

MUNICIPALITY OF MADISON
MADISON, SOUTH DAKOTA

AUDIT REPORT

FOR THE YEAR JANUARY 1, 2018 TO DECEMBER 31, 2018

Schoenfish & Co., Inc.

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

MUNICIPALITY OF MADISON

MUNICIPAL OFFICIALS
DECEMBER 31, 2018

MAYOR:

Roy Lindsay, Jr.

GOVERNING BOARD:

Jeremiah Corbin
Kelly Johnson
Robert Thill
Mike Waldner

FINANCE OFFICER:

Jennifer Eimers

ATTORNEY:

David Jencks

Schoenfish & Co., Inc.

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

Governing Board
Municipality of Madison
Madison, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Madison, South Dakota (Municipality), as of December 31, 2018 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 January 23, 2020, which was qualified 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 are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2018-001.

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
January 23, 2020

Schoenfish & Co., Inc.

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

Governing Board
Municipality of Madison
Madison, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Municipality of Madison, South Dakota (Municipality), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Municipality's major federal programs for the year ended December 31, 2018. The Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Municipality's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Municipality's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Municipality's compliance.

Opinion on Each Major Federal Program

In our opinion, the Municipality of Madison complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

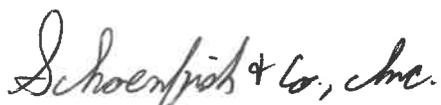
Management of the Municipality is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Municipality's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control over compliance.

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

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

Purpose of this Report

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



Schoenfish & Co., Inc.
 Certified Public Accountants
 January 23, 2020

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR FEDERAL AUDIT FINDINGS:

There were no written other federal compliance audit findings to report.

PRIOR OTHER AUDIT FINDINGS:

There were no written prior other compliance audit findings to report.

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

- a. An unmodified opinion was issued on the financial statements of each major governmental fund and aggregate remaining fund opinion units. An opinion qualified for OPEB Benefits was issued on the financial statements of the governmental activities, business-type activities and major proprietary fund opinion units.
- b. No material weaknesses or significant deficiencies were disclosed by our audit of the financial statements.
- c. Our audit disclosed noncompliance which was material to the financial statements and is described in current audit number finding number 2018-001.

Federal Awards:

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

CURRENT FEDERAL AUDIT FINDINGS:

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

CURRENT OTHER AUDIT FINDINGS:Compliance – Related Findings:Finding Number 2018-001:

Expenditures were in excess of the amounts budgeted in several departments in the General Fund.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

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.

Identification as a Repeat Finding:

This is the first consecutive audit in which a similar deficiency has been reported.

Recommendation:

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

CLOSING CONFERENCE

The audit was discussed with the finance officer, assistant finance officer, and municipal staff throughout the course of the audit.

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Finance Office

116 W Center Street
 Madison, SD 57042
 605.256.7500 office
 605.256.7511 fax
 Email: finance@cityofmadisonsd.com

Corrective Action Plan

Finding Number 2018-001: Expenditures were in excess of the amounts budgeted in several departments in the General Fund.

Planned Corrective Action: While expenditures were constantly discussed and budgets continuously monitored, staffing issues and efforts put toward a municipal-wide software conversion process took priority over several finance office responsibilities including the supplemental budget process. Unbudgeted expenses contributing to the departmental overages included the purchase of land and structure due to said property being offered to the city and the purchase of additional library books due to the contribution of another government, both of which the Board of Commissioners were well aware. A coding issue and changes in coding also contributed. The Finance Officer and the Mayor will assure proper budget authority is upheld including any need to supplement the budget before unbudgeted expenditures are made to eliminate future findings.



 Jennifer Eimers
 Finance Officer



 Marshall Dennert
 Mayor

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, 2018 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. We did not audit the financial statements of the Madison Housing and Redevelopment Commission, which represent 100 percent of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Madison Housing and Redevelopment Commission, is based on the report of the other auditors.

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 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.

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, 2018, 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, based on our audits and the report of other auditors, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of the Municipality of Madison as of December 31, 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the Municipality's Contributions, on pages 54 through 60, 62, and 63, 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.

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Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2020, on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
Certified Public Accountants
January 23, 2020

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MUNICIPALITY OF MADISON
STATEMENT OF NET POSITION
December 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and Cash Equivalents	6,599,788.95	7,078,344.99	13,678,133.94	401,165.00
Tenant Security Deposits				21,297.00
Investments	2,822,589.67	2,177,980.36	5,000,570.03	
Accounts Receivable, Net	679,012.03	2,110,954.03	2,789,966.06	215,750.00
Inventories	202,840.50	700,633.38	903,473.88	
Other Assets	301,862.57	40,331.14	342,193.71	4,134.00
Restricted Assets:				
Deposits	279,596.00	1,994,375.60	2,273,971.60	
Cash and Cash Equivalents	279,499.18	485,787.11	765,286.29	
Net Pension Asset	2,213.82	1,904.92	4,118.74	163.00
Capital Assets:				
Land and Construction Work in Progress	2,100,120.52	4,090,364.06	6,190,484.58	295,156.00
Other Capital Assets, Net of Depreciation	19,405,398.32	22,799,521.15	42,204,919.47	2,015,117.00
TOTAL ASSETS	32,672,921.56	41,480,196.74	74,153,118.30	2,952,782.00
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	717,524.85	617,405.11	1,334,929.96	53,946.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	717,524.85	617,405.11	1,334,929.96	53,946.00
LIABILITIES :				
Accounts Payable	152,421.03	700,844.57	853,265.60	17,762.00
Other Current Liabilities	67,670.81	212,439.21	280,110.02	76,332.00
Unearned Revenue		(6,280.16)	(6,280.16)	
Noncurrent Liabilities:				
Due Within One Year	617,288.66	856,027.40	1,473,316.06	45,213.00
Due in More than One Year	1,518,043.77	7,738,448.51	9,256,492.28	1,187,962.00
TOTAL LIABILITIES	2,355,424.27	9,501,479.53	11,856,903.80	1,327,269.00
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	178,107.24	153,255.07	331,362.31	21,857.00
TOTAL DEFERRED INFLOWS OF RESOURCES	178,107.24	153,255.07	331,362.31	21,857.00
NET POSITION:				
Net Investment in Capital Assets	19,724,116.05	18,580,894.92	38,305,010.97	1,078,887.00
Restricted for:				
Capital Projects Purposes	825,889.51		825,889.51	
Debt Service Purposes	429,774.95	995,168.24	1,424,943.19	
SDRS Pension Purposes	541,631.43	466,054.96	1,007,686.39	32,252.00
Community Development Purposes	349,037.57		349,037.57	
City Promotion Purposes	97,144.60		97,144.60	
Parks and Recreation Purposes	724,929.68		724,929.68	
100 Year Anniversary Purposes	570.03		570.03	
Community Building Purposes	385,253.66		385,253.66	
Cumulative Insurance Reserve Purposes	279,596.00		279,596.00	
Lewis & Clark Rural Water		1,994,375.60	1,994,375.60	
Unrestricted (Deficit)	7,498,971.42	10,406,373.53	17,905,344.95	546,463.00
TOTAL NET POSITION	30,856,914.90	32,442,867.25	63,299,782.15	1,657,602.00

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, 2018**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	
Primary Government:							
Governmental Activities:							
General Government	828,288.31	38,749.28	20,300.85	77,008.70	(692,229.48)		(692,229.48)
Public Safety	1,954,642.70	11,219.80	57,672.21	325,699.00	(1,560,051.69)		(1,560,051.69)
Public Works	2,036,301.40	243,618.55	311,461.61	999,046.83	(482,174.41)		(482,174.41)
Health and Welfare	20,323.39	1,275.00			(19,048.39)		(19,048.39)
Culture and Recreation	1,409,975.28	104,877.77	7,105.88	6,685.00	(1,291,306.63)		(1,291,306.63)
Conservation and Development	454,479.11	330.00	107,747.37		(346,401.74)		(346,401.74)
*Interest on Long-term Debt	34,993.70				(34,993.70)		(34,993.70)
Total Governmental Activities	6,739,003.89	400,070.40	504,287.92	1,408,439.53	(4,426,206.04)		(4,426,206.04)
Business-type Activities:							
Water	1,359,214.97	1,817,014.25				457,799.28	457,799.28
Sewer	1,038,102.96	1,531,502.82				493,399.86	493,399.86
Electric	9,382,057.01	10,901,013.31	9,480.82			1,528,437.12	1,528,437.12
Community Center	935,701.53	678,633.77		76,212.50		(180,855.26)	(180,855.26)
Solid Waste	227,976.49	304,495.64				76,519.15	76,519.15
Recycling	153,077.43	102,087.02				(50,990.41)	(50,990.41)
Total Business-type Activities	13,096,130.39	15,334,746.81	9,480.82	76,212.50		2,324,309.74	2,324,309.74
Total Primary Government	19,835,134.28	15,734,817.21	513,768.74	1,484,652.03	(4,426,206.04)		(2,101,896.30)
Component Units:							
Housing and Redevelopment Commission	1,225,428.00	476,576.00	746,252.00	169,419.00			166,819.00

