:</u>               | <u>Governmental</u>  | <u>Proprietary</u>     | <u>Purpose</u> |
|----------------------------|----------------------|------------------------|----------------|
| General Fund               | \$ (136,026.00)      |                        | Operations     |
| Parks & Recreation Fund    | 502,571.00           |                        | Operations     |
| 3rd Cent Sales Tax Fund    | 61,000.00            |                        | Operations     |
| Community Development Fund | (86,250.00)          |                        | Operations     |
| 2nd Cent Sales Tax Fund    | (97,724.00)          |                        | Operations     |
| Water Fund                 |                      | (52,308.20)            | Operations     |
| Sewer Fund                 |                      | (48,767.80)            | Operations     |
| Electric Fund              |                      | (236,995.00)           | Operations     |
| Community Center Fund      |                      | 94,500.00              | Operations     |
| TOTAL                      | <u>\$ 243,571.00</u> | <u>\$ (243,571.00)</u> |                |

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

14. RETIREMENT PLAN

All employees, except for part-time employees working less than 20 hours per week and temporary employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute six percent of their salary to the plan, while public safety and judicial employees contribute at eight percent and nine percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2014, 2013, and 2012 were \$200,812.42, \$188,878.04, and \$184,430.22, respectively, equal to the required contributions each year.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

15. OTHER POST EMPLOYMENT BENEFITS – HEALTHCARE PLAN:

Per the Municipality of Madison's Benefits Policy 8.1.1B:

A retiree with at least 15 years of continuous service and at age 55 or older may elect to stay on the Municipality's health insurance until that retiree turns 65 years of age. The retiree will pay 100 percent of the premium for the health plan that they elect. The retiree will receive reimbursement from the Municipality based on half of the current single group premium up to a maximum of \$69.75 per month (\$162.00 for a supervisor). At the time the retiree turns 65, they are eligible to be covered under Supplement to Medicare. They will continue to receive a monthly insurance reimbursement based on 50 percent of the monthly supplement plan premium not to exceed \$69.75 per month (\$162.00 for a supervisor).

This post-employment health insurance benefit is not part of any formal defined benefit "Plan". The policy statement is the municipality's only reference to the post employment health insurance benefit. Except for statutory authority for a municipality to offer to pay up to half of a retired employee's health coverage premium under SDCL 9-14-35, there is no other legal or contractual authority under which the post-employment health insurance benefit is offered.

Annual OPEB Cost and Net OPEB Obligation:

The Municipality's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the financial components of the plan:

|  |    |                          |
|--|----|--------------------------|
| Annual Required Contribution (ARC)         | \$ | 106,891.00               |
| ARC Adjustment                             |    | (10,890.00)              |
| Interest on Net OPEB Obligation            | \$ | 26,322.00                |
| Contributions made                         |    | <u>(38,777.00)</u>       |
| Increase (Decrease) in net OPEB obligation | \$ | 83,546.00                |
| Net OPEB obligation – beginning of year    |    | <u>315,091.00</u>        |
| Net OPEB obligation – end of year          | \$ | <u><u>398,637.00</u></u> |

The Municipality's annual OPEB cost data and net OPEB obligation was as follows:

| Fiscal<br>Year<br>Ended | Annual OPEB Cost | Percentage of<br>Annual OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
|-------------------------|------------------|--|------------------------|
| 2010                    | \$ 106,891.00    | 33.43%   | \$ 124,403.00          |
| 2011                    | \$ 106,891.00    | 40.17%   | \$ 189,806.00          |
| 2012                    | \$ 106,891.00    | 38.07%   | \$ 258,219.00          |
| 2013                    | \$ 106,891.00    | 38.74%   | \$ 315,091.00          |
| 2014                    | \$ 106,891.00    | 36.28%   | \$ 398,637.00          |

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

Funded Status and Funding Progress:

As of December 31, 2009, the most recent actuarial valuation date, the plan's statistics were as follows:

|  |                        |
|--|------------------------|
| Actuarial Accrued Liability  | \$ 1,063,649.00        |
| Actuarial Value of Benefit Assets  | -                      |
| Unfunded Actuarial Accrued Liability                                       | <u>\$ 1,063,649.00</u> |
| Funded Ratio   | -                      |
| Covered Payroll  | <u>\$ 2,532,216.00</u> |
| Unfunded Actuarial Accrued Liability as a<br>Percentage of Covered payroll | <u>42.00%</u>          |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2009 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.5 percent rate of return and an annual healthcare cost trend rate of seven percent initially, reduced by decrements to an ultimate rate of four percent after seven years. Both rates include a three percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was 25 years.

