MUNICIPALITY OF MADISON
MADISON, SOUTH DAKOTA

AUDIT REPORT

FOR THE YEAR JANUARY 1, 2015 TO DECEMBER 31, 2015

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

MUNICIPAL OFFICIALS
DECEMBER 31, 2015

MAYOR:

Roy Lindsay, Jr.

GOVERNING BOARD:

Jeremiah Corbin
Kelly Johnson
Robert Thill
Mike Waldner

FINANCE OFFICER:

Jennifer Eimers

ATTORNEY:

David Jencks

TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 1-2

Schedule of Prior Audit Findings 3

Schedule of Current Audit Findings 4

Independent Auditor's Report 5-7

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements:

As of December 31, 2015:

Statement of Net Position 8

For the Year Ended December 31, 2015:

Statement of Activities 9

Fund Financial Statements:

Governmental Funds:

As of December 31, 2015:

Balance Sheet 10-11

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 12

For the Year Ended December 31, 2015:

Statement of Revenues, Expenditures, and Changes In Fund Balance 13-15

Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances to the Government-Wide Statement of Activities 16

Proprietary Funds:

As of December 31, 2015:

Statement of Net Position 17-18

For the Year Ended December 31, 2015:

Statement of Revenues, Expenses, and Changes in Fund Net Position 19

Statement of Cash Flows 20-21

Fiduciary Funds:

As of December 31, 2015:

Statement of Fiduciary Net Position 22

Notes to the Financial Statements 23-49

TABLE OF CONTENTS

Required Supplementary Information Other than MD&A:

For the Year Ended December 31, 2015:

Budgetary Comparison Schedules – Budgetary Basis:

General Fund 50-51

Park & Recreation 52

3rd Cent Fund 53

Community Development Fund 54

2nd Cent Fund 55

Special Maintenance Fee Fund 56

Notes to the Required Supplementary Information – Budgetary Comparison Schedules 57

Schedule of Funding Progress – Other Post Employment Benefit Liability 58

Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset) 59

Schedule of the Municipality Contributions - South Dakota Retirement System 60

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Phone: 605-928-7241
FAX No.: 605-928-1441
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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, 2015 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 6, 2016. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Current Audit Findings as finding number 2015-001.

Municipality's Response to Findings

The Municipality's response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings. The Municipality's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Schoenfish & Co., Inc.
Certified Public Accountants
July 6, 2016

MUNCIPALITY OF MADISON
SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDINGS:

There are no prior other audit findings to disclose.

MUNICPALITY OF MADISON
SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT OTHER AUDIT FINDINGS:

Compliance – Related Finding:

Finding Number 2015-001:
Expenditures exceeded the amounts budgeted in the Second Cent Fund and the Third Cent Fund. This is the first audit in which this comment has occurred.

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

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

Effect:
Without amending the budget or limiting expenditures, expenditures are being made without proper authority.

Recommendation:
1. We recommend that the expenditures be limited to amounts budgeted or budget supplements be made in accordance with SDCL 9-21-7 and SDCL 9-21-6.1 to allow for expenditures.

Management's Response:
The Municipality of Madison Mayor, Roy Lindsay, Jr., is the contact person responsible for the response for this comment. The Municipality will be more careful to follow the budgetary guidelines prescribed by law.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the officials during the course of the audit and with one Board Member and the Finance Officer on July 19, 2016.

Schoenfish & Co., Inc.
CERTIFIED PUBLIC ACCOUNTANTS
Phone: 605-928-7241
FAX No.: 605-928-1441
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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, 2015 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, 2015 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, 2015 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, 2015, 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, 2015, 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.

Emphasis of Matter

Adoption of New Accounting Standard. As described in Note 14 to the financial statements, the Municipality adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date.* As discussed in Note 14 to the financial statements, the Municipality has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of Funding Progress, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the Municipality's Contributions, on pages 50 through 56, 58, 59, and 60, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated July 6, 2016, 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.

Schoenfish & Co., Inc.
Certified Public Accountants
July 6, 2016

MUNICIPALITY OF MADISON
STATEMENT OF NET POSITION
December 31, 2015

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS:				
Cash and Cash Equivalents	8,592,383.85	7,014,328.81	15,606,712.66	211,114.00
Investments	559.90		559.90	
Accounts Receivable, Net	909,932.96	1,963,347.17	2,873,280.13	30,710.00
Inventories	179,670.66	674,929.53	854,600.19	
Other Assets	28,300.01	48,485.46	76,785.47	55,145.00
Restricted Assets:				
Deposits	99,739.62	1,994,375.60	2,094,115.22	22,438.00
Cash and Cash Equivalents	273,708.78	444,315.75	718,024.53	90,198.00
Investments		316,500.01	316,500.01	
Net Pension Asset	405,668.19	351,613.37	757,281.56	
Capital Assets:				
Land and Construction Work in Progress	1,083,830.26	166,891.80	1,250,722.06	340,998.00
Other Capital Assets, Net of Depreciation	18,368,826.63	26,316,347.00	44,685,173.63	1,999,697.00
TOTAL ASSETS	29,942,620.86	39,291,134.50	69,233,755.36	2,750,300.00
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	717,344.69	621,759.32	1,339,104.01	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	717,344.69	621,759.32	1,339,104.01	0.00
LIABILITIES :				
Accounts Payable	122,868.39	653,976.16	776,844.55	55,870.00
Other Current Liabilities	56,205.84	140,583.67	196,789.51	47,729.00
Unearned Revenue		36,242.47	36,242.47	4,750.00
Noncurrent Liabilities:				
Due Within One Year	513,545.76	1,056,524.73	1,570,070.49	60,999.00
Due in More than One Year	2,999,858.94	10,731,495.19	13,731,354.13	1,194,820.00
TOTAL LIABILITIES	3,692,478.93	12,618,822.22	16,311,301.15	1,364,168.00
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	598,571.18	518,812.27	1,117,383.45	
TOTAL DEFERRED INFLOWS OF RESOURCES	598,571.18	518,812.27	1,117,383.45	0.00
NET POSITION:				
Net Investment in Capital Assets	16,486,193.81	15,133,056.93	31,619,250.74	1,087,900.00
Restricted for:				
Capital Projects Purposes	656,581.18		656,581.18	
Debt Service Purposes	349,943.33	1,410,340.74	1,760,284.07	
SDRS Pension Purposes	524,441.70	454,560.42	979,002.12	
Community Development Purposes	604,900.44		604,900.44	
City Promotion Purposes	62,942.39		62,942.39	
Parks and Recreation Purposes	520,474.92		520,474.92	
100 Year Anniversary Purposes	559.90		559.90	
Community Building Purposes	450,000.00		450,000.00	
Replacement Purposes			0.00	90,198.00
Cumulative Insurance Reserve Purposes	99,739.62		99,739.62	
Lewis & Clark Rural Water		1,994,375.60	1,994,375.60	
Unrestricted (Deficit)	6,613,138.15	7,782,925.64	14,396,063.79	208,034.00
TOTAL NET POSITION	26,368,915.44	26,775,259.33	53,144,174.77	1,386,132.00