General Revenues:

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

Taxes:	
Property Taxes	2,195,912.10
Sales Taxes	3,366,548.12
State Shared Revenues	65,172.73
Unrestricted Investment Earnings	116,731.59
Miscellaneous Revenue	4,535.31
Extraordinary Items	179,856.38
Transfers	(327,135.35)
Total General Revenues and Transfers	6,307,966.23
Change in Net Position	170,118.00
Net Position - Beginning	1,487,484.00
Adjustments:	
To Remove OPEB Liability from Financial Statements	652,096.00
Adjusted Net Position - Beginning	59,093,712.22
NET POSITION - ENDING	63,299,782.15

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

MUNICIPALITY OF MADISON
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018

	General Fund	Parks & Recreation Fund	3rd Cent Fund	Community Development Fund	2nd Cent Fund	Special Maintenance Fee Fund	Swimming Pool Debt Service Fund	Grant Circle TIF Debt Service Fund	Gerry Maloney Nature Capital Projects Fund	Total Governmental Funds
ASSETS:										
Cash and Cash Equivalents	3,530,015.16	456,935.37	80,869.96	349,037.57	1,359,491.22	545,134.51	274,772.23	3,532.93		6,599,788.95
Investments	2,582,963.67	239,626.00								2,822,589.67
Taxes Receivable--Delinquent	31,428.84									37,345.51
Accounts Receivable, Net	8,196.77						5,916.67			8,196.77
Special Assessments Receivable--Current	16,132.04									16,132.04
Special Assessments Receivable--Delinquent	2,075.43									2,075.43
Special Assessments Receivable--Deferred	30,229.53									30,229.53
Interest Receivable--Special Assessments	7,049.35									7,049.35
Notes Receivable	33,872.49	3,141.32								37,013.81
Due from Other Governments	338,897.95	7,227.25	16,274.64		176,127.88	1,255.82	1,186.05			540,969.59
Inventory of Supplies	138,258.63	24,494.97								162,753.60
Inventory of Stores Purchased for Resale	40,086.90									40,086.90
Deposits	279,596.00									279,596.00
Prepaid Expenses	294,424.79	2,783.78								297,208.57
Restricted Cash and Cash Equivalents									279,499.18	279,499.18
TOTAL ASSETS	7,333,227.55	734,208.69	97,144.60	349,037.57	1,535,619.10	546,390.33	281,874.95	3,532.93	279,499.18	11,160,534.90

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

MUNICIPALITY OF MADISON
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:

Liabilities:

Accounts Payable
Due to State Government
Accrued Wages Payable

Total Liabilities

Deferred Inflows of Resources:

Unavailable Revenue--Property Taxes
Unavailable Revenue--Special Assessments

Total Deferred Inflows of Resources

Fund Balances:

Nonspendable for Inventory
Nonspendable for Cumulative Insurance Reserve
Nonspendable for Prepaid Expenses
Restricted for Community Building Maintenance
Restricted for 100 Year Fund
Restricted for Parks & Recreation
Restricted for City Promotion
Restricted for Community Development
Restricted for Debt Service
Restricted for Gerry Maloney Nature Capital Projects
Restricted for Capital Project Purposes
Committed for Capital Improvements
Committed for Library Friends
Committed for Maloney Reserve
Committed for Hillian Trust
Committed for Library Building
Assigned for Next Year's Budget
Assigned for Capital Outlay Accumulation
Unassigned

Total Fund Balances

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

	General Fund	Parks & Recreation Fund	3rd Cent Fund	Community Development Fund	2nd Cent Fund	Special Maintenance Fee Fund	Swimming Pool Debt Service Fund	Grant Circle TIF Debt Service Fund	Gerry Maloney Nature Capital Projects Fund	Total Governmental Funds
Accounts Payable	143,537.75	5,246.40								152,317.08
Due to State Government	90.25	13.70						3,532.93		103.95
Accrued Wages Payable	48,005.93	4,018.91								52,024.84
Total Liabilities	191,633.93	9,279.01	0.00	0.00	0.00	0.00	0.00	3,532.93	0.00	204,445.87
Deferred Inflows of Resources:										
Unavailable Revenue--Property Taxes	31,428.84									37,345.51
Unavailable Revenue--Special Assessments	55,486.35						5,916.67			55,486.35
Total Deferred Inflows of Resources	86,915.19	0.00	0.00	0.00	0.00	0.00	5,916.67	0.00	0.00	92,831.86
Fund Balances:										
Nonspendable for Inventory	178,345.53	24,494.97								202,840.50
Nonspendable for Cumulative Insurance Reserve	279,596.00									279,596.00
Nonspendable for Prepaid Expenses	294,424.79	2,783.78								297,208.57
Restricted for Community Building Maintenance	385,253.66									385,253.66
Restricted for 100 Year Fund	570.03									570.03
Restricted for Parks & Recreation		697,650.93								697,650.93
Restricted for City Promotion			97,144.60							97,144.60
Restricted for Community Development				349,037.57						349,037.57
Restricted for Debt Service					147,900.00		275,958.28		279,499.18	423,858.28
Restricted for Gerry Maloney Nature Capital Projects									279,499.18	279,499.18
Restricted for Capital Project Purposes						546,390.33				546,390.33
Committed for Capital Improvements					1,387,719.10					1,387,719.10
Committed for Library Friends	8,681.57									8,681.57
Committed for Maloney Reserve	4,997.18									4,997.18
Committed for Hillian Trust	15,898.58									15,898.58
Committed for Library Building	11,345.14									11,345.14
Assigned for Next Year's Budget	891,666.00									891,666.00
Assigned for Capital Outlay Accumulation	3,313,357.89									3,313,357.89
Unassigned	1,670,542.06									1,670,542.06
Total Fund Balances	7,054,678.43	724,929.68	97,144.60	349,037.57	1,535,619.10	546,390.33	275,958.28	0.00	279,499.18	10,863,257.17
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	7,333,227.55	734,208.69	97,144.60	349,037.57	1,535,619.10	546,390.33	281,874.95	3,532.93	279,499.18	11,160,534.90

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, 2018

Total Fund Balances - Governmental Funds	<u>10,863,257.17</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>2,213.82</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>21,505,518.84</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>717,524.85</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,144,473.43)</u>
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>92,831.86</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(178,107.24)</u>
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.	<u>(1,850.97)</u>
Net Position - Governmental Activities	<u><u>30,856,914.90</u></u>

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

MUNICIPALITY OF MADISON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2018

	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	1,822,139.63						340,488.46	35,811.17		2,198,439.26
General Sales and Use Taxes	1,585,689.19		195,169.77		1,585,689.16					3,366,548.12
Amusement Taxes	768.00									768.00
Penalties and Interest on Delinquent Taxes	6,910.95						1,414.71			8,325.66
Licenses and Permits	77,008.70									77,008.70
Intergovernmental Revenue:										
Federal Grants	843,742.44									843,742.44
State Grants	302,990.57	6,685.00								309,675.57
State Shared Revenue:										
Bank Franchise Tax	17,098.98									17,098.98
Prorate License Fees	194,821.07									194,821.07
Liquor Tax Reversion	39,576.52									39,576.52
Motor Vehicle Licenses	104,921.84									104,921.84
State Payments in Lieu of Taxes	7,161.70						1,335.53			8,497.23
County Shared Revenue:										
County Road Tax	11,718.70									11,718.70
Charges for Goods and Services:										
General Government	1,264.00									1,264.00
Public Safety	9,445.00									9,445.00
Highways and Streets	3,078.13									3,078.13
Sanitation	60,438.64									60,438.64
Health	1,275.00									1,275.00
Culture and Recreation	101,237.77									101,237.77
Other	157,118.36									157,118.36
Fines and Forfeits:										
Court Fines and Costs	774.80									774.80
Other	1,320.00									1,320.00
Miscellaneous Revenue:										
Investment Earnings	75,781.12	10,508.10	670.58	7,502.32	22,181.03	4,925.71	4,398.77		1,937.92	127,905.55
Rentals	61,778.70	2,340.00								64,118.70
Special Assessments	27,538.06									27,538.06
Maintenance Assessments						225,452.61				225,452.61
Contributions and Donations from Private Sources	128,048.22	2,005.88								130,054.10
Other	131,024.47	17,660.00								148,684.47
Total Revenue	5,673,432.79	140,436.75	195,840.35	7,502.32	1,607,870.19	230,378.32	347,637.47	35,811.17	1,937.92	8,240,847.28