16. CONTINGENCIES:

The Municipality has guaranteed payment of a Revenue Bond issued to the Madison Housing and Redevelopment Commission (a component unit of the Municipality) for up to \$442,895.

17. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2014, the Municipality was not involved in any significant litigation.

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

**18. RISK MANAGEMENT**

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2014, the Municipality managed its risks as follows:

Employee Health Insurance:

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

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

Liability Insurance:

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

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

The agreement with the SDPAA provides that the above coverages will be provided to a \$5,000,000.00 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The Municipality would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

|  |     |
|--|-----|
| End of Municipality's First Full Year  | 50% |
| End of Municipality's Second Full Year | 60% |
| End of Municipality's Third Full Year  | 70% |
| End of Municipality's Fourth Full Year | 80% |

See Independent Auditor's Report.

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

|  |      |
|--|------|
| End of Municipality's Fifth Full Year                | 90%  |
| End of Municipality's Sixth Full Year and Thereafter | 100% |

As of December 31, 2014, the Municipality has vested balance in the cumulative reserve fund of \$99,739.62.

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

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

Worker's Compensation:

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

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

Unemployment Benefits:

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

During the year ended December 31, 2014, no claims were filed for unemployment benefits. At December 31, 2014, no claims had been filed and were outstanding.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF MADISON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2014**

|  | <u>Budgeted Amounts</u> |                     | <u>Actual Amounts<br/>(Budgetary Basis)</u> | <u>Variance with<br/>Final Budget -<br/>Positive (Negative)</u> |
|--|-------------------------|---------------------|---|---|
|  | <u>Original</u>         | <u>Final</u>        |   |   |
| <b>Revenues:</b>                           |                         |                     |   |   |
| <b>Taxes:</b>                              |                         |                     |   |   |
| General Property Taxes                     | 1,640,255.00            | 1,640,255.00        | 1,626,146.77                                | (14,108.23)   |
| General Sales and Use Taxes                | 1,417,000.00            | 1,417,000.00        | 1,564,316.80                                | 147,316.80  |
| Amusement Tax                              | 850.00                  | 850.00              | 984.00                                      | 134.00  |
| Penalties and Interest on Delinquent Taxes | 3,000.00                | 3,000.00            | 13,196.32                                   | 10,196.32   |
| Licenses and Permits                       | 61,750.00               | 61,750.00           | 76,955.00                                   | 15,205.00   |
| <b>Intergovernmental Revenue:</b>          |                         |                     |   |   |
| Federal Grants                             | 0.00                    | 0.00                | 8,108.09                                    | 8,108.09  |
| State Grants                               | 0.00                    | 3,927.93            | 4,000.00                                    | 72.07   |
| <b>State Shared Revenue:</b>               |                         |                     |   |   |
| Bank Franchise Tax                         | 5,000.00                | 5,000.00            | 12,605.15                                   | 7,605.15  |
| Liquor Tax Reversion                       | 40,000.00               | 40,000.00           | 41,983.31                                   | 1,983.31  |
| Motor Vehicle Licenses                     | 65,000.00               | 65,000.00           | 87,372.76                                   | 22,372.76   |
| State Payments in Lieu of Taxes            | 6,000.00                | 6,000.00            | 6,168.02                                    | 168.02  |
| <b>County Shared Revenue:</b>              |                         |                     |   |   |
| County Road Tax                            | 11,700.00               | 11,700.00           | 11,717.70                                   | 17.70   |
| County Highway & Bridge Reserve Tax        | 160,000.00              | 160,000.00          | 202,224.58                                  | 42,224.58   |
| <b>Charges for Goods and Services:</b>     |                         |                     |   |   |
| General Government                         | 1,200.00                | 1,200.00            | 1,700.00                                    | 500.00  |
| Public Safety                              | 700.00                  | 700.00              | 585.00                                      | (115.00)  |
| Highways and Streets                       | 5,500.00                | 5,500.00            | 11,054.86                                   | 5,554.86  |
| Sanitation                                 | 25,000.00               | 25,000.00           | 32,991.10                                   | 7,991.10  |
| Health                                     | 1,000.00                | 1,000.00            | 690.00                                      | (310.00)  |
| Other                                      | 114,400.00              | 169,900.00          | 162,916.92                                  | (6,983.08)  |
| <b>Fines and Forfeits:</b>                 |                         |                     |   |   |
| Court Fines and Costs                      | 2,000.00                | 2,000.00            | 1,410.50                                    | (589.50)  |
| Other                                      | 1,200.00                | 1,200.00            | 1,400.00                                    | 200.00  |
| <b>Miscellaneous Revenue:</b>              |                         |                     |   |   |
| Investment Earnings                        | 32,400.00               | 32,400.00           | 34,847.24                                   | 2,447.24  |
| Rentals                                    | 58,250.00               | 58,250.00           | 95,951.40                                   | 37,701.40   |
| Special Assessments                        | 600.00                  | 600.00              | 4,893.68                                    | 4,293.68  |
| <b>Contributions and Donations from</b>    |                         |                     |   |   |
| Private Sources                            | 12,000.00               | 12,000.00           | 13,357.83                                   | 1,357.83  |
| Other                                      | 37,500.00               | 113,150.00          | 138,541.91                                  | 25,391.91   |
| <b>Total Revenue</b>                       | <b>3,702,305.00</b>     | <b>3,837,382.93</b> | <b>4,156,118.94</b>                         | <b>318,736.01</b>   |
| <b>Expenditures:</b>                       |                         |                     |   |   |
| <b>General Government:</b>                 |                         |                     |   |   |
| Legislative                                | 85,700.00               | 87,275.00           | 69,175.14                                   | 18,099.86   |
| Contingency                                | 170,000.00              | 170,000.00          |   |   |
| Amount Transferred                         |                         | (101,725.00)        |   | 68,275.00   |
| Financial Administration                   | 200,860.00              | 201,860.00          | 178,730.58                                  | 23,129.42   |
| Other                                      | 323,350.00              | 328,450.00          | 286,665.07                                  | 41,784.93   |
| <b>Total General Government</b>            | <b>779,910.00</b>       | <b>685,860.00</b>   | <b>534,570.79</b>                           | <b>151,289.21</b>   |