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

MUNICIPALITY OF MADISON
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units
Primary Government:								
Governmental Activities:								
General Government	551,590.08	136,987.59			(414,602.49)		(414,602.49)	
Public Safety	1,315,011.28	1,352.00		3,990.48	(1,309,668.80)		(1,309,668.80)	
Public Works	1,996,031.43	142,616.48	316,863.05	456,662.21	(1,079,889.69)		(1,079,889.69)	
Health and Welfare	22,966.04	899.00			(22,067.04)		(22,067.04)	
Culture and Recreation	1,283,582.89	104,918.20	915.00	8,033.00	(1,169,716.69)		(1,169,716.69)	
Conservation and Development	638,568.43				(638,568.43)		(638,568.43)	
*Interest on Long-term Debt	122,323.16				(122,323.16)		(122,323.16)	
Total Governmental Activities	5,930,073.31	386,773.27	317,778.05	468,685.69	(4,756,836.30)		(4,756,836.30)	0.00
Business-type Activities:								
Water	1,354,094.70	1,600,304.54		129,839.30		376,049.14	376,049.14	
Sewer	1,011,337.12	1,220,202.03				208,864.91	208,864.91	
Electric	8,627,891.68	10,340,223.01	17,339.13			1,729,670.46	1,729,670.46	
Community Center	923,374.74	646,775.73		79,646.95		(196,952.06)	(196,952.06)	
Solid Waste	211,456.11	263,150.11				51,694.00	51,694.00	
Recycling	121,461.65	105,016.67				(16,444.98)	(16,444.98)	
Total Business-type Activities	12,249,616.00	14,175,672.09	17,339.13	209,486.25		2,152,881.47	2,152,881.47	0.00
Total Primary Government	18,179,689.31	14,562,445.36	335,117.18	678,171.94	(4,756,836.30)	2,152,881.47	(2,603,954.83)	0.00
Component Units:								
Housing and Redevelopment Commission	1,182,343.00	414,844.00	688,873.00	30,258.00				(48,368.00)
General Revenues:								
Taxes:								
Property Taxes					2,056,726.49		2,056,726.49	
Sales Taxes					3,271,279.05		3,271,279.05	
State Shared Revenues					60,131.06		60,131.06	
Grants and Contributions not Restricted to Specific Programs					81,300.00		81,300.00	
Unrestricted Investment Earnings					52,916.93	32,801.76	85,718.69	561.00
Miscellaneous Revenue					67,659.01	21,109.10	88,768.11	86,729.00
Transfers					(208,602.13)	208,602.13	0.00	
Total General Revenues and Transfers					5,381,410.41	262,512.99	5,643,923.40	87,290.00
Change in Net Position					624,574.11	2,415,394.46	3,039,968.57	38,922.00
Net Position - Beginning					25,280,267.37	23,957,574.73	49,237,842.10	1,347,210.00
Adjustments:								
Correct Aflac Adjustment from Prior Year (See Note 14)					(1,137.88)	(932.74)	(2,070.62)	
GASB 68 Implementation (See Note 14)					465,211.84	403,222.88	868,434.72	
Adjusted Net Position-Beginning					25,744,341.33	24,359,864.87	50,104,206.20	1,347,210.00
NET POSITION - ENDING					26,368,915.44	26,775,259.33	53,144,174.77	1,386,132.00

* 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, 2015

	General Fund	Parks & Recreation Fund	3rd Cent Fund	Community Development Fund	2nd Cent Fund	Special Maintenance Fee Fund	Swimming Pool Debt Service Fund	Gerry Maloney Nature Capital Projects Fund	Total Governmental Funds
ASSETS:									
Cash and Cash Equivalents	5,424,694.16	522,852.24	44,605.88	249,161.81	1,773,602.92	382,223.26	195,243.58		8,592,383.85
Investments	559.90								559.90
Taxes Receivable--Delinquent	28,143.89						6,088.95		34,232.84
Accounts Receivable, Net	3,310.28								3,310.28
Special Assessments Receivable--Current	13,891.30								13,891.30
Special Assessments Receivable--Delinquent	1,002.24								1,002.24
Special Assessments Receivable--Deferred	42,247.79								42,247.79
Interest Receivable--Special Assessments	8,166.86								8,166.86
Notes Receivable				355,738.63					355,738.63
Due from Other Governments	247,743.47		18,336.51		183,903.10	649.14	710.80		451,343.02
Inventory of Supplies	128,566.35	10,788.96							139,355.31
Inventory of Stores Purchased for Resale	40,315.35								40,315.35
Deposits	99,739.62								99,739.62
Prepaid Expenses	15,955.93	3,028.08							18,984.01
Restricted Cash and Cash Equivalents								273,708.78	273,708.78
TOTAL ASSETS	6,054,337.14	536,669.28	62,942.39	604,900.44	1,957,506.02	382,872.40	202,043.33	273,708.78	10,074,979.78

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

MUNICIPALITY OF MADISON
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015

	General Fund	Parks & Recreation Fund	3rd Cent Fund	Community Development Fund	2nd Cent Fund	Special Maintenance Fee Fund	Swimming Pool Debt Service Fund	Gerry Maloney Nature Capital Projects Fund	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:									
Liabilities:									
Accounts Payable	34,043.30	662.98			87,941.60				122,647.88
Due to State Government	215.70	4.81							220.51
Accrued Wages Payable	21,883.89	1,709.53							23,593.42
Total Liabilities	56,142.89	2,377.32	0.00	0.00	87,941.60	0.00	0.00	0.00	146,461.81
Deferred Inflows of Resources:									
Unavailable Revenue--Property Taxes	28,143.89						6,088.95		34,232.84
Unavailable Revenue--Special Assessments	65,308.19								65,308.19
Total Deferred Inflows of Resources	93,452.08	0.00	0.00	0.00	0.00	0.00	6,088.95	0.00	99,541.03
Fund Balances:									
Nonspendable for Inventory	168,881.70	10,788.96							179,670.66
Nonspendable for Cumulative Insurance Reserve	99,739.62								99,739.62
Nonspendable for Prepaid Expenses	15,955.93	3,028.08							18,984.01
Restricted for Community Building Maintenance	450,000.00								450,000.00
Restricted for 100 Year Fund	559.90								559.90
Restricted for Parks & Recreation		520,474.92							520,474.92
Restricted for City Promotion			62,942.39						62,942.39
Restricted for Community Development				604,900.44					604,900.44
Restricted for Debt Service					147,900.00		195,954.38		343,854.38
Restricted for Gerry Maloney Nature Capital Projects								273,708.78	273,708.78
Restricted for Capital Project Purposes						382,872.40			382,872.40
Committed for Capital Improvements					1,721,664.42				1,721,664.42
Committed for Library Friends	8,678.97								8,678.97
Committed for Maloney Reserve	4,997.18								4,997.18
Committed for Hillian Trust	15,898.58								15,898.58
Committed for Library Building	7,018.68								7,018.68
Assigned for Next Year's Budget	446,004.00								446,004.00
Assigned for Captial Outlay Accumulation	2,603,029.06								2,603,029.06
Unassigned	2,083,978.55								2,083,978.55
Total Fund Balances	5,904,742.17	534,291.96	62,942.39	604,900.44	1,869,564.42	382,872.40	195,954.38	273,708.78	9,828,976.94
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	6,054,337.14	536,669.28	62,942.39	604,900.44	1,957,506.02	382,872.40	202,043.33	273,708.78	10,074,979.78

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, 2015

Total Fund Balances - Governmental Funds	9,828,976.94
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	405,668.19
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,452,656.89
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	717,344.69
Long-term liabilities, including bonds payable and accrued leave payable are not due and payables in the current period and therefore are not reported in the funds.	(3,513,404.70)
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.	99,541.03
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(598,571.18)
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.	9,316.00
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.	(24,145.00)
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(8,467.42)
Net Position - Governmental Activities	26,368,915.44

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, 2015

	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
Revenues:										
Taxes:										
General Property Taxes	1,673,172.59						360,024.49	30,725.87		2,063,922.95
General Sales and Use Taxes	1,544,915.80		181,447.50		1,544,915.75					3,271,279.05
Amusement Taxes	780.00									780.00
Penalties and Interest on Delinquent Taxes	7,106.91						1,611.31			8,718.22
Licenses and Permits	60,280.02									60,280.02
Intergovernmental Revenue:										
Federal Grants	41,249.80									41,249.80
State Grants	199,902.60	8,033.00								207,935.60
State Shared Revenue:										
Bank Franchise Tax	12,007.13									12,007.13
Liquor Tax Reversion	40,380.56									40,380.56
Motor Vehicle Licenses	98,557.66									98,557.66
State Payments in Lieu of Taxes	6,373.81						1,369.56			7,743.37
County Shared Revenue:										
County Road Tax	11,717.70									11,717.70
County Highway & Bridge Reserve Tax	206,587.69									206,587.69
Charges for Goods and Services:										
General Government	1,025.00									1,025.00
Public Safety	598.00									598.00
Highways and Streets	12,411.20									12,411.20
Sanitation	42,444.40									42,444.40
Health	899.00									899.00
Culture and Recreation		101,443.20								101,443.20
Other	87,760.88									87,760.88
Fines and Forfeits:										
Court Fines and Costs	754.00									754.00
Other	1,080.00									1,080.00
Miscellaneous Revenue:										
Investment Earnings	32,497.82	2,737.72	5.22	13,253.98	2,155.28				2,266.91	52,916.93
Rentals	74,602.57	3,475.00								78,077.57
Special Assessments	13,389.54									13,389.54
Maintenance Assessments						196,053.95				196,053.95
Contributions and Donations from Private Sources	81,300.00	915.00								82,215.00
Other	61,941.01	600.00								62,541.01
Total Revenue	4,313,735.69	117,203.92	181,452.72	13,253.98	1,547,071.03	196,053.95	363,005.36	30,725.87	2,266.91	6,764,769.43