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, 2018

	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	70,042.67									70,042.67
Financial Administration	399,112.77									399,112.77
Other	297,295.08									297,295.08
Total General Government	766,450.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	766,450.52
Public Safety:										
Police	1,297,946.11									1,297,946.11
Fire	422,616.36									422,616.36
Other Protection	1,693.39									1,693.39
Total Public Safety	1,722,255.86	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,722,255.86
Public Works:										
Highways and Streets	736,314.97									736,314.97
Sanitation	45,667.09									45,667.09
Airport	216,933.64									216,933.64
Total Public Works	998,915.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	998,915.70
Health and Welfare:										
Health	3,438.80	7,026.83								10,465.63
Total Health and Welfare	3,438.80	7,026.83	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,465.63
Culture and Recreation:										
Recreation	3,000.00	309,672.20								312,672.20
Parks		298,202.10								298,202.10
Libraries	406,537.59									406,537.59
Auditorium	21,129.78									21,129.78
Total Culture and Recreation	430,667.37	607,874.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,038,541.67
Conservation and Development:										
Economic Development and Assistance (Industrial Development)	216,361.55		234,082.40							450,443.95
Total Conservation and Development	216,361.55	0.00	234,082.40	0.00	0.00	0.00	0.00	0.00	0.00	450,443.95
Debt Service	144,177.50	0.00	0.00	0.00			323,120.00	35,811.17	0.00	503,108.67
Capital Outlay	2,305,360.97	129,468.13	0.00	0.00			0.00	0.00	0.00	2,434,829.10
Total Expenditures	6,587,628.27	744,369.26	234,082.40	0.00	0.00	0.00	323,120.00	35,811.17	0.00	7,925,011.10

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, 2018

	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	(914,195.48)	(603,932.51)	(38,242.05)	7,502.32	1,607,870.19	230,378.32	24,517.47	0.00	1,937.92	315,836.18
Other Financing Sources:										
Transfers In										
Sale of Municipal Property	1,294,406.19	685,000.00	61,000.00							2,040,406.19
Compensation for Loss or Damage to Capital Assets	5,562.97									5,562.97
Transfers Out	(150,000.00)			(81,500.00)	(2,136,041.54)					(2,367,541.54)
Total Other Financing Sources	1,247,026.17	685,000.00	61,000.00	(81,500.00)	(2,136,041.54)	0.00	0.00	0.00	0.00	(224,515.37)
391.05/(515) Extraordinary Items	179,856.38									179,856.38
Net Change in Fund Balances	512,687.07	81,067.49	22,757.95	(73,997.68)	(528,171.35)	230,378.32	24,517.47	0.00	1,937.92	271,177.19
Fund Balance - Beginning	6,541,991.36	643,862.19	74,386.65	423,035.25	2,063,790.45	316,012.01	251,440.81		277,561.26	10,592,079.98
FUND BALANCE - ENDING	7,054,678.43	724,929.68	97,144.60	349,037.57	1,535,619.10	546,390.33	275,958.28	0.00	279,499.18	10,863,257.17

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, 2018

Net Change in Fund Balances - Total Governmental Funds	<u>271,177.19</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>2,434,829.10</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(1,501,297.43)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	<u>(8,000.00)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.	<u>465,877.84</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>(11,620.82)</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>(12,205.64)</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(37,903.78)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g. accrued interest expense, pension expense)	<u>4,379.51</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(173,774.03)</u>
Unamortized premiums and discounts are recorded as expenditures or other financing sources in the governmental funds. However, these items are amortized over the life of the debt in the governmental activities.	<u>1,896.00</u>
Change in Net Position of Governmental Activities	<u><u>1,433,357.94</u></u>

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

**MUNICIPALITY OF MADISON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2018**

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Electric Fund	Community Center Fund	Solid Waste Fund	
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	2,491,398.22	1,656,418.67	1,803,391.11	291,848.28	569,486.90	265,801.81
Investments	697,495.43	264,591.48	1,215,893.45			
Accounts Receivable, Net	116,252.84	116,920.10	850,884.10		27,413.84	
Unbilled Accounts Receivable	114,063.13	100,878.93	739,234.87		16,739.21	
Interest Receivable	9,148.52	3,469.23	15,949.26			
Inventory of Supplies	117,102.77	6,586.66	562,748.16			14,195.79
Prepaid Expenses	5,060.63	1,587.10	9,937.32	339.25	303.62	196.22
Total Current Assets	3,550,521.54	2,150,452.17	5,198,038.27	292,187.53	613,943.57	280,193.82
Noncurrent Assets:						
Restricted Cash and Cash Equivalents			485,787.11			
Deposits	1,994,375.60					
Unamortized Discounts on Bonds Sold			22,907.00			
Net Pension Asset	432.88	301.90	763.62	271.01	93.49	42.02
Capital Assets:						
Land	110,343.51	44,923.24	6,032.05			
Buildings	11,401,904.80	11,087,474.97	17,142,636.59			341,786.30
Machinery and Equipment	333,174.63	787,844.90	1,051,377.51	138,975.06	393,766.10	177,316.41
Construction Work in Progress	1,509,172.07	1,238,091.68	1,181,801.51			
Less: Accumulated Depreciation	(4,720,546.95)	(6,200,977.43)	(8,357,659.67)	(57,217.74)	(337,321.40)	(383,012.93)
Total Noncurrent Assets	10,628,856.54	6,957,659.26	11,533,645.72	82,028.33	56,538.19	136,131.80
TOTAL ASSETS	14,179,378.08	9,108,111.43	16,731,683.99	374,215.86	670,481.76	416,325.62
DEFERRED OUTFLOWS OF RESOURCES:						
Pension Related Deferred Outflows	140,301.14	97,850.37	247,496.01	87,838.39	30,302.91	13,616.29
TOTAL DEFERRED OUTFLOWS OF RESOURCES	140,301.14	97,850.37	247,496.01	87,838.39	30,302.91	13,616.29

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

**MUNICIPALITY OF MADISON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2018**

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Electric Fund	Community Center Fund	Solid Waste Fund	
LIABILITIES:						
Current Liabilities:						
Accounts Payable	37,000.09	13,985.55	577,840.40	12,639.04	3,889.26	650,281.58
Due to State Government	124.04		44,176.11	4,686.81	1,576.03	50,562.99
Accrued Interest Payable	5,709.51	21,723.87	4,021.98			31,455.36
Accrued Wages Payable	10,322.63	9,367.71	18,242.58	26,957.97	1,414.14	67,073.85
Customer Deposits	440.25		113,469.75			113,910.00
Unearned Revenue			(6,280.16)			(6,280.16)
Bonds Payable Current:						
Revenue	219,842.46	241,184.94	275,000.00			736,027.40
Total Current Liabilities	273,438.98	286,262.07	1,026,470.66	44,283.82	6,879.43	1,643,031.02
Noncurrent Liabilities:						
Bonds Payable:						
Revenue	2,271,580.49	2,894,289.40	2,430,000.00			7,595,869.89
Accrued Leave Payable	72,187.04	33,787.16	121,208.69	34,547.19	848.54	262,578.62
Total Noncurrent Liabilities	2,343,767.53	2,928,076.56	2,551,208.69	34,547.19	848.54	7,858,448.51
TOTAL LIABILITIES	2,617,206.51	3,214,338.63	3,577,679.35	78,831.01	7,727.97	9,501,479.53
DEFERRED INFLOWS OF RESOURCES:						
Pension Related Deferred Inflows	34,826.18	24,288.86	61,434.57	21,803.64	7,521.92	153,255.07
TOTAL DEFERRED INFLOWS OF RESOURCES	34,826.18	24,288.86	61,434.57	21,803.64	7,521.92	153,255.07
NET POSITION:						
Net Investment in Capital Assets	6,142,625.11	3,821,883.02	8,342,094.99	81,757.32	56,444.70	18,580,894.92
Restricted For:						
Revenue Bond Debt Service	286,000.00	340,168.24	369,000.00			995,168.24
SDSR Pension Purposes	105,907.84	73,863.41	186,825.06	66,305.76	22,874.48	466,054.96
Lewis & Clark Rural Water	1,994,375.60					1,994,375.60
Unrestricted Net Position	3,138,737.98	1,731,419.64	4,442,146.03	213,356.52	606,215.60	10,406,373.53
TOTAL NET POSITION	11,667,646.53	5,967,334.31	13,340,066.08	361,419.60	685,534.78	32,442,867.25