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF MADISON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2014**

|   | <u>Budgeted Amounts</u> |                     | <u>Actual Amounts<br/>(Budgetary Basis)</u> | <u>Variance with<br/>Final Budget -<br/>Positive (Negative)</u> |
|---|-------------------------|---------------------|---|---|
|   | <u>Original</u>         | <u>Final</u>        |   |   |
| <b>Expenditures (continued):</b>                                |                         |                     |   |   |
| Public Safety:  |                         |                     |   |   |
| Police  | 941,150.00              | 980,200.00          | 955,119.79                                  | 25,080.21   |
| Fire  | 188,050.00              | 212,927.93          | 251,478.74                                  | (38,550.81)   |
| Other Protection  | 1,500.00                | 1,500.00            | 0.00  | 1,500.00  |
| Total Public Safety   | <u>1,130,700.00</u>     | <u>1,194,627.93</u> | <u>1,206,598.53</u>                         | <u>(11,970.60)</u>  |
| Public Works:   |                         |                     |   |   |
| Highways and Streets  | 912,710.00              | 1,056,935.24        | 918,739.45                                  | 138,195.79  |
| Sanitation  | 35,001.00               | 76,845.00           | 69,222.29                                   | 7,622.71  |
| Airport   | 193,650.00              | 267,750.00          | 222,942.22                                  | 44,807.78   |
| Total Public Works  | <u>1,141,361.00</u>     | <u>1,401,530.24</u> | <u>1,210,903.96</u>                         | <u>190,626.28</u>   |
| Health and Welfare:   |                         |                     |   |   |
| Health  | 7,500.00                | 7,500.00            | 4,000.00                                    | 3,500.00  |
| Total Health and Welfare  | <u>7,500.00</u>         | <u>7,500.00</u>     | <u>4,000.00</u>                             | <u>3,500.00</u>   |
| Culture and Recreation:   |                         |                     |   |   |
| Recreation  | 3,000.00                | 3,000.00            | 3,000.00                                    | 0.00  |
| Libraries   | 466,312.00              | 503,512.00          | 471,480.74                                  | 32,031.26   |
| Auditorium  | 70,975.00               | 72,025.00           | 50,634.23                                   | 21,390.77   |
| Total Culture and Recreation                                    | <u>540,287.00</u>       | <u>578,537.00</u>   | <u>525,114.97</u>                           | <u>53,422.03</u>  |
| Conservation and Development:                                   |                         |                     |   |   |
| Economic Development and<br>Assistance (Industrial Development) | 56,400.00               | 56,400.00           | 50,561.74                                   | 5,838.26  |
| Total Conservation and Development                              | <u>56,400.00</u>        | <u>56,400.00</u>    | <u>50,561.74</u>                            | <u>5,838.26</u>   |
| Debt Service  | <u>16,509.00</u>        | <u>16,509.00</u>    | <u>16,509.00</u>                            | <u>0.00</u>   |
| Total Expenditures  | <u>3,672,667.00</u>     | <u>3,940,964.17</u> | <u>3,548,258.99</u>                         | <u>392,705.18</u>   |
| Excess of Revenue Over (Under)<br>Expenditures                  | <u>29,638.00</u>        | <u>(103,581.24)</u> | <u>607,859.95</u>                           | <u>711,441.19</u>   |
| <b>Other Financing Sources (Uses):</b>                          |                         |                     |   |   |
| Transfers In  | 19,800.00               | 19,800.00           | 19,800.00                                   | 0.00  |
| Sale of Municipal Property                                      | 16,666.00               | 16,666.00           | 23,664.77                                   | 6,998.77  |
| Compensation for Loss or<br>Damage to Capital Assets            | 0.00                    | 0.00                | 2,114.00                                    | 2,114.00  |
| Transfers Out   | (155,826.00)            | (155,826.00)        | (155,826.00)                                | 0.00  |
| Total Other Financing Sources (Uses)                            | <u>(119,360.00)</u>     | <u>(119,360.00)</u> | <u>(110,247.23)</u>                         | <u>9,112.77</u>   |
| Net Change in Fund Balances                                     | <u>(89,722.00)</u>      | <u>(222,941.24)</u> | <u>497,612.72</u>                           | <u>720,553.96</u>   |
| Fund Balance - Beginning  | 5,057,868.97            | 5,057,868.97        | 5,057,868.97                                | 0.00  |
| Adjustments   |                         |                     |   |   |
| To Correct Recording of Prior Year<br>Interfund Transfer        | 0.00                    | 0.00                | (39,900.00)                                 | (39,900.00)   |
| Adjusted Fund Balance - Beginning                               | <u>5,057,868.97</u>     | <u>5,057,868.97</u> | <u>5,017,968.97</u>                         | <u>(39,900.00)</u>  |
| FUND BALANCE - ENDING   | <u>4,968,146.97</u>     | <u>4,834,927.73</u> | <u>5,515,581.69</u>                         | <u>680,653.96</u>   |

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF MADISON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**PARK AND RECREATION FUND**  
**For the Year Ended December 31, 2014**

