

**MUNICIPALITY OF WAGNER  
WAGNER, SOUTH DAKOTA**

**AUDIT REPORT**

**FOR THE YEAR JANUARY 1, 2011 TO DECEMBER 31, 2011  
AND  
FOR THE YEAR JANUARY 1, 2012 TO DECEMBER 31, 2012**

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF WAGNER

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2012

MAYOR:

Sharon Haar

GOVERNING BOARD:

Todd Johannsen, President  
Merle Bartunek, Vice-President  
Ron Cuka  
Ron Fredrich  
Roger Schroeder  
Tammy Thorton

FINANCE OFFICER:

Rebecca Brunsing

ATTORNEY:

Ken Cotton

*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 Wagner  
Wagner, 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 modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Wagner, South Dakota (Municipality), as of December 31, 2012 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated July 12, 2013, which was a disclaimer of opinion on the aggregate discretely presented component unit because of unaudited financial information being presented.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2012-001 to be a material weakness.

### Compliance and Other Matters

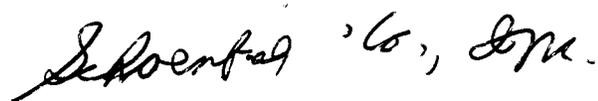
As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, noncompliance with which could have a direct and material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

### Municipality's Response to Findings

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

### Purpose of this Report

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



Schoenfish & Co., Inc.  
Certified Public Accountants  
July 12, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Governing Board  
Municipality of Wagner  
Wagner, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Municipality of Wagner, South Dakota (Municipality) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Municipality's major federal programs for the biennial period ended December 31, 2012. 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.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Wagner 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 biennial period ended December 31, 2012.

## 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 OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2012-001 to be material weaknesses.

The Municipality's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Municipality's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. 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  
July 12, 2013

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR AUDIT FINDINGS:

Finding Number 2010-01:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2012-001.

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

- a. An unqualified opinion was issued on the financial statements of each opinion unit except for a disclaimer of opinion on the aggregate discretely presented component unit because of unaudited financial information.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in finding number 2012-001.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards:

- d. A material weakness was disclosed for internal control over major federal programs for a lack of segregation of duties affecting the other compliance requirement category as discussed in finding number 2012-001.
- e. An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a), except for the lack of segregation of duties for revenues as discussed in finding number 2012-001.
- g. The federal awards tested as major programs were:
  1. Community Development Block Grant/State Programs                      CFDA No. 14.228
  2. Water and Waste Disposal Systems for Rural  
Communities (Recovery Act)    CFDA No. 10.781
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- i. The Municipality of Wagner did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2012-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. The major programs affected are Community Development Block Grant/State Programs, CFDA No. 14.228 and Water and Waste Disposal Systems for Rural Communities (Recovery Act) CFDA No. 10.781. This affects the reporting compliance requirements. This is the eighth consecutive audit in which a similar comment has occurred.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
(Continued)

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Condition:

The Finance Officer processes all revenue transactions from beginning to end. The Finance Officer also receives money, issues receipts, records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements.

Effect:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation:

1. We recommend that the Municipality of Wagner officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Corrective Action Plan:

The Municipality of Wagner Mayor, Don Hosek, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Wagner, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to provide compensating controls.

CURRENT OTHER AUDIT FINDINGS:

There are no current other audit findings to disclose except for the lack of segregation of duties for revenues as discussed in audit finding number 2012-001.

CLOSING CONFERENCE

The audit was discussed with the mayor and the finance officer on July 30, 2013.

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INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Wagner  
Wagner, South Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Wagner, South Dakota, (Municipality) as of December 31, 2012 and for each of the years in the biennial period 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 the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

### Basis for Disclaimer of Opinion

We were not engaged to audit and we were unable to obtain audited financial statements supporting the financial balances and activities of the Wagner Housing and Redevelopment Commission, and we did not attempt to satisfy ourselves as to those amounts by other auditing procedures. Those financial activities are included on the financial statements referred to above as a component unit of the Municipality of Wagner and represent one hundred percent of the December 31, 2012 balances and activities for the years in the biennial period then ended of the component unit columns.