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, 2018

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Electric Fund	Community Center Fund	Solid Waste Fund	
Operating Revenue:						
Charges for Goods and Services	1,812,383.64	1,530,252.49	10,799,504.59	678,232.77	304,279.17	1,084,598.96
Revenue Dedicated to Servicing Debt	4,630.61	1,250.33	101,508.72	401.00	216.47	14,142,140.72
Miscellaneous						108,007.13
Total Operating Revenue	1,817,014.25	1,531,502.82	10,901,013.31	678,633.77	304,495.64	15,334,746.81
Operating Expenses:						
Personal Services	600,088.39	409,704.71	1,043,712.21	584,564.17	117,141.78	2,808,059.63
Other Current Expense	323,327.61	238,710.17	1,195,733.85	340,176.21	92,019.81	2,266,060.73
Materials (Cost of Goods Sold)	87,262.74		6,572,066.55			6,659,329.29
Depreciation	277,502.35	284,598.04	469,576.23	10,961.15	18,814.90	1,085,588.65
Total Operating Expenses	1,288,181.09	933,012.92	9,281,088.84	935,701.53	227,976.49	12,819,038.30
Operating Income (Loss)	528,833.16	598,489.90	1,619,924.47	(257,067.76)	76,519.15	2,515,708.51
Nonoperating Revenue (Expense):						
Operating Grants	34,328.63	21,466.18	9,480.82			9,480.82
Investment Earnings	800.00		49,925.84	3,116.57	5,411.84	116,731.59
Rental Revenue	(71,033.88)	(105,090.04)	1,377.60			2,177.60
Interest Expense			(100,968.17)			(277,092.09)
Other			1,520.00	837.71		2,357.71
Total Nonoperating Revenue (Expense)	(35,905.25)	(83,623.86)	(38,663.91)	3,954.28	5,411.84	(146,344.37)
Income (Loss) Before Contributions and Transfers	492,927.91	514,866.04	1,581,260.56	(253,113.48)	81,930.99	2,369,364.14
Capital Contributions						
Transfers In	327,064.17	313,571.18		76,212.50		76,212.50
Transfers Out	(35,000.00)	(35,000.00)	(350,000.00)		(30,000.00)	(450,000.00)
Change in Net Position	784,992.08	793,437.22	1,231,260.56	(70,400.98)	51,930.99	2,772,711.99
Net Position - Beginning	10,824,258.45	5,144,705.09	11,992,013.52	383,150.58	614,138.79	29,397,640.26
Adjustments:						
To remove OPEB liability from financial statements	58,396.00	29,192.00	116,792.00	48,670.00	19,465.00	272,515.00
Adjusted Net Position - Beginning	10,882,654.45	5,173,897.09	12,108,805.52	431,820.58	633,603.79	29,670,155.26
NET POSITION - ENDING	11,667,646.53	5,967,334.31	13,340,066.08	361,419.60	685,534.78	32,442,867.25

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, 2018

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Electric Fund	Community Center Fund	Solid Waste Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash Receipts from Customers	1,829,108.43	1,526,066.96	10,929,309.08	678,633.77	303,927.14	103,334.63
Cash Payments to Employees for Services	(571,102.44)	(382,053.81)	(955,948.23)	(549,974.74)	(122,848.56)	(55,365.30)
Cash Payments to Suppliers of Goods and Services	(439,628.60)	(231,061.53)	(7,793,836.41)	(429,350.92)	(93,193.70)	(78,251.24)
Net Cash Provided (Used) by Operating Activities	818,377.39	912,951.62	2,179,524.44	(300,691.89)	87,884.88	(30,281.91)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating Subsidies			9,480.82			
Transfers In	327,064.17	313,571.18		106,500.00		30,000.00
Transfers Out	(35,000.00)	(35,000.00)	(350,000.00)		(30,000.00)	
Net Cash Provided (Used) by Noncapital Financing Activities	292,064.17	278,571.18	(340,519.18)	106,500.00	(30,000.00)	30,000.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Capital Contributions				76,212.50		
Purchase of Capital Assets	(733,957.07)	(766,543.49)	(1,411,896.65)	(41,763.90)		
Principal Paid on Capital Debt	(213,958.60)	(233,503.10)	(270,000.00)			
Interest Paid on Capital Debt	(71,456.07)	(106,665.14)	(97,980.00)			
Other Receipts (Payments)	800.00		2,897.60	837.71		
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,018,571.74)	(1,106,711.73)	(1,776,979.05)	35,286.31	0.00	0.00
CASH FLOWS FROM INVESTING ACTIVITIES:						
Cash Received for Interest	25,180.11	17,996.95	33,976.58	3,116.57	5,411.84	2,482.53
Net Cash Provided by Investing Activities	25,180.11	17,996.95	33,976.58	3,116.57	5,411.84	2,482.53
Net Increase (Decrease) in Cash and Cash Equivalents	117,049.93	102,808.02	96,002.79	(155,789.01)	63,296.72	2,200.62
Balances - Beginning	3,071,843.72	1,818,202.13	3,409,068.88	447,637.29	506,190.18	263,601.19
Balances - Ending	3,188,893.65	1,921,010.15	3,505,071.67	291,848.28	569,486.90	265,801.81

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, 2018

	Enterprise Funds					Totals	
	Water Fund	Sewer Fund	Electric Fund	Community Center Fund	Solid Waste Fund		Recycling Fund
	528,833.16	598,489.90	1,619,924.47	(257,067.76)	76,519.15	(50,990.41)	2,515,708.51
	277,502.35	284,598.04	469,576.23	10,961.15	18,814.90	24,135.98	1,085,588.65
	12,334.18	(5,435.86)	29,847.42		(568.50)	1,247.61	37,424.85
	817.62	(1,422.43)	31,070.16			(2,068.97)	28,396.38
	1,174.78	754.11	2,451.69	706.19	205.97	52.55	5,345.29
	24,196.93	10,202.28	81,500.13	12,150.63	338.89	(3,939.93)	124,448.93
	(29,855.87)	9,071.07	(57,106.17)	(89,174.71)	(1,173.89)	(89.19)	(168,328.76)
	(176.54)	3,582.25	1,854.10	18,367.67	(484.63)	(142.60)	23,000.25
	700.98	9,669.85	3,996.26	852.04	(7,377.25)		7,841.88
	3,089.80	3,442.41	(2,038.20)	2,512.90	1,610.24	1,513.05	10,130.20
	(240.00)		(6,131.65)				(6,131.65)
			4,580.00				4,340.00
	818,377.39	912,951.62	2,179,524.44	(300,691.89)	87,884.88	(30,281.91)	3,667,764.53

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

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

Net Cash Provided (Used) by Operating Activities

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

**MUNICIPALITY OF MADISON
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
December 31, 2018**

	Agency Funds
ASSETS:	
Cash and Cash Equivalents	<u>842.26</u>
TOTAL ASSETS	<u>842.26</u>
LIABILITIES:	
Amounts Held for Others	<u>842.26</u>
TOTAL LIABILITIES	<u><u>842.26</u></u>

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

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

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

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

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

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

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

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

See Independent Auditor's Report.

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, 2018, 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 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, 2018 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:

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
2nd Penny	\$ 1,387,719.10	Ordinance
Library Friends	\$ 8,681.57	Ordinance
Maloney Reserve	\$ 4,997.18	Ordinance
Hillian Trust	\$ 15,898.58	Ordinance
Library Building	\$ 11,345.14	Ordinance

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

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

NOTES TO THE FINANCIAL STATEMENTS
 (continued)

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

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

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 overdrafts of the expenditures compared to appropriations:

	Year Ended 12/31/18
General Fund:	
<u>Activity</u>	
Finance Officer	\$ 53,038.77
Other - General Government	\$ 133,209.50
Other Protection	\$ 193.39
Library	\$ 6,313.92

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(continued)

qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

As of December 31, 2018, the Municipality did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

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

As of December 31, 2018, the Municipality had the following investments. Except for the investment in South Dakota Public Funds Investment Fund, all investments are in an internal deposit and investment pool.