|   | <u>Budgeted Amounts</u> |                    | <u>Actual Amounts<br/>(Budgetary Basis)</u> | <u>Variance with<br/>Final Budget -<br/>Positive (Negative)</u> |
|---|-------------------------|--------------------|---|---|
|   | <u>Original</u>         | <u>Final</u>       |   |   |
| <b>Revenues:</b>                                      |                         |                    |   |   |
| Intergovernmental Revenue:                            |                         |                    |   |   |
| State Grants  | 0.00                    | 5,903.00           | 10,903.00                                   | 5,000.00  |
| Charges for Goods and Services:                       |                         |                    |   |   |
| Culture and Recreation                                | 109,000.00              | 109,000.00         | 90,925.68                                   | (18,074.32)   |
| Miscellaneous Revenue:                                |                         |                    |   |   |
| Investment Earnings                                   | 4,800.00                | 4,800.00           | 3,713.99                                    | (1,086.01)  |
| Rentals   | 3,500.00                | 3,500.00           | 3,856.00                                    | 356.00  |
| Contributions and Donations<br>from Private Donations | 0.00                    | 1,850.00           | 2,123.87                                    | 273.87  |
| Other   | 0.00                    | 0.00               | 784.99                                      | 784.99  |
| <b>Total Revenue</b>                                  | <b>117,300.00</b>       | <b>125,053.00</b>  | <b>112,307.53</b>                           | <b>(12,745.47)</b>  |
| <b>Expenditures:</b>                                  |                         |                    |   |   |
| Health and Welfare:                                   |                         |                    |   |   |
| Health  | 13,100.00               | 19,003.00          | 15,398.08                                   | 3,604.92  |
| <b>Total Health and Welfare</b>                       | <b>13,100.00</b>        | <b>19,003.00</b>   | <b>15,398.08</b>                            | <b>3,604.92</b>   |
| Culture and Recreation:                               |                         |                    |   |   |
| Recreation  | 275,250.00              | 283,350.00         | 228,350.95                                  | 54,999.05   |
| Parks   | 314,136.00              | 351,114.50         | 323,589.14                                  | 27,525.36   |
| <b>Total Culture and Recreation</b>                   | <b>589,386.00</b>       | <b>634,464.50</b>  | <b>551,940.09</b>                           | <b>82,524.41</b>  |
| <b>Total Expenditures</b>                             | <b>602,486.00</b>       | <b>653,467.50</b>  | <b>567,338.17</b>                           | <b>86,129.33</b>  |
| Excess of Revenue Over (Under)<br>Expenditures        | (485,186.00)            | (528,414.50)       | (455,030.64)                                | 73,383.86   |
| <b>Other Financing Sources (Uses):</b>                |                         |                    |   |   |
| Transfers In  | 502,571.00              | 502,571.00         | 502,571.00                                  | 0.00  |
| Sale of Municipal Property                            | 0.00                    | 0.00               | 6,906.61                                    | 6,906.61  |
| Compensation for Loss or<br>Damage to Capital Assets  | 0.00                    | 0.00               | 4,500.00                                    | 4,500.00  |