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, 2015

	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
Expenditures:										
General Government:										
Legislative	73,372.36									73,372.36
Financial Administration	177,761.05									177,761.05
Other	290,164.19									290,164.19
Total General Government	541,297.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	541,297.60
Public Safety:										
Police	968,213.13				133,595.60					1,101,808.73
Fire	133,018.91									133,018.91
Other Protection	1,211.98									1,211.98
Total Public Safety	1,102,444.02	0.00	0.00	0.00	133,595.60	0.00	0.00	0.00	0.00	1,236,039.62
Public Works:										
Highways and Streets	724,406.87				208,274.29					932,681.16
Sanitation	35,334.43				22,412.46					57,746.89
Water					436,529.67					436,529.67
Electricity	1,729.48									1,729.48
Airport	177,940.31									177,940.31
Total Public Works	939,411.09	0.00	0.00	0.00	667,216.42	0.00	0.00	0.00	0.00	1,606,627.51
Health and Welfare:										
Health	5,835.20	17,130.84								22,966.04
Total Health and Welfare	5,835.20	17,130.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22,966.04
Culture and Recreation:										
Recreation	3,000.00	235,703.20								238,703.20
Parks		310,379.31								310,379.31
Libraries	393,209.06									393,209.06
Auditorium	33,669.98									33,669.98
Total Culture and Recreation	429,879.04	546,082.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	975,961.55
Conservation and Development:										
Economic Development and Assistance (Industrial Development)	49,765.08		223,244.96	50,000.00	312,705.21					635,715.25
Total Conservation and Development	49,765.08	0.00	223,244.96	50,000.00	312,705.21	0.00	0.00	0.00	0.00	635,715.25
Debt Service	38,992.30	0.00	0.00	0.00	143,272.50	0.00	332,625.00	30,725.87	0.00	545,615.67
Capital Outlay	665,750.80	48,618.06	0.00	0.00	93,539.21	0.00	0.00	0.00	0.00	807,908.07
Total Expenditures	3,773,375.13	611,831.41	223,244.96	50,000.00	1,350,328.94	0.00	332,625.00	30,725.87	0.00	6,372,131.31

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, 2015

	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	540,360.56	(494,627.49)	(41,792.24)	(36,746.02)	196,742.09	196,053.95	30,380.36	0.00	2,266.91	392,638.12
Other Financing Sources:										
Transfers In		544,000.00	61,000.00		137,840.00					742,840.00
Compensation for Loss or Damage to Capital Assets	5,118.00									5,118.00
Transfers Out	(155,250.00)			(86,250.00)	(251,000.00)					(492,500.00)
Total Other Financing Sources	(150,132.00)	544,000.00	61,000.00	(86,250.00)	(113,160.00)	0.00	0.00	0.00	0.00	255,458.00
Net Change in Fund Balances	390,228.56	49,372.51	19,207.76	(122,996.02)	83,582.09	196,053.95	30,380.36	0.00	2,266.91	648,096.12
Fund Balance - Beginning	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
Adjustments:										
Correct Aflac Adjustment from Prior Year	(1,068.08)	(69.80)								(1,137.88)
Adjusted Fund Balance - Beginning	5,514,513.61	484,919.45	43,734.63	727,896.46	1,785,982.33	186,818.45	165,574.02	0.00	271,441.87	9,180,880.82
FUND BALANCE - ENDING	5,904,742.17	534,291.96	62,942.39	604,900.44	1,869,564.42	382,872.40	195,954.38	0.00	273,708.78	9,828,976.94

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, 2015

Net Change in Fund Balances - Total Governmental Funds	648,096.12
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.	807,908.07
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.	(1,280,037.22)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.	420,353.14
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".	(16,694.68)
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.	10,056.80
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.	22,461.65
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g. accrued interest expense, pension expense)	60,273.23
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.	(49,739.00)
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.	1,896.00
Change in Net Position of Governmental Activities	624,574.11

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

MUNICIPALITY OF MADISON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015

	Enterprise Funds						
	Water Fund	Sewer Fund	Electric Fund	Community Center Fund	Solid Waste Fund	Recycling Fund	Totals
ASSETS:							
Current Assets:							
Cash and Cash Equivalents	2,111,132.50	1,296,025.77	2,617,260.42	403,129.19	365,807.06	220,973.87	7,014,328.81
Accounts Receivable, Net	206,547.25	178,990.17	1,538,754.28		38,135.48	919.99	1,963,347.17
Interest Receivable			392.46				392.46
Inventory of Supplies	83,648.73	5,576.38	556,202.41			29,502.01	674,929.53
Prepaid Expenses	4,317.13	1,609.06	8,288.89	375.45	634.53	141.94	15,367.00
Total Current Assets	2,405,645.61	1,482,201.38	4,720,898.46	403,504.64	404,577.07	251,537.81	9,668,364.97
Noncurrent Assets:							
Restricted Cash and Cash Equivalents			444,315.75				444,315.75
Restricted Investments			316,500.01				316,500.01
Deposits	1,994,375.60						1,994,375.60
Unamortized Discounts on Bonds Sold			32,726.00				32,726.00
Net Pension Asset	83,857.34	58,658.56	142,711.45	44,022.95	15,855.00	6,508.07	351,613.37
Capital Assets:							
Land	110,343.51	44,923.24	6,032.05				161,298.80
Buildings	10,980,378.49	10,943,484.13	15,392,346.43	4,500,000.00		341,786.30	42,157,995.35
Machinery and Equipment	240,418.60	744,340.53	843,295.99	97,211.16	393,766.10	177,316.41	2,496,348.79
Construction Work in Progress			5,593.00				5,593.00
Less: Accumulated Depreciation	(3,878,581.11)	(5,305,171.26)	(7,010,917.19)	(1,554,937.55)	(280,876.70)	(307,513.33)	(18,337,997.14)
Total Noncurrent Assets	9,530,792.43	6,486,235.20	10,172,603.49	3,086,296.56	128,744.40	218,097.45	29,622,769.53
TOTAL ASSETS	11,936,438.04	7,968,436.58	14,893,501.95	3,489,801.20	533,321.47	469,635.26	39,291,134.50
DEFERRED OUTFLOWS OF RESOURCES:							
Pension Related Deferred Outflows	148,285.28	103,726.16	252,357.23	77,845.96	28,036.46	11,508.23	621,759.32
TOTAL DEFERRED OUTFLOWS OF RESOURCES	148,285.28	103,726.16	252,357.23	77,845.96	28,036.46	11,508.23	621,759.32