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
External Investment Pools:			
SDFIT	Unrated	N/A	<u>\$ 5,103,996.85</u>
TOTAL INVESTMENTS			<u><u>\$ 5,103,996.85</u></u>

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

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.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

4. RESTRICTED CASH AND INVESTMENTS

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

Amount:	Purpose:
\$ 279,499.18	For Capital Asset construction (Includes balances with trustees)
\$ 485,787.11	For Debt Service, by debt covenants

5. RECEIVABLES AND PAYABLES

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

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, 2018, is as follows:

	Balance 01/01/18	Increases	Decreases	Balance 12/31/18
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	644,115.10			644,115.10
Construction Work in Progress	231,156.34	1,426,522.29	(201,673.21)	1,456,005.42
Total, not being depreciated	<u>875,271.44</u>	<u>1,426,522.29</u>	<u>(201,673.21)</u>	<u>2,100,120.52</u>
Capital Assets, being depreciated:				
Buildings & Improvements	14,964,656.18	526,786.50		15,491,442.68
Infrastructure	27,155,780.19	193,673.21		27,349,453.40
Machinery & Equipment	6,163,512.64	481,520.31		6,645,032.95
Total, being depreciated	<u>48,283,949.01</u>	<u>1,201,980.02</u>	<u>0.00</u>	<u>49,485,929.03</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	(7,028,067.68)	(524,829.94)		(7,552,897.62)
Infrastructure	(16,567,209.67)	(633,147.94)		(17,200,357.61)
Machinery & Equipment	(4,983,955.93)	(343,319.55)		(5,327,275.48)
Total Accumulated Depreciation	<u>(28,579,233.28)</u>	<u>(1,501,297.43)</u>	<u>0.00</u>	<u>(30,080,530.71)</u>
Total Capital Assets, being depreciated, net	<u>19,704,715.73</u>	<u>(299,317.41)</u>	<u>0.00</u>	<u>19,405,398.32</u>
Governmental Activity Capital Assets, Net	<u><u>20,579,987.17</u></u>	<u><u>1,127,204.88</u></u>	<u><u>(201,673.21)</u></u>	<u><u>21,505,518.84</u></u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	33,722.37
Public Safety	136,607.88
Public Works	989,358.43
Culture and Recreation	3,510.09
Health and Welfare	334,963.40
Conservation and Development	3,135.26
Total Depreciation Expense - Governmental Activities	<u><u>1,501,297.43</u></u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

	Balance 01/01/18	Increases	Decreases	Balance 12/31/18
Business-Type Activities:				
Capital Assets, not being depreciated:				
Land	161,298.80			161,298.80
Construction Work in Progress	1,886,046.13	2,780,650.48	(737,631.35)	3,929,065.26
Total, not being depreciated	<u>2,047,344.93</u>	<u>2,780,650.48</u>	<u>(737,631.35)</u>	<u>4,090,364.06</u>
Capital Assets, being depreciated:				
Infrastructure	39,146,633.31	827,169.35		39,973,802.66
Machinery & Equipment	2,798,481.98	83,972.63		2,882,454.61
Total, being depreciated	<u>41,945,115.29</u>	<u>911,141.98</u>	<u>0.00</u>	<u>42,856,257.27</u>
Less Accumulated Depreciation for:				
Infrastructure	(16,809,064.35)	(941,875.05)		(17,750,939.40)
Machinery & Equipment	(2,162,083.12)	(143,713.60)		(2,305,796.72)
Total Accumulated Depreciation	<u>(18,971,147.47)</u>	<u>(1,085,588.65)</u>	<u>0.00</u>	<u>(20,056,736.12)</u>
Total Capital Assets, being depreciated, net	<u>22,973,967.82</u>	<u>(174,446.67)</u>	<u>0.00</u>	<u>22,799,521.15</u>
Business-Type Activity Capital Assets, Net	<u>25,021,312.75</u>	<u>2,606,203.81</u>	<u>(737,631.35)</u>	<u>26,889,885.21</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Water	277,502.35
Sewer	469,576.23
Electric	284,598.04
Solid Waste	18,814.90
Community Center	10,961.15
Recycling Center	24,135.98
Total Depreciation Expense - Business-Type Activities	<u>1,085,588.65</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Construction Work in Progress at December 31, 2018 is composed of the following:

Project Name	Project Authorization	Expended thru 12/31/2018	Committed	Required Future Financing
Hwy 34 / 2nd St Rebuild Project	1,166,176.40	1,166,176.40	0.00	0.00
2018 Sidewalk Improve/Repair Project	74,038.13	74,038.13	0.00	0.00
2018 W Center Street	1,778,740.78	1,778,740.78	0.00	0.00
2018 Garfield Ave Bridge/Box Culvert Project	3,895.57	3,895.57	0.00	0.00
2018 Center St Bridge/Box Culvert Project	10,377.04	10,377.04	0.00	0.00
Phase I Taxiway	21,016.51	21,016.51	0.00	0.00
Phase 2 Taxiway	80,405.66	80,405.66	0.00	0.00
Construct Taxiway	356,522.87	356,522.87	0.00	0.00
Washington Ave Reconstruction Project	114,005.54	114,005.54	0.00	0.00
WTP/WWTF Coatings (Recoat Clarifiers)	128,184.58	128,184.58	0.00	0.00
East River/MMU Building	871,244.18	871,244.18	0.00	0.00
2018 Electric Conversion	573,719.76	573,719.76	0.00	0.00
2019 Electric Conversion	9,844.00	9,844.00	0.00	0.00
2018 Cured In Place Pipe Project	192,815.06	192,815.06	0.00	0.00
RD Sewer Project	4,084.60	4,084.60	0.00	0.00
TOTAL	<u>5,385,070.68</u>	<u>5,385,070.68</u>	<u>0.00</u>	<u>0.00</u>

9. CHANGES IN COMPONENT UNIT CAPITAL ASSETS

A summary of changes in component unit capital assets for the year ended December 31, 2018 is as follows:

	Balance 01/01/18	Increases	Decreases	Balance 12/31/18
Capital Assets, not being depreciated:				
Land	295,156			295,156
Construction Work in Progress	0	16,617		16,617
Total, not being depreciated	<u>295,156</u>	<u>16,617</u>	<u>0</u>	<u>311,773</u>
Capital Assets, being depreciated:				
Buildings & Improvements	6,605,551	333,470		6,939,021
Equipment	220,041	1,310		221,351
Total, being depreciated	<u>6,825,592</u>	<u>334,780</u>	<u>0</u>	<u>7,160,372</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	(4,783,592)	(180,502)		(4,964,094)
Equipment	(189,927)	(7,851)		(197,778)
Total Accumulated Depreciation	<u>(4,973,519)</u>	<u>(188,353)</u>	<u>0</u>	<u>(5,161,872)</u>
Total Capital Assets, being depreciated, net	<u>1,852,073</u>	<u>146,427</u>	<u>0</u>	<u>1,998,500</u>
Capital Assets, Net	<u>2,147,229</u>	<u>163,044</u>	<u>0</u>	<u>2,310,273</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

10. LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities follows:

	Beginning Balance 1/1/2018	Additions	Deletions	Adjustments	Ending Balance 12/31/18	Due Within One Year
Primary Government:						
Governmental Activities:						
2013 Sales Tax Revenue Refunding Bonds	550,000.00		135,000.00		415,000.00	135,000.00
Unamortized Bond Discount	(6,208.00)		(1,554.00)		(4,654.00)	(1,554.00)
GO Refunding Series 2016	1,515,000.00		305,000.00		1,210,000.00	305,000.00
Unamortized Bond Premium	17,245.00		3,450.00		13,795.00	0.00
Tax Increment Financing District Loan	173,139.63		25,877.84		147,261.79	27,288.66
GASB-45 Expected Net OPEB Obligation	379,581.00			(379,581.00)	0.00	0.00
Leave Liability: Paid by Governmental Funds	325,166.86	194,502.71	156,598.93		363,070.64	150,000.00
Total Governmental Activities	<u>2,953,924.49</u>	<u>194,502.71</u>	<u>624,372.77</u>	<u>(379,581.00)</u>	<u>2,144,473.43</u>	<u>615,734.66</u>
Business-Type Activities:						
2007 Clean Water State Revolving Loan	3,368,977.44		233,503.10		3,135,474.34	241,184.94
2013 Taxable Electric Generation Revenue Refunding Bonds	2,975,000.00		270,000.00		2,705,000.00	275,000.00
Unamortized Bond Discount	(26,180.00)		(3,273.00)		(22,907.00)	(3,273.00)
2013 Drinking Water Revenue Bond	2,705,381.55		213,958.60		2,491,422.95	219,842.46
GASB-45 Expected Net OPEB Obligation	272,515.00			(272,515.00)	0.00	0.00
Leave Liability: Paid by the Enterprise Funds	254,736.74	129,509.83	121,667.95		262,578.62	120,000.00
Total Business-Type Activities	<u>9,550,430.73</u>	<u>129,509.83</u>	<u>835,856.65</u>	<u>(272,515.00)</u>	<u>8,571,568.91</u>	<u>852,754.40</u>
Total Primary Government	<u>12,504,355.22</u>	<u>324,012.54</u>	<u>1,460,229.42</u>	<u>(652,096.00)</u>	<u>10,716,042.34</u>	<u>1,468,489.06</u>
Component Unit:						
Notes Payable	1,272,737		41,351		1,231,386	43,424
Compensated Absences	1,702	1,789	1,702		1,789	1,789
Total Component Unit	<u>1,274,439</u>	<u>1,789</u>	<u>43,053</u>	<u>0</u>	<u>1,233,175</u>	<u>45,213</u>