| <b>Total Other Financing Sources (Uses)</b>           | <b>502,571.00</b>       | <b>502,571.00</b>  | <b>513,977.61</b>                           | <b>11,406.61</b>  |
| <b>Net Change in Fund Balances</b>                    | <b>17,385.00</b>        | <b>(25,843.50)</b> | <b>58,946.97</b>                            | <b>84,790.47</b>  |
| Fund Balance - Beginning                              | 426,042.28              | 426,042.28         | 426,042.28                                  | 0.00  |
| <b>FUND BALANCE - ENDING</b>                          | <b>443,427.28</b>       | <b>400,198.78</b>  | <b>484,989.25</b>                           | <b>84,790.47</b>  |

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF MADISON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**3RD CENT FUND**  
**For the Year Ended December 31, 2014**

|   | <u>Budgeted Amounts</u> |                         | <u>Actual Amounts<br/>(Budgetary Basis)</u> | <u>Variance with<br/>Final Budget -<br/>Positive (Negative)</u> |
|---|-------------------------|-------------------------|---|---|
|   | <u>Original</u>         | <u>Final</u>            |   |   |
| <b>Revenues:</b>  |                         |                         |   |   |
| Taxes:  |                         |                         |   |   |
| General Sales and Use Taxes                                     | 165,500.00              | 165,500.00              | 178,767.14                                  | 13,267.14   |
| Miscellaneous Revenue:  |                         |                         |   |   |
| Investment Earnings   | 0.00                    | 100.00                  | 5.58  | (94.42)   |
| Total Revenue   | <u>165,500.00</u>       | <u>165,600.00</u>       | <u>178,772.72</u>                           | <u>13,172.72</u>  |
| <b>Expenditures:</b>  |                         |                         |   |   |
| Conservation and Development:                                   |                         |                         |   |   |
| Economic Development and<br>Assistance (Industrial Development) | 221,000.00              | 223,500.00              | 223,643.51                                  | (143.51)  |
| Total Conservation and Development                              | <u>221,000.00</u>       | <u>223,500.00</u>       | <u>223,643.51</u>                           | <u>(143.51)</u>   |
| Total Expenditures  | <u>221,000.00</u>       | <u>223,500.00</u>       | <u>223,643.51</u>                           | <u>(143.51)</u>   |
| Excess of Revenue Over (Under)<br>Expenditures                  | <u>(55,500.00)</u>      | <u>(57,900.00)</u>      | <u>(44,870.79)</u>                          | <u>13,029.21</u>  |
| <b>Other Financing Sources (Uses):</b>                          |                         |                         |   |   |
| Transfers In  | 61,000.00               | 61,000.00               | 61,000.00                                   | 0.00  |
| Total Other Financing Sources (Uses)                            | <u>61,000.00</u>        | <u>61,000.00</u>        | <u>61,000.00</u>                            | <u>0.00</u>   |
| Net Change in Fund Balances                                     | <u>5,500.00</u>         | <u>3,100.00</u>         | <u>16,129.21</u>                            | <u>13,029.21</u>  |
| Fund Balance - Beginning  | <u>27,605.42</u>        | <u>27,605.42</u>        | <u>27,605.42</u>                            | <u>0.00</u>   |
| FUND BALANCE - ENDING   | <u><u>33,105.42</u></u> | <u><u>30,705.42</u></u> | <u><u>43,734.63</u></u>                     | <u><u>13,029.21</u></u>   |