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

MUNICIPALITY OF MADISON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015

	Enterprise Funds						
	Water Fund	Sewer Fund	Electric Fund	Community Center Fund	Solid Waste Fund	Recycling Fund	Totals
LIABILITIES:							
Current Liabilities:							
Accounts Payable	27,685.08	1,950.70	541,777.14	33,799.97	4,876.25	4,515.45	614,604.59
Due to State Government	21.60	27.01	35,933.56	2,145.09	1,244.31		39,371.57
Accrued Interest Payable	7,024.39	25,935.62	6,211.91				39,171.92
Accrued Wages Payable	6,129.42	4,004.36	9,760.29	4,712.06	970.98	394.64	25,971.75
Customer Deposits	460.25		74,979.75				75,440.00
Unearned Revenue			36,242.47				36,242.47
Bonds Payable Current:							
Revenue	202,659.09	218,865.64	545,000.00				966,524.73
Total Current Liabilities	243,979.83	250,783.33	1,249,905.12	40,657.12	7,091.54	4,910.09	1,797,327.03
Noncurrent Liabilities:							
Bonds Payable:							
Revenue	2,913,613.77	3,595,043.37	3,875,000.00				10,383,657.14
Accrued Leave Payable	62,553.92	37,410.71	109,452.31	20,492.90	5,625.21		235,535.05
Net OPEB Obligation	43,351.00	21,671.00	86,701.00	36,130.00	14,450.00		202,303.00
Total Noncurrent Liabilities	3,019,518.69	3,654,125.08	4,071,153.31	56,622.90	20,075.21	0.00	10,821,495.19
TOTAL LIABILITIES	3,263,498.52	3,904,908.41	5,321,058.43	97,280.02	27,166.75	4,910.09	12,618,822.22
DEFERRED INFLOWS OF RESOURCES:							
Pension Related Deferred Inflows	123,733.12	86,551.83	210,573.48	64,956.70	23,394.36	9,602.78	518,812.27
TOTAL DEFERRED INFLOWS OF RESOURCES	123,733.12	86,551.83	210,573.48	64,956.70	23,394.36	9,602.78	518,812.27
NET POSITION:							
Net Investment in Capital Assets	4,336,286.63	2,613,667.63	4,816,350.28	3,042,273.61	112,889.40	211,589.38	15,133,056.93
Restricted For:							
Revenue Bond Debt Service	286,000.00	340,168.24	784,172.50				1,410,340.74
SDSR Pension Purposes	108,409.50	75,832.89	184,495.20	56,912.21	20,497.10	8,413.52	454,560.42
Lewis & Clark Rural Water	1,994,375.60						1,994,375.60
Unrestricted Net Position	1,972,419.95	1,051,033.74	3,829,209.29	306,224.62	377,410.32	246,627.72	7,782,925.64
TOTAL NET POSITION	8,697,491.68	4,080,702.50	9,614,227.27	3,405,410.44	510,796.82	466,630.62	26,775,259.33

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, 2015

	Enterprise Funds						
	Water Fund	Sewer Fund	Electric Fund	Community Center Fund	Solid Waste Fund	Recycling Fund	Totals
Operating Revenue:							
Charges for Goods and Services				642,367.26	262,870.81	105,016.67	1,010,254.74
Revenue Dedicated to Servicing Debt	1,598,513.23	1,219,323.94	10,275,387.72				13,093,224.89
Miscellaneous	1,791.31	878.09	64,835.29	4,408.47	279.30		72,192.46
Total Operating Revenue	1,600,304.54	1,220,202.03	10,340,223.01	646,775.73	263,150.11	105,016.67	14,175,672.09
Operating Expenses:							
Personal Services	506,886.41	353,945.12	881,983.07	471,407.20	104,890.50	41,367.94	2,360,480.24
Other Current Expense	487,383.87	184,886.99	1,035,347.04	354,636.78	87,750.71	53,960.23	2,203,965.62
Materials (Cost of Goods Sold)			6,110,341.54				6,110,341.54
Depreciation	271,900.55	345,672.38	416,559.22	97,330.76	18,814.90	26,133.48	1,176,411.29
Total Operating Expenses	1,266,170.83	884,504.49	8,444,230.87	923,374.74	211,456.11	121,461.65	11,851,198.69
Operating Income (Loss)	334,133.71	335,697.54	1,895,992.14	(276,599.01)	51,694.00	(16,444.98)	2,324,473.40
Nonoperating Revenue (Expense):							
Operating Grants			17,339.13				17,339.13
Investment Earnings	7,560.46	5,930.10	18,471.25		839.95		32,801.76
Rental Revenue	800.00						800.00
Interest Expense	(87,923.87)	(126,832.63)	(183,660.81)				(398,417.31)
Other	4,571.10		14,913.00	825.00			20,309.10
Total Nonoperating Revenue (Expense)	(74,992.31)	(120,902.53)	(132,937.43)	825.00	839.95	0.00	(327,167.32)
Income (Loss) Before Contributions and Transfers	259,141.40	214,795.01	1,763,054.71	(275,774.01)	52,533.95	(16,444.98)	1,997,306.08
Capital Contributions	566,368.97	22,412.46		79,646.95			668,428.38
Transfers In	50,000.00			94,500.00			144,500.00
Transfers Out	(68,920.00)	(68,920.00)	(257,000.00)				(394,840.00)
Change in Net Position	806,590.37	168,287.47	1,506,054.71	(101,627.06)	52,533.95	(16,444.98)	2,415,394.46
Net Position - Beginning	7,795,109.93	3,845,522.87	7,944,650.57	3,456,554.87	440,113.33	475,623.16	23,957,574.73
Adjustments:							
To Correct Aflac Adjustment from Prior Year	(374.47)	(376.25)	(136.53)	(1.98)	(32.64)	(10.87)	(932.74)
GASB 68 Implementation	96,165.85	67,268.41	163,658.52	50,484.61	18,182.18	7,463.31	403,222.88
Adjusted Net Position - Beginning	7,890,901.31	3,912,415.03	8,108,172.56	3,507,037.50	458,262.87	483,075.60	24,359,864.87
NET POSITION - ENDING	8,697,491.68	4,080,702.50	9,614,227.27	3,405,410.44	510,796.82	466,630.62	26,775,259.33

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, 2015

	Enterprise Funds						
	Water Fund	Sewer Fund	Electric Fund	Community Center Fund	Solid Waste Fund	Recycling Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash Receipts from Customers	1,596,971.43	1,201,009.36	10,329,091.18	649,931.18	260,264.64	106,497.08	14,143,764.87
Cash Payments to Employees for Services	(508,519.71)	(355,856.52)	(917,472.75)	(469,339.01)	(101,969.22)	(42,114.66)	(2,395,271.87)
Cash Payments to Suppliers of Goods and Services	(488,136.07)	(196,928.26)	(7,225,396.53)	(379,784.70)	(84,171.41)	(69,894.46)	(8,444,311.43)
Net Cash Provided (Used) by Operating Activities	600,315.65	648,224.58	2,186,221.90	(199,192.53)	74,124.01	(5,512.04)	3,304,181.57
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Operating Subsidies			17,339.13				17,339.13
Transfers In	50,000.00			94,500.00			144,500.00
Transfers Out	(68,920.00)	(68,920.00)	(257,000.00)				(394,840.00)
Other Receipts (Payments)	5,371.10		14,913.00	825.00			21,109.10
Net Cash Provided (Used) by Noncapital Financing Activities	(13,548.90)	(68,920.00)	(224,747.87)	95,325.00	0.00	0.00	(211,891.77)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Capital Contributions	129,839.30			79,646.95			209,486.25
Purchase of Capital Assets	(142,449.30)	(13,000.00)	(476,007.54)				(631,456.84)
Principal Paid on Capital Debt	(197,235.13)	(211,894.67)	(1,225,000.00)				(1,634,129.80)
Interest Paid on Capital Debt	(88,409.49)	(128,273.57)	(182,420.83)				(399,103.89)
Net Cash Provided (Used) by Capital and Related Financing Activities	(298,254.62)	(353,168.24)	(1,883,428.37)	79,646.95	0.00	0.00	(2,455,204.28)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Cash Received for Interest	7,560.46	5,930.10	18,377.90		839.95		32,708.41
Net Cash Provided by Investing Activities	7,560.46	5,930.10	18,377.90	0.00	839.95	0.00	32,708.41
Net Increase (Decrease) in Cash and Cash Equivalents	296,072.59	232,066.44	96,423.56	(24,220.58)	74,963.96	(5,512.04)	669,793.93
Balances - Beginning	1,815,434.38	1,064,335.58	3,281,789.15	427,351.75	290,875.74	226,496.78	7,106,283.38
Adjustments to Beginning Balances:							
Correction for AFLAC from Prior Year	(374.47)	(376.25)	(136.53)	(1.98)	(32.64)	(10.87)	(932.74)
Adjusted Balances - Beginning	1,815,059.91	1,063,959.33	3,281,652.62	427,349.77	290,843.10	226,485.91	7,105,350.64
Balances - Ending	2,111,132.50	1,296,025.77	3,378,076.18	403,129.19	365,807.06	220,973.87	7,775,144.57