Liabilities payable at December 31, 2018 are comprised of the following:

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 \$ 415,000.00

Tax Increment Financing District Loan:

Construction loan up to \$330,500

Fixed Interest Rate: 4.09%

Paid by Tax Increment District \$ 147,261.79

2007 Clean Water State Revolving Loan:

Maturity Date: October 15, 2029

Fixed Interest Rate and Fee: 3.25%

Payable from Sewer Fund \$ 3,135,474.15

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

2016 General Obligation Refunding Bonds:	
Maturity Date: December 1, 2022	
Fixed Interest Rate: 0.80% to 1.60%	
Payable from Swimming Pool Debt Service Fund	\$ 1,210,000.00
2013 Taxable Electric Generation Revenue Refunding Bonds:	
Maturity Date: December 15, 2025	
Fixed Interest Rate: 1.25% to 3.75%	
Payable from Electric Fund	\$ 2,705,000.00
2013 Drinking Water Revenue Bonds:	
Maturity Date: June 1, 2028	
Fixed Interest Rate: 2.75%	
Payable from Water Fund	\$ 2,491,422.95
Compensated Absences:	
Accrued Leave Balances of Municipality Employees	
Payable from General Fund	\$ 351,200.65
Payable from Park & Recreation Fund	\$ 11,869.99
Payable from Water Fund	\$ 72,187.04
Payable from Electric Fund	\$ 121,208.69
Payable from Sewer Fund	\$ 33,787.16
Payable from Community Center Fund	\$ 34,547.19
Payable from Solid Waste Fund	\$ 848.54

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NOTES TO THE FINANCIAL STATEMENTS
(continued)

Primary Government

The annual requirements to amortize all debt outstanding as of December 31, 2018, except for compensated absences, are as follows:

Annual Requirements to Maturity for Long-Term Debt
December 31, 2018

Year Ending December 31,	2007 Clean Water State Revolving Loan		2016 General Obligation Refunding Bonds		Sales Tax Revenue Refunding Bonds, Series 2013	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	241,184.94	98,983.30	305,000.00	14,980.00	135,000.00	7,355.00
2020	249,119.51	91,048.73	300,000.00	11,930.00	135,000.00	5,262.50
2021	257,315.09	82,853.15	300,000.00	8,630.00	145,000.00	2,900.00
2022	265,780.32	74,387.92	305,000.00	4,880.00		
2023	274,524.02	65,644.22				
2024-2028	1,514,181.34	186,659.86				
2029-2032	333,369.13	6,799.31				
Totals	<u>3,135,474.35</u>	<u>606,376.49</u>	<u>1,210,000.00</u>	<u>40,420.00</u>	<u>415,000.00</u>	<u>15,517.50</u>

Year Ending December 31,	Tax. Electric Generation Rev. Refunding Bonds, Series 2013		Tax Increment Financing District Loan		2013 Drinking Water Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	275,000.00	91,500.00	27,288.66	6,355.86	219,842.46	65,681.61
2020	295,000.00	84,350.00	28,416.17	5,228.35	225,888.13	59,536.03
2021	315,000.00	75,795.00	29,590.28	4,054.24	232,100.06	53,221.43
2022	325,000.00	65,872.50	30,812.89	2,831.63	238,482.81	46,594.65
2023	350,000.00	54,822.50	31,153.79	1,172.64	245,041.08	39,946.20
2024-2028	1,145,000.00	71,822.50			1,330,068.41	93,426.14
2029-2032						
Totals	<u>2,705,000.00</u>	<u>444,162.50</u>	<u>147,261.79</u>	<u>19,642.72</u>	<u>2,491,422.95</u>	<u>358,406.06</u>

Year Ending December 31,	TOTALS	
	Principal	Interest
2019	1,203,316.06	284,855.77
2020	1,233,423.81	257,355.61
2021	1,279,005.43	227,453.82
2022	1,165,076.02	194,566.70
2023	900,718.89	161,585.56
2024-2028	3,989,249.75	351,908.50
2029-2032	333,369.13	6,799.31
Totals	<u>10,104,159.09</u>	<u>1,484,525.27</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

11. CONDUIT DEBT

In the past, the Municipality has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the Municipality, the State of South Dakota, nor any other political subdivision of the state is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2018, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$2,399,847.37.

12. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2018 was as follows:

Major Purposes:

Governmental Activities:

SDSR Pension Purposes	\$ 541,631.43
Capital Projects Purposes	825,889.51
Debt Service Purposes	429,774.95
Community Development Purposes	349,037.57
3rd Cent Sales Tax - City Promotion Purposes	97,144.60
Park & Recreation Purposes	724,929.68
100 Year Anniversary Purposes	570.03
Community Building Purposes	385,253.66
Cummulative Insurance Reserve Purposes	279,596.00
Total Restricted Net Position - Governmental Activities	<u>\$ 3,633,827.43</u>

Business-Type Activities:

SDSR Pension Purposes	\$ 466,054.96
Debt Service Purposes	995,168.24
Lewis & Clark Rural Water Future Expansion	1,994,375.60
Total Restricted Net Position - Business-Type Activities	<u>\$ 3,455,598.80</u>

TOTAL RESTRICTED NET POSITION

\$ 7,089,426.23

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, 2018 were as follows:

<u>Fund:</u>	<u>Governmental</u>	<u>Proprietary</u>	<u>Purpose</u>
General Fund	\$ 1,144,406.19		Operations
Parks & Recreation Fund	685,000.00		Operations
3rd Cent Sales Tax Fund	61,000.00		Operations
Community Development Fund	(81,500.00)		Operations
2nd Cent Sales Tax Fund	(2,136,041.54)		Operations
Water Fund		292,064.17	Operations
Sewer Fund		278,571.18	Operations
Electric Fund		(350,000.00)	Operations
Community Center Fund		106,500.00	Operations
Solid Waste Fund		(30,000.00)	Operations
Recycling Fund		30,000.00	Operations
TOTAL	<u><u>\$ (327,135.35)</u></u>	<u><u>\$ 327,135.35</u></u>	

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

14. TAX ABATEMENTS

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

For the years ended December 31, 2018, the Municipality abated sales taxes totaling \$49,441.45 under this program, including the following tax abatement agreements, that are 100 percent of the total amount abated:

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

NOTES TO THE FINANCIAL STATEMENTS
(continued)

15. PRIOR PERIOD ADJUSTMENTS

The beginning net position has been restated to remove the OPEB liability that was previously recorded, as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position January 1, 2018, as previously reported	29,043,975.96	29,397,640.26
Restatement for:		
To remove OPEB liability from financial statements	<u>379,581.00</u>	<u>272,515.00</u>
Net Position January 1, 2018, as restated	<u>29,423,556.96</u>	<u>29,670,155.26</u>

16. PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

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

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60

NOTES TO THE FINANCIAL STATEMENTS
(continued)

percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. The Municipality's share of contributions to the SDRS for the calendar years ended December 31, 2018, 2017, and 2016 were \$227,795.72, \$215,022.49 and \$205,152.93, respectively, equal to the required contributions each year.