### Disclaimer of Opinion

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

### Unmodified Opinions

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Wagner as of December 31, 2012, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

### Basis of Accounting

We draw attention to Note 1.c. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Municipality's financial statements. The Budgetary Comparison Schedules, Schedule of Expenditures of Federal Awards, which as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Long-Term Debt schedule listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

*Schoenfish & Co., Inc.*

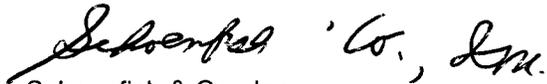
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2013 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.  
Certified Public Accountants  
July 12, 2013

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**MUNICIPALITY OF WAGNER**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**December 31, 2012**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>ASSETS:</b>				
Cash and Cash Equivalents	1,208,189.18	636,613.36	1,844,802.54	85,280.99
Investments	67,465.86	134,862.86	202,328.72	
<b>TOTAL ASSETS</b>	<u>1,275,655.04</u>	<u>771,476.22</u>	<u>2,047,131.26</u>	<u>85,280.99</u>
<b>NET POSITION:</b>				
Restricted for:				
Library Fines	8,264.02		8,264.02	
Equipment Repair & Replacement		36,044.19	36,044.19	
Unrestricted	1,267,391.02	735,432.03	2,002,823.05	85,280.99
<b>TOTAL NET POSITION</b>	<u>1,275,655.04</u>	<u>771,476.22</u>	<u>2,047,131.26</u>	<u>85,280.99</u>

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

**MUNICIPALITY OF WAGNER**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General Government	197,762.11	22,752.67		37,370.50	(137,638.94)		(137,638.94)	
Public Safety	360,232.12	24,030.52		48,702.51	(287,499.09)		(287,499.09)	
Public Works	457,807.01	28,149.41	48,302.86	44,149.60	(337,205.14)		(337,205.14)	
Health and Welfare	3,477.11				(3,477.11)		(3,477.11)	
Culture and Recreation	339,411.52	95,935.51			(243,476.01)		(243,476.01)	
Conservation and Development	51,970.84				(51,970.84)		(51,970.84)	
Miscellaneous Expenditures	293,506.63	334,896.22			41,389.59		41,389.59	
Long-Term Debt	34,556.56				(34,556.56)		(34,556.56)	
<b>Total Governmental Activities</b>	<b>1,738,723.90</b>	<b>505,764.33</b>	<b>48,302.86</b>	<b>130,222.61</b>	<b>(1,054,434.10)</b>		<b>(1,054,434.10)</b>	
<b>Business-type Activities:</b>								
Water	560,767.31	471,081.77		62,693.32		(26,992.22)	(26,992.22)	
Sewer	447,476.23	226,153.95		127,306.68		(94,015.60)	(94,015.60)	
<b>Total Business-Type Activities</b>	<b>1,008,243.54</b>	<b>697,235.72</b>	<b>0.00</b>	<b>190,000.00</b>		<b>(121,007.82)</b>	<b>(121,007.82)</b>	
<b>Total Primary Government</b>	<b>2,746,967.44</b>	<b>1,203,000.05</b>	<b>48,302.86</b>	<b>320,222.61</b>	<b>(1,054,434.10)</b>	<b>(121,007.82)</b>	<b>(1,175,441.92)</b>	
<b>Component Units (Unaudited):</b>								
Housing and Redevelopment Commission	116,425.73	72,211.51						(44,214.22)
<b>General Revenues:</b>								
<b>Taxes:</b>								
Property Taxes					330,514.67		330,514.67	
Sales Taxes					741,897.59		741,897.59	
State Shared Revenues					18,683.95		18,683.95	
Unrestricted Investment Earnings					7,721.73	2,496.63	10,218.36	76.69
Debt Issued						74,898.16	74,898.16	
Miscellaneous Revenue					5,110.64		5,110.64	
<b>Total General Revenues</b>					<b>1,103,928.58</b>	<b>77,394.79</b>	<b>1,181,323.37</b>	<b>76.69</b>
<b>Change in Net Position</b>					<b>49,494.48</b>	<b>(43,613.03)</b>	<b>5,881.45</b>	<b>(44,137.53)</b>
<b>Net Position - Beginning</b>					<b>1,226,160.56</b>	<b>815,089.25</b>	<b>2,041,249.81</b>	<b>129,418.52</b>
<b>NET POSITION - ENDING</b>					<b>1,275,655.04</b>	<b>771,476.22</b>	<b>2,047,131.26</b>	<b>85,280.99</b>