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, 2015

	Enterprise Funds						
	Water Fund	Sewer Fund	Electric Fund	Community Center Fund	Solid Waste Fund	Recycling Fund	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:							
Operating Income (Loss)	334,133.71	335,697.54	1,895,992.14	(276,599.01)	51,694.00	(16,444.98)	2,324,473.40
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:							
Depreciation Expense	271,900.55	345,672.38	416,559.22	97,330.76	18,814.90	26,133.48	1,176,411.29
Change in Assets and Liabilities:							
Receivables	(3,293.11)	(19,192.67)	(48,994.56)	3,155.45	(2,885.47)	1,480.41	(69,729.95)
Inventories	7,096.42	(1,120.54)	(36,449.81)			(16,848.59)	(47,322.52)
Net Pension Asset	61,940.68	43,327.76	105,412.88	32,517.26	11,711.19	4,807.14	259,716.91
Pension Related Deferred Outflows	(29,058.76)	(20,326.72)	(49,453.24)	(15,255.10)	(5,494.17)	(2,255.21)	(121,843.20)
Accounts and Other Payables	(7,934.79)	(10,910.12)	(42,866.30)	(25,116.23)	3,736.37	920.47	(82,170.60)
Accrued Wages Payable	795.49	1,165.40	2,497.08	1,002.26	918.30	203.49	6,582.02
Accrued Leave Payable	2,162.86	1,661.68	(32,454.08)	1,116.53	1,767.90		(25,745.11)
Prepaid Expenses	86.17	(10.61)	(391.84)	(31.69)	(157.07)	(6.11)	(511.15)
Pension Related Deferred Inflows	(45,125.57)	(31,565.52)	(76,796.32)	(23,689.76)	(8,531.94)	(3,502.14)	(189,211.25)
OPEB Payable	7,652.00	3,826.00	15,304.00	6,377.00	2,550.00		35,709.00
Unearned Revenue			7,437.73				7,437.73
Customer Deposits	(40.00)		30,425.00				30,385.00
Net Cash Provided (Used) by Operating Activities	600,315.65	648,224.58	2,186,221.90	(199,192.53)	74,124.01	(5,512.04)	3,304,181.57
Noncash Investing, Capital and Financing Activities:							
Improvements Purchased by 2nd Cent Fund	436,529.67	22,412.46					458,942.13

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

MUNICIPALITY OF MADISON
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
December 31, 2015

	Agency Funds
ASSETS:	
Cash and Cash Equivalents	1,081.72
TOTAL ASSETS	1,081.72
LIABILITIES:	
Amounts Held for Others	1,081.72
TOTAL LIABILITIES	1,081.72

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

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

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

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

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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.

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

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, 2015, 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.

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, 2015 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 Threshold	Depreciation Method	Estimated Useful Life
Land & Land Rights	$ 0.00	- - - - N/A - - - -	- - - - N/A - - -
Buildings/Improvements	$ 5,000.00	Straight-Line	5-99 yrs.
Machinery & Equipment	$ 5,000.00	Straight-Line	5-50 yrs.
Infrastructure	$ 5,000.00	Straight-Line	5-75 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

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.

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.

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.

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

Fund Balance Type		Amount	Action
2nd Penny	$	1,721,664.42	Ordinance
Library Friends	$	8,678.97	Ordinance
Maloney Reserve	$	4,997.18	Ordinance
Hillian Trust	$	15,898.58	Ordinance
Library Building	$	7,018.68	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:

Major Special Revenue Fund:	Revenue Source:
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

n. Pensions:

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

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

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

	Year Ended 12/31/15
General Fund:	
Activity	
Debt Service	$ 0.30
3rd Cent Fund:	
Activity	
Economic Development & Assistance	$ 1,744.96
2nd Cent Fund:	
Activity	
Police	$ 27,595.60
Sanitation	$ 22,412.46
Water	$ 436,529.67

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

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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 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 Untied 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:
$ 273,708.78	For Capital Asset construction (Includes balances with trustees)
$ 760,815.76	For Debt Service, by debt covenants

NOTES TO THE FINANCIAL STATEMENTS
(continued)

5. RECEIVABLES AND PAYABLES

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

6. INVENTORY

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

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

Government-wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed. Material supply inventories are off-set by 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, 2015, is as follows:

	Balance 01/01/15	Increases	Decreases	Balance 12/31/15
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	644,115.10			644,115.10
Construction Work in Progress	103,083.82	422,271.25	(85,639.91)	439,715.16
Total, not being depreciated	747,198.92	422,271.25	(85,639.91)	1,083,830.26
Capital Assets, being depreciated:				
Buildings & Improvements	14,722,660.96	110,934.27		14,833,595.23
Infrastructure	23,412,253.32	203,586.22		23,615,839.54
Machinery & Equipment	6,003,253.50	156,756.24		6,160,009.74
Total, being depreciated	44,138,167.78	471,276.73	0.00	44,609,444.51
Less Accumulated Depreciation for:				
Buildings & Improvements	(5,550,957.06)	(491,730.71)		(6,042,687.77)
Infrastructure	(14,917,612.28)	(500,018.99)		(15,417,631.27)
Machinery & Equipment	(4,492,011.32)	(288,287.52)		(4,780,298.84)
Total Accumulated Depreciation	(24,960,580.66)	(1,280,037.22)	0.00	(26,240,617.88)
Total Capital Assets, being depreciated, net	19,177,587.12	(808,760.49)	0.00	18,368,826.63
Governmental Activity Capital Assets, Net	19,924,786.04	(386,489.24)	(85,639.91)	19,452,656.89

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	8,441.25
Public Safety	92,162.81
Public Works	870,798.29
Culture and Recreation	305,499.61
Conservation and Development	3,135.26
Total Depreciation Expense - Governmental Activities	1,280,037.22

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Primary Government:	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015
Business-Type Activities:				
Capital Assets, not being depreciated:				
Land	161,298.80			161,298.80
Construction Work in Progress	0.00	5,593.00		5,593.00
Total, not being depreciated	161,298.80	5,593.00	0.00	166,891.80
Capital Assets, being depreciated:				
Infrastructure	41,109,524.38	1,048,470.97		42,157,995.35
Machinery & Equipment	2,460,013.79	36,335.00		2,496,348.79
Total, being depreciated	43,569,538.17	1,084,805.97	0.00	44,654,344.14
Less Accumulated Depreciation for:				
Infrastructure	(15,370,436.30)	(1,066,616.91)		(16,437,053.21)
Machinery & Equipment	(1,791,149.55)	(109,794.38)		(1,900,943.93)
Total Accumulated Depreciation	(17,161,585.85)	(1,176,411.29)	0.00	(18,337,997.14)
Total Capital Assets, being depreciated, net	26,407,952.32	(91,605.32)	0.00	26,316,347.00
Business-Type Activity Capital Assets, Net	26,569,251.12	(86,012.32)	0.00	26,483,238.80

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Water	271,900.55
Sewer	345,672.38
Electric	416,559.22
Solid Waste	18,814.90
Community Center	97,330.76
Recycling Center	26,133.48
Total Depreciation Expense - Business-Type Activities	1,176,411.29

Construction Work in Progress at December 31, 2015 is composed of the following:

Project Name	Project Authorization	Expended thru 12/31/2015	Committed	Required Future Financing
2016 Electric Conversion	560,000.00	5,593.00	554,407.00	0.00
Airport Improvements	111,967.99	111,967.99	0.00	0.00
Airport Fuel System	332,747.17	327,747.17	5,000.00	0.00
TOTAL	1,004,715.16	445,308.16	559,407.00	0.00

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, 2015 is as follows:

	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
Land	295,156.00			295,156.00
Buildings & Improvements	6,357,806.00	41,974.00		6,399,780.00
Furniture & Equipment	222,982.00			222,982.00
Construction Work In Progress	15,584.00	30,258.00		45,842.00
Less Accumulated Depreciation	(4,442,768.00)	(180,297.00)		(4,623,065.00)
Total	2,448,760.00	(108,065.00)	0.00	2,340,695.00

10. LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities follows:

	Beginning Balance 1/1/2015	Additions	Deletions	Ending Balance 12/31/15	Due Within One Year
Primary Government:					
Governmental Activities:					
2007 General Obligation Bonds	2,150,000.00		230,000.00	1,920,000.00	240,000.00
2013 Sales Tax Revenue Refunding Bonds	940,000.00		130,000.00	810,000.00	130,000.00
Financing (Capital Acquisition) Lease	38,992.30		38,992.30	0.00	0.00
Tax Increment Financing District Loan	257,823.92		21,360.84	236,463.08	23,545.76
GASB-45 Expected Net OPEB Obligation	232,043.00	49,739.00		281,782.00	0.00
Leave Liability: Paid by Governmental Funds	287,621.27	109,271.21	131,732.86	265,159.62	120,000.00
Total Governmental Activities	3,906,480.49	159,010.21	552,086.00	3,513,404.70	513,545.76
Business-Type Activities:					
2007 Clean Water State Revolving Loan	4,025,803.68		211,894.67	3,813,909.01	218,865.64
2010 Electric Revenue Refunding Bonds	1,955,000.00		995,000.00	960,000.00	305,000.00
2013 Taxable Electric Generation Revenue Refunding Bonds	3,690,000.00		230,000.00	3,460,000.00	240,000.00
2013 Drinking Water Revenue Bond	3,313,507.99		197,235.13	3,116,272.86	202,659.09
GASB-45 Expected Net OPEB Obligation	166,594.00	35,709.00		202,303.00	0.00
Leave Liability: Paid by the Enterprise Funds	261,280.16	96,576.35	122,321.46	235,535.05	90,000.00
Total Business-Type Activities	13,412,185.83	132,285.35	1,756,451.26	11,788,019.92	1,056,524.73
Total Primary Government	17,318,666.32	291,295.56	2,308,537.26	15,301,424.62	1,570,070.49

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Liabilities payable at December 31, 2015 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	$ 1,920,000.00
2007 Clean Water State Revolving Loan:	
Maturity Date: October 15, 2029	
Fixed Interest Rate and Fee: 3.25%	
Payable from Sewer Fund	$ 3,813,909.01
2010 Electric Revenue Refunding Bonds:	
Maturity Date: December 2019	
Fixed Interest Rate: 1.0% to 4.0%	
Payable from Electric Fund	$ 960,000.00
2013 Sales Tax Revenue Refunding Bonds:	
Maturity Date: December 1, 2021	
Fixed Interest Rate: 0.9% to 2.0%	
Payable from 2nd Cent Sales Tax Fund	$ 810,000.00
2013 Taxable Electric Generation Revenue Refunding Bonds:	
Maturity Date: December 15, 2025	
Fixed Interest Rate: 1.25% to 3.75%	
Payable from Electric Fund	$ 3,460,000.00
Tax Increment Financing District Loan:	
Construction loan up to $330,500	
Fixed Interest Rate: 4.09%	
Paid by Tax Increment District	$ 236,463.08
2013 Drinking Water Revenue Bonds:	
Maturity Date: June 1, 2028	
Fixed Interest Rate: 2.75%	
Payable from Water Fund	$ 3,116,272.86
Compensated Absences:	
Accrued Leave Balances of Municipality Employees	
Payable from General Fund	$ 259,315.36
Payable from Park & Recreation Fund	$ 5,844.26
Payable from Water Fund	$ 62,553.92
Payable from Electric Fund	$ 109,452.31
Payable from Sewer Fund	$ 37,410.71
Payable from Community Center Fund	$ 20,492.90
Payable from Solid Waste Fund	$ 5,625.21

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Primary Government

The annual requirements to amortize all debt outstanding as of December 31, 2015, except for compensated absences, are as follows:

Annual Requirements to Maturity for Long-Term Debt
December 31, 2015

Year Ending December 31,	2007 General Obligation Bonds		2007 Clean Water State Revolving Loan		2010 Electric Revenue Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	240,000.00	91,200.00	218,865.64	121,302.60	305,000.00	35,617.50
2017	250,000.00	79,800.00	226,065.93	114,102.31	320,000.00	25,400.00
2018	265,000.00	67,925.00	233,503.10	106,665.14	0.00	13,400.00
2019	275,000.00	55,337.50	241,184.94	98,983.30	335,000.00	13,400.00
2020	285,000.00	42,275.00	249,119.51	91,048.73		
2021-2025	605,000.00	43,462.50	1,374,058.66	326,782.54		
2026-2030			1,271,111.23	89,561.73		
Totals	1,920,000.00	380,000.00	3,813,909.01	948,446.35	960,000.00	87,817.50

Year Ending December 31,	Sales Tax Revenue Refunding Bonds, Series 2013		Tax. Electric Generation Rev. Refunding Bonds, Series 2013		Tax Increment Financing District Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	130,000.00	12,102.50	240,000.00	106,480.00	23,545.76	9,335.92
2017	130,000.00	10,737.50	245,000.00	102,880.00	24,518.62	8,363.06
2018	135,000.00	9,177.50	270,000.00	97,980.00	25,531.69	7,349.99
2019	135,000.00	7,355.00	275,000.00	91,500.00	26,586.62	6,295.06
2020	135,000.00	5,262.50	295,000.00	84,350.00	27,685.12	5,196.56
2021-2025	145,000.00	2,900.00	2,135,000.00	268,312.50	108,595.27	6,490.61
2026-2030						
Totals	810,000.00	47,535.00	3,460,000.00	751,502.50	236,463.08	43,031.20

Year Ending December 31,	2013 Drinking Water Revenue Bonds		TOTALS			
	Principal	Interest	Principal	Interest		
2016	202,659.09	82,910.94	1,360,070.49	458,949.46		
2017	208,232.22	77,261.19	1,403,816.77	418,544.06		
2018	213,958.60	71,456.07	1,142,993.39	373,953.70		
2019	219,842.46	65,681.61	1,507,614.02	338,552.47		
2020	225,888.13	59,536.03	1,217,692.76	287,668.82		
2021-2025	1,226,107.32	198,972.95	5,593,761.25	846,921.10		
2026-2030	819,585.04	34,215.47	2,090,696.27	123,777.20		
Totals	3,116,272.86	590,034.26	14,316,644.95	2,848,366.81	-	-

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, 2015, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of $1,225,989.00.

12. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2015 was as follows:

Major Purposes:		
Governmental Activities:		
SDSR Pension Purposes	$ 524,441.70	
Capital Projects Purposes	656,581.18	
Debt Service Purposes	349,943.33	
Community Development Purposes	604,900.44	
3rd Cent Sales Tax - City Promotion Purposes	62,942.39	
Park & Recreation Purposes	520,474.92	
100 Year Anniversary Purposes	559.90	
Community Building Purposes	450,000.00	
Cummulative Insurance Reserve Purposes	99,739.62	
Total Restricted Net Position - Governmental Activities	$ 3,269,583.48	
Business-Type Activities:		
SDSR Pension Purposes	$ 454,560.42	
Debt Service Purposes	1,410,340.74	
Lewis & Clark Rural Water Future Expansion	1,994,375.60	
Total Restricted Net Position - Business-Type Activities	$ 3,859,276.76	
TOTAL RESTRICTED NET POSITION		$ 7,128,860.24

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, 2015 were as follows:

Fund:	Governmental	Proprietary	Purpose
General Fund	$ (155,250.00)		Operations
Parks & Recreation Fund	544,000.00		Operations
3rd Cent Sales Tax Fund	61,000.00		Operations
Community Development Fund	(86,250.00)		Operations
2nd Cent Sales Tax Fund	(113,160.00)		Operations
Water Fund		(18,920.00)	Operations
Sewer Fund		(68,920.00)	Operations
Electric Fund		(257,000.00)	Operations
Community Center Fund		94,500.00	Operations
TOTAL	$ 250,340.00	$ (250,340.00)	

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

14. PRIOR PERIOD ADJUSTMENTS

The Municipality implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As a result, beginning net position has been restated to reflect the related net pension asset and deferred outflows of resources as of January 1, 2015 as follows:

	Governmental Activities	Business-Type Activities	Total
Net Position January 1, 2015, as previously reported	25,280,267.37	23,957,574.73	49,237,842.10
Restatement for pension accounting:			
Net Pension Asset	705,312.34	611,330.27	1,316,642.61
Pension Related Deferred Outflows of Resources	576,770.09	499,916.13	1,076,686.22
Pension Related Deferred Inflows of Resources	(816,870.59)	(708,023.52)	(1,524,894.11)
Restatement for:			
Correct Aflac Payable from Prior Year	(1,137.88)	(932.74)	(2,070.62)
Net Position January 1, 2015, as restated	25,744,341.33	24,359,864.87	50,104,206.20

15. PENSION PLAN

Plan Information:
All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive

NOTES TO THE FINANCIAL STATEMENTS
(continued)

retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at http://www.sdrs.sd.gov/publications/ or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:
SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
  - 90.0% to 99.9% funded — 2.1% minimum and 2.8% maximum COLA
  - 80.0% to 90.0% funded — 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% -- 2.1% COLA

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

Contributions:
Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. 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, 2015, 2014, and 2013 were $197,153.02, $200,812.42, and $188,878.04, respectively, equal to the required contributions each year.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:
At June 30, 2015, SDRS is 104.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period and reported by the Municipality as of December 31, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	$ 19,241,500.76
Less proportionate share of total pension liability	$ 18,484,219.20
Proportionate share of net pension liability (asset)	$ (757,281.56)

At December 31, 2015, the Municipality reported a liability (asset) of $(757,281.56) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the Municipality's proportion was 0.17855%, which is a decrease of 0.0042005% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Municipality recognized pension expense (revenue) of $86,585.59. At December 31, 2015 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience.	$ 155,056.84	
Changes in assumption.	$ 600,476.62	
Net Difference between projected and actual earnings on pension plan investments.	$ 462,610.47	$ 1,117,383.45
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	$ 13,580.81	
Municipality contributions subsequent to the measurement date.	$ 107,379.27	
TOTAL	$ 1,339,104.01	$ 1,117,383.45

NOTES TO THE FINANCIAL STATEMENTS
(continued)

$107,379.27 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended December 31:	
2016	$ 35,883.37
2017	$ 35,883.37
2018	$ (96,536.06)
2019	$ 125,529.81
TOTAL	$ 100,760.49

Actuarial Assumptions:
The total pension liability (asset) in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2016 and 7.50 percent thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	2.0%	0.8%
Total	100%	

Discount Rate:
The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2016 and 7.50 percent thereafter. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of liability (asset) to changes in the discount rate:
The following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 7.25 percent through 2016 and 7.50 percent thereafter, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Municipality's proportionate share of the net pension liability (asset)	$1,906,069.23	$(757,281.56)	$(2,929,014.78)

Pension Plan Fiduciary Net Position:
Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

16. 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	(13,289.00)
Interest on Net OPEB Obligation	$ 17,939.00
Contributions made	(26,093.00)
Increase (Decrease) in net OPEB obligation	$ 85,448.00
Net OPEB obligation – beginning of year	398,637.00
Net OPEB obligation – end of year	$ 484,085.00

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB 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
2015	$ 106,891.00	24.41%	$ 484,085.00

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	$ 1,063,649.00
Funded Ratio	-
Covered Payroll	$ 2,532,216.00
Unfunded Actuarial Accrued Liability as a Percentage of Covered payroll	42.00%

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 wit the long-term perspective of the calculations.

In the December 31, 2009 actuarial valuation, the projected unity 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, 2015 was 24 years.

17. 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.

18. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2015, the Municipality was not involved in any significant litigation.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

19. 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, 2015, 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%

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, 2015, 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, 2015, no claims were filed for unemployment benefits. At December 31, 2015, 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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	1,675,702.00	1,675,702.00	1,673,172.59	(2,529.41)
General Sales and Use Taxes	1,450,000.00	1,450,000.00	1,544,915.80	94,915.80
Amusement Tax	1,000.00	1,000.00	780.00	(220.00)
Penalties and Interest on Delinquent Taxes	3,500.00	3,500.00	7,106.91	3,606.91
Licenses and Permits	72,250.00	72,250.00	60,280.02	(11,969.98)
Intergovernmental Revenue:				
Federal Grants	653,300.00	653,300.00	41,249.80	(612,050.20)
State Grants	0.00	3,990.48	199,902.60	195,912.12
State Shared Revenue:				
Bank Franchise Tax	10,000.00	10,000.00	12,007.13	2,007.13
Liquor Tax Reversion	40,000.00	40,000.00	40,380.56	380.56
Motor Vehicle Licenses	80,000.00	80,000.00	98,557.66	18,557.66
State Payments in Lieu of Taxes	12,000.00	12,000.00	6,373.81	(5,626.19)
County Shared Revenue:				
County Road Tax	11,700.00	11,700.00	11,717.70	17.70
County Highway & Bridge Reserve Tax	175,000.00	175,000.00	206,587.69	31,587.69
Charges for Goods and Services:				
General Government	1,500.00	1,500.00	1,025.00	(475.00)
Public Safety	700.00	700.00	598.00	(102.00)
Highways and Streets	6,500.00	6,500.00	12,411.20	5,911.20
Sanitation	28,000.00	28,000.00	42,444.40	14,444.40
Health	1,000.00	1,000.00	899.00	(101.00)
Other	135,000.00	135,000.00	87,760.88	(47,239.12)
Fines and Forfeits:				
Court Fines and Costs	1,600.00	1,600.00	754.00	(846.00)
Other	1,000.00	1,000.00	1,080.00	80.00
Miscellaneous Revenue:				
Investment Earnings	35,000.00	35,000.00	32,497.82	(2,502.18)
Rentals	34,990.00	34,990.00	74,602.57	39,612.57
Special Assessments	4,600.00	4,600.00	13,389.54	8,789.54
Contributions and Donations from Private Sources	15,000.00	35,000.00	81,300.00	46,300.00
Other	46,250.00	46,250.00	61,941.01	15,691.01
Total Revenue	4,495,592.00	4,519,582.48	4,313,735.69	(205,846.79)
Expenditures:				
General Government:				
Legislative	90,658.00	90,658.00	73,372.36	17,285.64
Contingency	170,000.00	170,000.00		
Amount Transferred		0.00		170,000.00
Financial Administration	200,240.00	200,240.00	177,761.05	22,478.95
Other	323,750.00	323,750.00	290,164.19	33,585.81
Total General Government	784,648.00	784,648.00	541,297.60	243,350.40

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Expenditures (continued):				
Public Safety:				
Police	1,055,050.00	1,058,110.23	997,139.81	60,970.42
Fire	147,775.00	151,765.48	142,997.11	8,768.37
Other Protection	1,500.00	1,500.00	1,211.98	288.02
Total Public Safety	1,204,325.00	1,211,375.71	1,141,348.90	70,026.81
Public Works:				
Highways and Streets	840,080.00	912,912.14	861,959.18	50,952.96
Sanitation	141,926.00	147,191.96	35,334.43	111,857.53
Electricity	2,000.00	2,000.00	1,729.48	270.52
Airport	862,175.00	862,175.00	580,605.56	281,569.44
Total Public Works	1,846,181.00	1,924,279.10	1,479,628.65	444,650.45
Health and Welfare:				
Health	7,500.00	7,500.00	5,835.20	1,664.80
Total Health and Welfare	7,500.00	7,500.00	5,835.20	1,664.80
Culture and Recreation:				
Recreation	3,000.00	3,000.00	3,000.00	0.00
Libraries	490,100.00	505,100.00	479,837.42	25,262.58
Audtiorium	38,100.00	43,100.00	33,669.98	9,430.02
Total Culture and Recreation	531,200.00	551,200.00	516,507.40	34,692.60
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	52,600.00	52,600.00	49,765.08	2,834.92
Total Conservation and Development	52,600.00	52,600.00	49,765.08	2,834.92
Debt Service	38,992.00	38,992.00	38,992.30	(0.30)
Total Expenditures	4,465,446.00	4,570,594.81	3,773,375.13	797,219.68
Excess of Revenue Over (Under) Expenditures	30,146.00	(51,012.33)	540,360.56	591,372.89
Other Financing Sources (Uses):				
Compensation for Loss or Damage to Capital Assets	0.00	0.00	5,118.00	5,118.00
Transfers Out	(155,250.00)	(155,250.00)	(155,250.00)	0.00
Total Other Financing Sources (Uses)	(155,250.00)	(155,250.00)	(150,132.00)	5,118.00
Net Change in Fund Balances	(125,104.00)	(206,262.33)	390,228.56	596,490.89
Fund Balance - Beginning	5,515,581.69	5,515,581.69	5,515,581.69	0.00
Adjustments				
To Correct Aflac Adjustment from Prior Year	0.00	0.00	(1,068.08)	(1,068.08)
Adjusted Fund Balance - Beginning	5,515,581.69	5,515,581.69	5,514,513.61	(1,068.08)
FUND BALANCE - ENDING	5,390,477.69	5,309,319.36	5,904,742.17	595,422.81