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

At June 30, 2018, SDRS is 100.02% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period ending June 30, 2018 and reported by the Municipality as of December 31, 2018 are as follows:

Proportionate share of pension liability	\$ 21,604,283.82
Less proportionate share of net pension restricted for pension benefits	<u>\$ 21,608,402.56</u>
Proportionate share of net pension liability (asset)	<u>\$ (4,118.74)</u>

At December 31, 2018, the Municipality reported a liability (asset) of \$(4,118.74) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018 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

NOTES TO THE FINANCIAL STATEMENTS
(continued)

participating entities. At June 30, 2018, the Municipality's proportion was 0.17660100%, which is an increase (decrease) of 0.0029245% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Municipality recognized pension expense (reduction of expense) of \$309,660.07. At December 31, 2018 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 155,673.37	
Changes in assumption.	\$ 1,045,676.97	
Net difference between projected and actual earnings on pension plan investments.		\$ 311,281.01
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 17,489.92	\$ 20,081.30
Municipality contributions subsequent to the measurement date.	<u>\$ 116,089.70</u>	
TOTAL	<u>\$ 1,334,929.96</u>	<u>\$ 331,362.31</u>

\$116,089.70 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31:	
2019	\$ 561,694.42
2020	\$ 418,251.36
2021	\$ (56,497.15)
2022	<u>\$ (35,970.68)</u>
TOTAL	<u>\$ 887,477.95</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense

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

A detailed experience analysis covering the period from June 30, 2011 to June 30, 2016, was conducted and appropriate modifications in the economic and demographic assumptions were made effective with the June 30, 2017 actuarial valuation.

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, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
Total	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be

NOTES TO THE FINANCIAL STATEMENTS
(continued)

available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

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

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$3,110,806.71	\$(4,118.74)	\$(2,537,941.58)

Pension Plan Fiduciary Net Position:

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

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, 2018, the Municipality was not involved in any significant litigation.

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, 2018, 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.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Liability Insurance:

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

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

Effective January 1, 2018, the SDPAA revised the method of calculating the amount available to be refunded to the withdrawing member. Upon giving proper written notice to the SDPAA a member may withdraw. Within 120 days following withdrawal, or as soon thereafter as the next Annual Budget is completed, the SDPAA will advise the withdrawing member of its total calculated portion of contributions made to the SDPAA that shall be refunded. Refunds are calculated based on the pool's total contributions, along with the member's total contributions, current losses, unpaid losses, and loss expenses, the member's loss ratio, and number of membership years.

A member who withdraws from the SDPAA shall receive a calculated portion of their contributions refunded for unpaid casualty losses, based on the following schedule:

<u>Years</u>	<u>Percentage</u>
1	55%
2	50%
3	40%
4	35%
5	30%
6+	20%

All refunds shall be paid to the withdrawing Member over a five-year term.

The amount available for refund to the Municipality is considered a deposit for financial reporting purposes.

As of December 31, 2018, the Municipality's balance available to be refunded per the SDPAA was \$279,596.00, which was an increase of \$179,856.38 from the previous year. The change in the amount available for refund was reported as an extraordinary item in the current period due to the change in methodology of determining the amount available for refund. In future periods, the change in the amount available for refund will be accounted for as an increase or decrease in the insurance expenditures/expenses.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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, 2018, no claims were filed for unemployment benefits. At December 31, 2018, 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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Property Taxes	1,835,322.00	1,835,322.00	1,822,139.63	(13,182.37)
General Sales and Use Taxes	1,540,000.00	1,540,000.00	1,585,689.19	45,689.19
Amusement Tax	800.00	800.00	768.00	(32.00)
Penalties and Interest on Delinquent Taxes	4,000.00	4,000.00	6,910.95	2,910.95
Licenses and Permits	67,000.00	67,000.00	77,008.70	10,008.70
Intergovernmental Revenue:				
Federal Grants	1,465,699.00	1,465,699.00	843,742.44	(621,956.56)
State Grants	210,000.00	210,000.00	302,990.57	92,990.57
State Shared Revenue:				
Bank Franchise Tax	15,500.00	15,500.00	17,098.98	1,598.98
Prorate License Fees	195,000.00	195,000.00	194,821.07	(178.93)
Liquor Tax Reversion	41,500.00	41,500.00	39,576.52	(1,923.48)
Motor Vehicle Licenses	105,000.00	105,000.00	104,921.84	(78.16)
State Payments in Lieu of Taxes	8,000.00	8,000.00	7,161.70	(838.30)
County Shared Revenue:				
County Road Tax	11,700.00	11,700.00	11,718.70	18.70
Charges for Goods and Services:				
General Government	1,500.00	1,500.00	1,264.00	(236.00)
Public Safety	800.00	800.00	9,445.00	8,645.00
Highways and Streets	12,500.00	12,500.00	3,078.13	(9,421.87)
Sanitation	45,000.00	45,000.00	60,438.64	15,438.64
Health	1,200.00	1,200.00	1,275.00	75.00
Other	125,000.00	125,000.00	157,118.36	32,118.36
Fines and Forfeits:				
Court Fines and Costs	1,000.00	1,000.00	774.80	(225.20)
Other	1,000.00	1,000.00	1,320.00	320.00
Miscellaneous Revenue:				
Investment Earnings	28,000.00	28,000.00	75,781.12	47,781.12
Rentals	57,680.00	57,680.00	61,778.70	4,098.70
Special Assessments	20,593.00	20,593.00	27,538.06	6,945.06
Contributions and Donations from Private Sources	70,000.00	70,000.00	128,048.22	58,048.22
Other	69,820.00	69,820.00	131,024.47	61,204.47
Total Revenue	5,933,614.00	5,933,614.00	5,673,432.79	(260,181.21)
Expenditures:				
General Government:				
Legislative	81,968.00	81,968.00	70,042.67	11,925.33
Contingency	150,000.00	150,000.00		
Amount Transferred		0.00		150,000.00
Financial Administration	346,074.00	346,074.00	399,112.77	(53,038.77)
Other	465,518.00	465,518.00	598,727.50	(133,209.50)
Total General Government	1,043,560.00	1,043,560.00	1,067,882.94	(24,322.94)

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (continued):				
Public Safety:				
Police	1,477,596.00	1,477,596.00	1,337,580.67	140,015.33
Fire	679,998.00	679,998.00	597,703.06	82,294.94
Other Protection	1,500.00	1,500.00	1,693.39	(193.39)
Total Public Safety	<u>2,159,094.00</u>	<u>2,159,094.00</u>	<u>1,936,977.12</u>	<u>222,116.88</u>
Public Works:				
Highways and Streets	2,740,684.00	2,740,684.00	1,903,076.89	837,607.11
Sanitation	92,990.00	92,990.00	45,667.09	47,322.91
Airport	1,448,068.00	1,448,068.00	674,878.68	773,189.32
Total Public Works	<u>4,281,742.00</u>	<u>4,281,742.00</u>	<u>2,623,622.66</u>	<u>1,658,119.34</u>
Health and Welfare:				
Health	10,000.00	10,000.00	3,438.80	6,561.20
Total Health and Welfare	<u>10,000.00</u>	<u>10,000.00</u>	<u>3,438.80</u>	<u>6,561.20</u>
Culture and Recreation:				
Recreation	3,000.00	3,000.00	3,000.00	0.00
Libraries	564,724.00	564,724.00	571,037.92	(6,313.92)
Auditorium	102,777.00	102,777.00	21,129.78	81,647.22
Total Culture and Recreation	<u>670,501.00</u>	<u>670,501.00</u>	<u>595,167.70</u>	<u>75,333.30</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	265,785.00	265,785.00	216,361.55	49,423.45
Total Conservation and Development	<u>265,785.00</u>	<u>265,785.00</u>	<u>216,361.55</u>	<u>49,423.45</u>
Debt Service	<u>144,178.00</u>	<u>144,178.00</u>	<u>144,177.50</u>	<u>0.50</u>
Total Expenditures	<u>8,574,860.00</u>	<u>8,574,860.00</u>	<u>6,587,628.27</u>	<u>1,987,231.73</u>
Excess of Revenue Over (Under) Expenditures	<u>(2,641,246.00)</u>	<u>(2,641,246.00)</u>	<u>(914,195.48)</u>	<u>1,727,050.52</u>
Other Financing Sources (Uses):				
Transfers In	1,738,307.00	1,738,307.00	1,294,406.19	(443,900.81)
Sale of Municipal Property	1,350.00	1,350.00	97,057.01	95,707.01
Compensation for Loss or Damage to Capital Assets	0.00	0.00	5,562.97	5,562.97
Transfers Out	(150,000.00)	(150,000.00)	(150,000.00)	0.00
Total Other Financing Sources (Uses)	<u>1,589,657.00</u>	<u>1,589,657.00</u>	<u>1,247,026.17</u>	<u>(342,630.83)</u>
Extraordinary Items	<u>0.00</u>	<u>0.00</u>	<u>179,856.38</u>	<u>179,856.38</u>
Net Change in Fund Balances	<u>(1,051,589.00)</u>	<u>(1,051,589.00)</u>	<u>512,687.07</u>	<u>1,564,276.07</u>
Fund Balance - Beginning	<u>6,541,991.36</u>	<u>6,541,991.36</u>	<u>6,541,991.36</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>5,490,402.36</u>	<u>5,490,402.36</u>	<u>7,054,678.43</u>	<u>1,564,276.07</u>