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

**MUNICIPALITY OF WAGNER  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
December 31, 2012**

	<u>General Fund</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	1,208,189.18
Investments	<u>67,465.86</u>
<b>TOTAL ASSETS</b>	<u><u>1,275,655.04</u></u>
<b>FUND BALANCES:</b>	
Restricted for Library Fines	8,264.02
Assigned for Armory Operations	<u>75,187.62</u>
Assigned for Next Year's Budget	<u>279,670.00</u>
Unassigned	<u>912,533.40</u>
<b>TOTAL FUND BALANCES</b>	<u><u>1,275,655.04</u></u>

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

**MUNICIPALITY OF WAGNER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2012**

	<b>General Fund</b>
<b>Revenues:</b>	
Taxes:	
General Property Taxes	329,394.59
General Sales and Use Taxes	741,897.59
Amusement Tax	348.00
Penalties & Interest on Delinquent Taxes	772.08
Total Taxes	1,072,412.26
Licenses and Permits	8,882.50
Intergovernmental Revenue:	
Federal Grants	110,457.58
State Grants	14,915.03
State Shared Revenue:	
Bank Franchise Tax	3,791.06
Liquor Tax Reversion	11,149.21
Motor Vehicle Licenses	12,468.72
Other	6,435.00
County Shared Revenue:	
County Road Tax	3,265.11
County HBR Tax	20,448.01
County Wheel Tax	5,686.02
Other	3,743.68
Total Intergovernmental Revenue	192,359.42
Charges for Goods and Services:	
Public Safety	41.00
Culture and Recreation	95,283.50
Other	28,149.41
Total Charges for Goods and Services	123,473.91
Fines and Forfeits:	
Court Fines and Costs	1,546.64
Animal Control Fines	22,442.88
Library	652.01
Total Fines and Forfeits	24,641.53
Miscellaneous Revenue:	
Investment Earnings	7,721.73
Rentals	13,870.17
Contributions and Donations from Private Sources	4,850.00
Liquor Operating Agreement Income	334,896.22
Other	2,992.41
Total Miscellaneous Revenue	364,330.53
Total Revenue	1,786,100.15
<b>Expenditures:</b>	
General Government:	
Executive	33,986.76
Elections	25.07
Financial Administration	78,072.20
Other	79,208.17
Total General Government	191,292.20

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

**MUNICIPALITY OF WAGNER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2012**

	<b>General Fund</b>
<b>Expenditures (Continued):</b>	
Public Safety:	
Police	346,345.80
Other Protection	567.52
Total Public Safety	346,913.32
Public Works:	
Highways and Streets	201,013.43
Sanitation	12,855.50
Electricity	1,356.00
Airport	39,265.06
Total Public Works	254,489.99
Health and Welfare:	
Health	3,477.11
Total Health and Welfare	3,477.11
Culture and Recreation:	
Recreation	57,063.74
Parks	23,554.63
Libraries	70,098.89
Auditorium	56,088.57
Museums	500.00
Total Culture and Recreation	207,305.83
Conservation and Development:	
Urban Redevelopment and Housing	1,873.18
Economic Development and Assistance (Industrial Development)	50,097.66
Total Conservation and Development	51,970.84
Debt Service	34,556.56
Capital Outlay	355,211.42
Miscellaneous:	
Liquor Operating Agreements	293,506.63
Total Miscellaneous	293,506.63
Total Expenditures	1,738,723.90
Excess of Revenue Over (Under) Expenditures	47,376.25
<b>Other Financing Sources (Uses):</b>	
Sale of Municipal Property	2,118.23
Total Other Financing Sources (Uses)	2,118.23
Net Change in Fund Balance	49,494.48
Fund Balance - Beginning	1,226,160.56
FUND BALANCE - ENDING	1,275,655.04

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

**MUNICIPALITY OF WAGNER**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**December 31, 2012**

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	340,526.86	296,086.50	636,613.36
Investments	110,514.55	24,348.31	134,862.86
Total Current Assets	<u>451,041.41</u>	<u>320,434.81</u>	<u>771,476.22</u>
<b>TOTAL ASSETS</b>	<u>451,041.41</u>	<u>320,434.81</u>	<u>771,476.22</u>
<b>NET POSITION:</b>			
Restricted Net Position, Restricted for:			
Equipment Repair and/or Replacement	36,044.19		36,044.19
Unrestricted Net Position	<u>414,997.22</u>	<u>320,434.81</u>	<u>735,432.03</u>
<b>TOTAL NET POSITION</b>	<u>451,041.41</u>	<u>320,434.81</u>	<u>771,476.22</u>