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF MADISON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**COMMUNITY DEVELOPMENT FUND**  
**For the Year Ended December 31, 2014**

|  | <u>Budgeted Amounts</u> |              | <u>Actual Amounts</u><br><u>(Budgetary Basis)</u> | <u>Variance with</u><br><u>Final Budget -</u><br><u>Positive (Negative)</u> |
|--|-------------------------|--------------|---|---|
|  | <u>Original</u>         | <u>Final</u> |   |   |
| <b>Revenues:</b>                               |                         |              |   |   |
| Miscellaneous Revenue:                         |                         |              |   |   |
| Investment Earnings                            | 14,144.00               | 14,144.00    | 14,234.34   | 90.34   |
| Total Revenue                                  | 14,144.00               | 14,144.00    | 14,234.34   | 90.34   |
| <b>Expenditures</b>                            | 0.00                    | 0.00         | 0.00  | 0.00  |
| Excess of Revenue Over (Under)<br>Expenditures | 14,144.00               | 14,144.00    | 14,234.34   | 90.34   |
| <b>Other Financing Sources (Uses):</b>         |                         |              |   |   |
| Transfers Out                                  | (86,250.00)             | (86,250.00)  | (86,250.00)                                       | 0.00  |
| Total Other Financing Sources (Uses)           | (86,250.00)             | (86,250.00)  | (86,250.00)                                       | 0.00  |
| Net Change in Fund Balances                    | (72,106.00)             | (72,106.00)  | (72,015.66)                                       | 90.34   |
| Fund Balance - Beginning                       | 799,912.12              | 799,912.12   | 799,912.12  | 0.00  |
| FUND BALANCE - ENDING                          | 727,806.12              | 727,806.12   | 727,896.46  | 90.34   |

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF MADISON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**2ND CENT FUND**  
**For the Year Ended December 31, 2014**