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PARK AND RECREATION FUND
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Intergovernmental Revenue:				
State Grants	24,250.00	25,778.64	8,033.00	(17,745.64)
Charges for Goods and Services:				
Culture and Recreation	109,000.00	109,000.00	101,443.20	(7,556.80)
Miscellaneous Revenue:				
Investment Earnings	3,500.00	3,500.00	2,737.72	(762.28)
Rentals	3,500.00	3,500.00	3,475.00	(25.00)
Contributions and Donations from Private Donations	0.00	0.00	915.00	915.00
Other	0.00	0.00	600.00	600.00
Total Revenue	140,250.00	141,778.64	117,203.92	(24,574.72)
Expenditures:				
Health and Welfare:				
Health	16,302.00	17,830.64	17,130.84	699.80
Total Health and Welfare	16,302.00	17,830.64	17,130.84	699.80
Culture and Recreation:				
Recreation	281,825.00	281,825.00	235,703.20	46,121.80
Parks	453,383.00	458,759.00	358,997.37	99,761.63
Total Culture and Recreation	735,208.00	740,584.00	594,700.57	145,883.43
Total Expenditures	751,510.00	758,414.64	611,831.41	146,583.23
Excess of Revenue Over (Under) Expenditures	(611,260.00)	(616,636.00)	(494,627.49)	122,008.51
Other Financing Sources (Uses):				
Transfers In	544,000.00	544,000.00	544,000.00	0.00
Total Other Financing Sources (Uses)	544,000.00	544,000.00	544,000.00	0.00
Net Change in Fund Balances	(67,260.00)	(72,636.00)	49,372.51	122,008.51
Fund Balance - Beginning	484,989.25	484,989.25	484,989.25	0.00
Adjustments				
To Correct Aflac Adjustment from Prior Year	0.00	0.00	(69.80)	(69.80)
Adjusted Fund Balance - Beginning	484,989.25	484,989.25	484,919.45	(69.80)
FUND BALANCE - ENDING	417,729.25	412,353.25	534,291.96	121,938.71

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
3RD CENT FUND
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Taxes:				
General Sales and Use Taxes	165,500.00	165,500.00	181,447.50	15,947.50
Miscellaneous Revenue:				
Investment Earnings	0.00	100.00	5.22	(94.78)
Total Revenue	165,500.00	165,600.00	181,452.72	15,852.72
Expenditures:				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	221,500.00	221,500.00	223,244.96	(1,744.96)
Total Conservation and Development	221,500.00	221,500.00	223,244.96	(1,744.96)
Total Expenditures	221,500.00	221,500.00	223,244.96	(1,744.96)
Excess of Revenue Over (Under) Expenditures	(56,000.00)	(55,900.00)	(41,792.24)	14,107.76
Other Financing Sources (Uses):				
Transfers In	61,000.00	61,000.00	61,000.00	0.00
Total Other Financing Sources (Uses)	61,000.00	61,000.00	61,000.00	0.00
Net Change in Fund Balances	5,000.00	5,100.00	19,207.76	14,107.76
Fund Balance - Beginning	43,734.63	43,734.63	43,734.63	0.00
FUND BALANCE - ENDING	48,734.63	48,834.63	62,942.39	14,107.76

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
COMMUNITY DEVELOPMENT FUND
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Miscellaneous Revenue:				
Investment Earnings	13,253.00	13,253.00	13,253.98	0.98
Total Revenue	13,253.00	13,253.00	13,253.98	0.98
Expenditures:				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	50,000.00	50,000.00	50,000.00	0.00
Total Conservation and Development	50,000.00	50,000.00	50,000.00	0.00
Total Expenditures	50,000.00	50,000.00	50,000.00	0.00
Excess of Revenue Over (Under) Expenditures	(36,747.00)	(36,747.00)	(36,746.02)	0.98
Other Financing Sources (Uses):				
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	(122,997.00)	(122,997.00)	(122,996.02)	0.98
Fund Balance - Beginning	727,896.46	727,896.46	727,896.46	0.00
FUND BALANCE - ENDING	604,899.46	604,899.46	604,900.44	0.98

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
2ND CENT FUND
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Taxes:				
General Sales and Use Taxes	1,450,000.00	1,450,000.00	1,544,915.75	94,915.75
Miscellaneous Revenue:				
Investment Earnings	2,280.00	2,280.00	2,155.28	(124.72)
Total Revenue	1,452,280.00	1,452,280.00	1,547,071.03	94,791.03
Expenditures:				
Public Safety:				
Police	106,000.00	106,000.00	133,595.60	(27,595.60)
Total Public Safety	106,000.00	106,000.00	133,595.60	(27,595.60)
Public Works:				
Highways and Streets	581,958.00	581,958.00	301,813.50	280,144.50
Sanitation	0.00	0.00	22,412.46	(22,412.46)
Water	0.00	0.00	436,529.67	(436,529.67)
Total Public Works	581,958.00	581,958.00	760,755.63	(178,797.63)
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	323,000.00	323,000.00	312,705.21	10,294.79
Total Conservation and Development	323,000.00	323,000.00	312,705.21	10,294.79
Debt Service	143,273.00	143,273.00	143,272.50	0.50
Total Expenditures	1,154,231.00	1,154,231.00	1,350,328.94	(196,097.94)
Excess of Revenue Over (Under) Expenditures	298,049.00	298,049.00	196,742.09	(101,306.91)
Other Financing Sources (Uses):				
Transfers In	137,840.00	137,840.00	137,840.00	0.00
Transfers Out	(251,000.00)	(251,000.00)	(251,000.00)	0.00
Total Other Financing Sources (Uses)	(113,160.00)	(113,160.00)	(113,160.00)	0.00
Net Change in Fund Balances	184,889.00	184,889.00	83,582.09	(101,306.91)
Fund Balance - Beginning	1,785,982.33	1,785,982.33	1,785,982.33	0.00
FUND BALANCE - ENDING	1,970,871.33	1,970,871.33	1,869,564.42	(101,306.91)

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL MAINTENANCE FEE FUND
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Miscellaneous Revenue:				
Maintenance Assessments	195,000.00	195,000.00	196,053.95	1,053.95
Total Revenue	195,000.00	195,000.00	196,053.95	1,053.95
Expenditures	0.00	0.00	0.00	0.00
Net Change in Fund Balances	195,000.00	195,000.00	196,053.95	1,053.95
Fund Balance - Beginning	186,818.45	186,818.45	186,818.45	0.00
FUND BALANCE - ENDING	381,818.45	381,818.45	382,872.40	1,053.95

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, 2015.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP).

NOTE 2. GAAP/Budgetary Accounting Basis Differences

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS – OTHER POST EMPLOYMENT BENEFIT LIABILITY
December 31, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Attained Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll ((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.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

(Dollar amounts in thousands)

	2015
Municipality's proportion of the net pension liability (asset)	0.1785500%
Municipality's proportionate share of net pension liability (asset)	$ (757)
Municipality's covered-employee payroll	$ 3,062
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-24.72%
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.1%

The amounts presented were determined as of the measurement date of the collective net pension liability (asset) which is 06/30.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

(Dollar amounts in thousands)

	2015
Contractually required contribution	$ 197
Contributions in relation to the contractually required contribution	$ 197
Contribution deficiency (excess)	$ -
Municipality's covered-employee payroll	$ 3,084
Contributions as a percentage of covered-employee payroll	6.39%