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

**MUNICIPALITY OF WAGNER**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2012**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>Operating Revenue:</b>			
Charges for Goods and Services	463,793.57	211,370.15	675,163.72
Dedicated to Servicing Debt	7,288.20	14,783.80	22,072.00
<b>Total Operating Revenue</b>	<b>471,081.77</b>	<b>226,153.95</b>	<b>697,235.72</b>
<b>Operating Expenses:</b>			
Personal Services	96,818.01	37,979.34	134,797.35
Other Current Expense	31,598.55	46,089.00	77,687.55
Materials	197,187.30		197,187.30
Capital Assets Purchased	198,760.80	343,654.26	542,415.06
<b>Total Operating Expenses</b>	<b>524,364.66</b>	<b>427,722.60</b>	<b>952,087.26</b>
<b>Operating Income (Loss)</b>	<b>(53,282.89)</b>	<b>(201,568.65)</b>	<b>(254,851.54)</b>
<b>Nonoperating Revenue (Expense):</b>			
Investment Earnings	1,497.20	999.43	2,496.63
Debt Service	(31,047.77)	(5,898.69)	(36,946.46)
Interest Expense	(5,354.88)	(13,854.94)	(19,209.82)
Long-Term Debt Issued	24,723.07	50,175.09	74,898.16
<b>Total Nonoperating Revenue (Expense)</b>	<b>(10,182.38)</b>	<b>31,420.89</b>	<b>21,238.51</b>
<b>Income (Loss) Before Capital Contributions</b>	<b>(63,465.27)</b>	<b>(170,147.76)</b>	<b>(233,613.03)</b>
Capital Contributions	62,693.32	127,306.68	190,000.00
<b>Change in Net Position</b>	<b>(771.95)</b>	<b>(42,841.08)</b>	<b>(43,613.03)</b>
Net Position - Beginning	451,813.36	363,275.89	815,089.25
<b>NET POSITION - ENDING</b>	<b>451,041.41</b>	<b>320,434.81</b>	<b>771,476.22</b>

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

**MUNICIPALITY OF WAGNER**  
**STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS**  
**FIDUCIARY FUNDS**  
**December 31, 2012**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	<u>2,230.03</u>
<b>TOTAL ASSETS</b>	<u><u>2,230.03</u></u>
<b>NET POSITION</b>	
Net Position Held In Agency Capacity	<u>2,230.03</u>
<b>TOTAL NET POSITION</b>	<u><u>2,230.03</u></u>

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

**MUNICIPALITY OF WAGNER**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**December 31, 2011**

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
<b>ASSETS:</b>				
Cash and Cash Equivalents	1,159,458.49	680,869.59	1,840,328.08	129,418.52
Investments	66,702.07	134,219.66	200,921.73	
<b>TOTAL ASSETS</b>	<u>1,226,160.56</u>	<u>815,089.25</u>	<u>2,041,249.81</u>	<u>129,418.52</u>
<b>NET ASSETS:</b>				
Restricted for:				
Library Fines	7,612.01		7,612.01	
Equipment Repair & Replacement		30,693.47	30,693.47	
Unrestricted	1,218,548.55	784,395.78	2,002,944.33	129,418.52
<b>TOTAL NET ASSETS</b>	<u>1,226,160.56</u>	<u>815,089.25</u>	<u>2,041,249.81</u>	<u>129,418.52</u>