|   | <u>Budgeted Amounts</u> |                     | <u>Actual Amounts<br/>(Budgetary Basis)</u> | <u>Variance with<br/>Final Budget -<br/>Positive (Negative)</u> |
|---|-------------------------|---------------------|---|---|
|   | <u>Original</u>         | <u>Final</u>        |   |   |
| <b>Revenues:</b>  |                         |                     |   |   |
| <b>Taxes:</b>   |                         |                     |   |   |
| General Sales and Use Taxes                                     | 1,417,000.00            | 1,417,000.00        | 1,564,316.76                                | 147,316.76  |
| <b>Miscellaneous Revenue:</b>                                   |                         |                     |   |   |
| Investment Earnings   | 2,280.00                | 2,280.00            | 6,032.89                                    | 3,752.89  |
| <b>Total Revenue</b>  | <b>1,419,280.00</b>     | <b>1,419,280.00</b> | <b>1,570,349.65</b>                         | <b>151,069.65</b>   |
| <b>Expenditures:</b>  |                         |                     |   |   |
| <b>Public Safety:</b>   |                         |                     |   |   |
| Police  | 106,000.00              | 106,000.00          | 133,405.76                                  | (27,405.76)   |
| <b>Total Public Safety</b>                                      | <b>106,000.00</b>       | <b>106,000.00</b>   | <b>133,405.76</b>                           | <b>(27,405.76)</b>  |
| <b>Public Works:</b>  |                         |                     |   |   |
| Highways and Streets  | 99,327.00               | 109,627.00          | 101,950.14                                  | 7,676.86  |
| Water   | 297,981.00              | 339,181.00          | 318,810.46                                  | 20,370.54   |
| <b>Total Public Works</b>                                       | <b>397,308.00</b>       | <b>448,808.00</b>   | <b>420,760.60</b>                           | <b>28,047.40</b>  |
| <b>Conservation and Development:</b>                            |                         |                     |   |   |
| Economic Development and Assistance<br>(Industrial Development) | 222,010.00              | 222,010.00          | 204,432.62                                  | 17,577.38   |
| <b>Total Conservation and Development</b>                       | <b>222,010.00</b>       | <b>222,010.00</b>   | <b>204,432.62</b>                           | <b>17,577.38</b>  |
| <b>Debt Service</b>   | <b>139,135.00</b>       | <b>139,135.00</b>   | <b>142,862.50</b>                           | <b>(3,727.50)</b>   |
| <b>Total Expenditures</b>                                       | <b>864,453.00</b>       | <b>915,953.00</b>   | <b>901,461.48</b>                           | <b>14,491.52</b>  |
| <b>Excess of Revenue Over (Under)<br/>Expenditures</b>          | <b>554,827.00</b>       | <b>503,327.00</b>   | <b>668,888.17</b>                           | <b>165,561.17</b>   |
| <b>Other Financing Sources (Uses):</b>                          |                         |                     |   |   |
| Transfers In  | 131,276.00              | 131,276.00          | 131,276.00                                  | 0.00  |
| Transfers Out   | (229,000.00)            | (229,000.00)        | (229,000.00)                                | 0.00  |
| <b>Total Other Financing Sources (Uses)</b>                     | <b>(97,724.00)</b>      | <b>(97,724.00)</b>  | <b>(97,724.00)</b>                          | <b>0.00</b>   |
| <b>Net Change in Fund Balances</b>                              | <b>457,103.00</b>       | <b>405,603.00</b>   | <b>571,164.17</b>                           | <b>165,561.17</b>   |
| <b>Fund Balance - Beginning</b>                                 | <b>1,214,818.16</b>     | <b>1,214,818.16</b> | <b>1,214,818.16</b>                         | <b>0.00</b>   |
| <b>FUND BALANCE - ENDING</b>                                    | <b>1,671,921.16</b>     | <b>1,620,421.16</b> | <b>1,785,982.33</b>                         | <b>165,561.17</b>   |

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF MADISON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**SPECIAL MAINTENANCE FEE FUND**  
**For the Year Ended December 31, 2014**

|                             | <u>Budgeted Amounts</u> |              | <u>Actual Amounts<br/>(Budgetary Basis)</u> | <u>Variance with<br/>Final Budget -<br/>Positive (Negative)</u> |
|-----------------------------|-------------------------|--------------|---|---|
|                             | <u>Original</u>         | <u>Final</u> |   |   |
| <b>Revenues:</b>            |                         |              |   |   |
| Miscellaneous Revenue:      |                         |              |   |   |
| Maintenance Assessments     | 224,000.00              | 224,000.00   | 193,719.95                                  | (30,280.05)   |
| Total Revenue               | 224,000.00              | 224,000.00   | 193,719.95                                  | (30,280.05)   |
| <b>Expenditures:</b>        |                         |              |   |   |
| Public Works                |                         |              |   |   |
| Highways and Streets        | 0.00                    | 0.00         | 6,901.50                                    | (6,901.50)  |
| Total Public Works          | 0.00                    | 0.00         | 6,901.50                                    | (6,901.50)  |
| Total Expenditures          | 0.00                    | 0.00         | 6,901.50                                    | (6,901.50)  |
| Net Change in Fund Balances | 224,000.00              | 224,000.00   | 186,818.45                                  | (37,181.55)   |
| Fund Balance - Beginning    | 0.00                    | 0.00         | 0.00  | 0.00  |
| FUND BALANCE - ENDING       | 224,000.00              | 224,000.00   | 186,818.45                                  | (37,181.55)   |

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

NOTE 1. Budgets and Budgetary Accounting

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

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

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

The Municipality did not encumber any amounts at December 31, 2014.

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

NOTE 2. GAAP/Budgetary Accounting Basis Differences

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

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS – OTHER POST EMPLOYMENT BENEFIT LIABILITY**  
December 31, 2014

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>Attained Age<br>(b) | Unfunded<br>Actuarial<br>Accrued<br>Liability<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|--------------------------------|--|--|--|--------------------------|--------------------|---|
| December 31, 2009              | -                                      | \$1,063,649.00   | \$1,063,649.00   | 0.00%                    | \$2,532,216.00     | 42%   |

The Actuarial Accrued Liability is based on the Actuarial Liability as of December 31, 2009, the most recent actuarial date.