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PARK AND RECREATION FUND
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental Revenue:				
State Grants	8,500.00	8,500.00	6,685.00	(1,815.00)
Charges for Goods and Services:				
Culture and Recreation	100,050.00	100,050.00	101,237.77	1,187.77
Miscellaneous Revenue:				
Investment Earnings	2,500.00	2,500.00	10,508.10	8,008.10
Rentals	3,500.00	3,500.00	2,340.00	(1,160.00)
Contributions and Donations from Private Donations	0.00	0.00	2,005.88	2,005.88
Other	0.00	0.00	17,660.00	17,660.00
Total Revenue	114,550.00	114,550.00	140,436.75	25,886.75
Expenditures:				
Health and Welfare:				
Health	15,600.00	15,600.00	7,026.83	8,573.17
Total Health and Welfare	15,600.00	15,600.00	7,026.83	8,573.17
Culture and Recreation:				
Recreation	373,539.00	373,539.00	309,672.20	63,866.80
Parks	481,137.00	481,137.00	427,670.23	53,466.77
Total Culture and Recreation	854,676.00	854,676.00	737,342.43	117,333.57
Total Expenditures	870,276.00	870,276.00	744,369.26	125,906.74
Excess of Revenue Over (Under) Expenditures	(755,726.00)	(755,726.00)	(603,932.51)	151,793.49
Other Financing Sources (Uses):				
Transfers In	685,000.00	685,000.00	685,000.00	0.00
Total Other Financing Sources (Uses)	685,000.00	685,000.00	685,000.00	0.00
Net Change in Fund Balances	(70,726.00)	(70,726.00)	81,067.49	151,793.49
Fund Balance - Beginning	643,862.19	643,862.19	643,862.19	0.00
FUND BALANCE - ENDING	573,136.19	573,136.19	724,929.68	151,793.49

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
3RD CENT FUND
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Sales and Use Taxes	170,000.00	170,000.00	195,169.77	25,169.77
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	670.58	670.58
Total Revenue	170,000.00	170,000.00	195,840.35	25,840.35
Expenditures:				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	237,550.00	237,550.00	234,082.40	3,467.60
Total Conservation and Development	237,550.00	237,550.00	234,082.40	3,467.60
Total Expenditures	237,550.00	237,550.00	234,082.40	3,467.60
Excess of Revenue Over (Under) Expenditures	(67,550.00)	(67,550.00)	(38,242.05)	29,307.95
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	(6,550.00)	(6,550.00)	22,757.95	29,307.95
Fund Balance - Beginning	74,386.65	74,386.65	74,386.65	0.00
FUND BALANCE - ENDING	67,836.65	67,836.65	97,144.60	29,307.95

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
COMMUNITY DEVELOPMENT FUND
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous Revenue:				
Investment Earnings	6,526.00	6,526.00	7,502.32	976.32
Total Revenue	6,526.00	6,526.00	7,502.32	976.32
Expenditures:				
Total Expenditures	0.00	0.00	0.00	0.00
Excess of Revenue Over (Under) Expenditures	6,526.00	6,526.00	7,502.32	976.32
Other Financing Sources (Uses):				
Transfers Out	(81,500.00)	(81,500.00)	(81,500.00)	0.00
Total Other Financing Sources (Uses)	(81,500.00)	(81,500.00)	(81,500.00)	0.00
Net Change in Fund Balances	(74,974.00)	(74,974.00)	(73,997.68)	976.32
Fund Balance - Beginning	423,035.25	423,035.25	423,035.25	0.00
FUND BALANCE - ENDING	348,061.25	348,061.25	349,037.57	976.32

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
2ND CENT FUND

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Sales and Use Taxes	1,540,000.00	1,540,000.00	1,585,689.16	45,689.16
Miscellaneous Revenue:				
Investment Earnings	1,850.00	1,850.00	22,181.03	20,331.03
Total Revenue	1,541,850.00	1,541,850.00	1,607,870.19	66,020.19
Expenditures:				
Total Expenditures	0.00	0.00	0.00	0.00
Excess of Revenue Over (Under) Expenditures	1,541,850.00	1,541,850.00	1,607,870.19	66,020.19
Other Financing Sources (Uses):				
Transfers Out	(3,094,505.00)	(3,094,505.00)	(2,136,041.54)	958,463.46
Total Other Financing Sources (Uses)	(3,094,505.00)	(3,094,505.00)	(2,136,041.54)	958,463.46
Net Change in Fund Balances	(1,552,655.00)	(1,552,655.00)	(528,171.35)	1,024,483.65
Fund Balance - Beginning	2,063,790.45	2,063,790.45	2,063,790.45	0.00
FUND BALANCE - ENDING	511,135.45	511,135.45	1,535,619.10	1,024,483.65

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MADISON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL MAINTENANCE FEE FUND
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	4,925.71	4,925.71
Maintenance Assessments	224,000.00	224,000.00	225,452.61	1,452.61
Total Revenue	224,000.00	224,000.00	230,378.32	6,378.32
Expenditures:				
Total Expenditures	0.00	0.00	0.00	0.00
Net Change in Fund Balances	224,000.00	224,000.00	230,378.32	6,378.32
Fund Balance - Beginning	316,012.01	316,012.01	316,012.01	0.00
FUND BALANCE - ENDING	540,012.01	540,012.01	546,390.33	6,378.32

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, 2018.

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

South Dakota Retirement System

Last Four Years *

	2018	2017	2016	2015
Municipality's proportion of the net pension liability/asset	0.1766010%	0.1736765%	0.1816573%	0.1785500%
Municipality's proportionate share of net pension liability (asset)	(\$4,119)	(\$15,761)	\$613,621	(\$757,285)
Municipality's covered-employee payroll	\$ 3,429,716	\$ 3,312,224	\$ 3,243,025	\$ 3,062,233
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.12%	0.48%	18.92%	24.73%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.02%	100.10%	96.89%	104.10%

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

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

Last Four Years

	2018	2017	2016	2015
Contractually required contribution	\$ 227,796	\$ 215,022	\$ 205,153	\$ 197,153
Contributions in relation to the contractually required contribution	\$ 227,796	\$ 215,022	\$ 205,153	\$ 197,153
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Municipality's covered-employee payroll	\$ 3,536,360	\$ 3,353,435	\$ 3,210,987	\$ 3,084,397
Contributions as a percentage of covered-employee payroll	6.44%	6.41%	6.39%	6.39%

**Notes to Required Supplementary Information
for the Year Ended December 31, 2018**
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions.

Changes of benefit terms:

No significant changes.

Changes of assumptions:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2017 and exists again this year as of June 30, 2018. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.89% as of June 30, 2017 and is 2.03% as of June 30, 2018.

The changes in actuarial assumptions increased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 1.89% COLA, reflecting the current and assumed future restricted maximum COLA of 2.03%.

MUNICIPALITY OF MADISON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures 2018</u>
US Department of Justice:			
Justice Assistance Grant (JAG) Program Cluster:			
Direct Federal Funding:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	16.804		1,557.34
Total for Justice Assistance Grant (JAG) Program Cluster			1,557.34
Total US Department of Justice			1,557.34
US Department of Transportation:			
Direct Federal Funding:			
Airport Improvement Program (Note 3)	20.106	3-46-0029-13-2016	508,356.03
Highway Safety Cluster:			
US Department of Transportation - Pass-Through Programs:			
SD Department of Public Safety State and Community Highway Safety	20.600		3,030.06
Total Highway Safety Cluster			3,030.06
Total US Department of Transportation			511,386.09
US General Services Administration - Pass-Through Programs:			
SD Federal Property Agency, Donation of Federal Surplus Personal Property (Note 4)	39.003		10.18
Total US General Services Administration			10.18
US Department of Homeland Security - Pass-Through Programs:			
SD Department of Public Safety - Office of Emergency Management, Homeland Security Grant Program	97.067		325,699.00
Total US Department of Homeland Security			325,699.00
GRAND TOTAL			838,652.61

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Municipality under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Municipality, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipality.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.

Note 4: Federal Surplus Property

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