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

**MUNICIPALITY OF WAGNER**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government:</b>								
Governmental Activities:								
General Government	225,700.51	33,428.26		11,545.92	(180,726.33)		(180,726.33)	
Public Safety	328,523.63	19,529.02		46,588.55	(262,406.06)		(262,406.06)	
Public Works	414,433.99	27,789.14	44,216.91	24,907.55	(317,520.39)		(317,520.39)	
Health and Welfare	5,831.14				(5,831.14)		(5,831.14)	
Culture and Recreation	218,828.86	49,616.41			(169,212.45)		(169,212.45)	
Conservation and Development	66,649.06				(66,649.06)		(66,649.06)	
Miscellaneous Expenditures		66,228.20			66,228.20		66,228.20	
Long-Term Debt	34,556.57				(34,556.57)		(34,556.57)	
<b>Total Governmental Activities</b>	<b>1,294,523.76</b>	<b>196,591.03</b>	<b>44,216.91</b>	<b>83,042.02</b>	<b>(970,673.80)</b>		<b>(970,673.80)</b>	
<b>Business-type Activities:</b>								
Water	586,829.28	395,650.37		118,965.00		(72,213.91)	(72,213.91)	
Sewer	617,203.07	226,682.33		241,535.00		(148,985.74)	(148,985.74)	
<b>Total Business-Type Activities</b>	<b>1,204,032.35</b>	<b>622,332.70</b>	<b>0.00</b>	<b>360,500.00</b>		<b>(221,199.65)</b>	<b>(221,199.65)</b>	
<b>Total Primary Government</b>	<b>2,498,556.11</b>	<b>818,923.73</b>	<b>44,216.91</b>	<b>443,542.02</b>	<b>(970,673.80)</b>	<b>(221,199.65)</b>	<b>(1,191,873.45)</b>	
<b>Component Units (Unaudited):</b>								
Housing and Redevelopment Commission	857,603.79	26,603.43						(831,000.36)
<b>General Revenues:</b>								
Taxes:								
Property Taxes					328,987.22		328,987.22	
Sales Taxes					800,270.31		800,270.31	
State Shared Revenues					14,180.15		14,180.15	
Grants and Contributions not Restricted to Specific Programs					12,904.50		12,904.50	
Unrestricted Investment Earnings					6,805.95	3,608.90	10,414.85	4,149.31
Debt Issued						409,461.84	409,461.84	
Miscellaneous Revenue					16,165.07		16,165.07	
<b>Total General Revenues</b>					<b>1,179,313.20</b>	<b>413,070.74</b>	<b>1,592,383.94</b>	<b>4,149.31</b>
<b>Change in Net Assets</b>					<b>208,639.40</b>	<b>191,871.09</b>	<b>400,510.49</b>	<b>(826,851.05)</b>
<b>Net Assets - Beginning</b>					<b>1,017,521.16</b>	<b>623,218.16</b>	<b>1,640,739.32</b>	<b>956,269.57</b>
<b>NET ASSETS - ENDING</b>					<b>1,226,160.56</b>	<b>815,089.25</b>	<b>2,041,249.81</b>	<b>129,418.52</b>

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

**MUNICIPALITY OF WAGNER  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
December 31, 2011**

	<b>General Fund</b>
<b>ASSETS:</b>	
Cash and Cash Equivalents	1,159,458.49
Investments	66,702.07
<b>TOTAL ASSETS</b>	<b>1,226,160.56</b>
<b>FUND BALANCES:</b>	
Restricted for Library Fines	7,612.01
Assigned for Armory Operations	68,845.67
Assigned for Next Year's Budget	297,150.00
Unassigned	852,552.88
<b>TOTAL FUND BALANCES</b>	<b>1,226,160.56</b>

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

**MUNICIPALITY OF WAGNER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2011**

	<b>General Fund</b>
<b>Revenues:</b>	
Taxes:	
General Property Taxes	327,014.01
General Sales and Use Taxes	800,270.31
Amusement Tax	348.00
Tax Deed Revenue	6.75
Penalties & Interest on Delinquent Taxes	1,618.46
Total Taxes	1,129,257.53
Licenses and Permits	18,688.50
Intergovernmental Revenue:	
Federal Grants	83,042.02
State Shared Revenue:	
Bank Franchise Tax	3,702.71
Motor Vehicle Commercial Prorate	3,997.83
Liquor Tax Reversion	10,477.44
Motor Vehicle Licenses	9,626.69
Other	3,838.65
County Shared Revenue:	
County Road Tax	3,265.11
County HBR Tax	16,124.82
County Wheel Tax	7,363.81
Total Intergovernmental Revenue	141,439.08
Charges for Goods and Services:	
Public Safety	15,974.09
Culture and Recreation	49,072.71
Other	27,789.14
Total Charges for Goods and Services	92,835.94
Fines and Forfeits:	
Court Fines and Costs	3,554.93
Library	543.70
Total Fines and Forfeits	4,098.63
Miscellaneous Revenue:	
Investment Earnings	6,805.95
Rentals	14,739.76
Contributions and Donations from Private Sources	12,904.50
Liquor Operating Agreement Income	66,228.20
Other	1,280.63
Total Miscellaneous Revenue	101,959.04
Total Revenue	1,488,278.72
<b>Expenditures:</b>	
General Government:	
Executive	30,691.29
Financial Administration	72,872.78
Other	74,502.50
Total General Government	178,066.57

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

**MUNICIPALITY OF WAGNER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2011**

	<b>General Fund</b>
<b>Expenditures (Continued):</b>	
Public Safety:	
Police	298,100.90
Other Protection	2,639.58
Total Public Safety	300,740.48
Public Works:	
Highways and Streets	205,652.39
Sanitation	13,099.64
Electricity	6,112.23
Airport	36,334.30
Total Public Works	261,198.56
Health and Welfare:	
Health	5,831.14
Total Health and Welfare	5,831.14
Culture and Recreation:	
Recreation	71,088.88
Parks	22,553.45
Libraries	63,022.90
Auditorium	55,654.63
Museums	500.00
Total Culture and Recreation	212,819.86
Conservation and Development:	
Urban Redevelopment and Housing	1,098.06
Economic Development and Assistance (Industrial Development)	65,551.00
Total Conservation and Development	66,649.06
Debt Service	34,556.57
Capital Outlay	234,661.52
Total Expenditures	1,294,523.76
Excess of Revenue Over (Under) Expenditures	193,754.96
<b>Other Financing Sources (Uses):</b>	
Sale of Municipal Property	14,884.44
Total Other Financing Sources (Uses)	14,884.44
Net Change in Fund Balance	208,639.40
Fund Balance - Beginning	1,017,521.16
FUND BALANCE - ENDING	1,226,160.56

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

**MUNICIPALITY OF WAGNER**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**December 31, 2011**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	341,825.88	339,043.71	680,869.59
Investments	109,987.48	24,232.18	134,219.66
Total Current Assets	451,813.36	363,275.89	815,089.25
<b>TOTAL ASSETS</b>	451,813.36	363,275.89	815,089.25
<b>NET ASSETS:</b>			
Restricted Net Assets, Restricted for:			
Equipment Repair and/or Replacement	30,693.47		30,693.47
Unrestricted Net Assets	421,119.89	363,275.89	784,395.78
<b>TOTAL NET ASSETS</b>	451,813.36	363,275.89	815,089.25

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

**MUNICIPALITY OF WAGNER**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET ASSETS - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2011**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>Operating Revenue:</b>			
Charges for Goods and Services	395,650.37	226,682.33	622,332.70
Total Operating Revenue	<u>395,650.37</u>	<u>226,682.33</u>	<u>622,332.70</u>
<b>Operating Expenses:</b>			
Personal Services	89,618.45	35,817.66	125,436.11
Other Current Expense	36,619.38	27,576.16	64,195.54
Materials	161,330.10		161,330.10
Capital Assets	267,280.80	542,046.82	809,327.62
Total Operating Expenses	<u>554,848.73</u>	<u>605,440.64</u>	<u>1,160,289.37</u>
Operating Income (Loss)	<u>(159,198.36)</u>	<u>(378,758.31)</u>	<u>(537,956.67)</u>
<b>Nonoperating Revenue (Expense):</b>			
Investment Earnings	2,182.27	1,426.63	3,608.90
Debt Service	(30,833.32)	(5,289.30)	(36,122.62)
Interest Expense	(1,147.23)	(6,473.13)	(7,620.36)
Long-Term Debt Issued	135,122.41	274,339.43	409,461.84
Total Nonoperating Revenue (Expense)	<u>105,324.13</u>	<u>264,003.63</u>	<u>369,327.76</u>
Income (Loss) Before Capital Contributions	<u>(53,874.23)</u>	<u>(114,754.68)</u>	<u>(168,628.91)</u>
Capital Contributions	118,965.00	241,535.00	360,500.00
Change in Net Assets	<u>65,090.77</u>	<u>126,780.32</u>	<u>191,871.09</u>
Net Assets - Beginning	386,722.59	236,495.57	623,218.16
NET ASSETS - ENDING	<u>451,813.36</u>	<u>363,275.89</u>	<u>815,089.25</u>

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

**MUNICIPALITY OF WAGNER**  
**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS**  
**FIDUCIARY FUNDS**  
**December 31, 2011**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	<u>1,852.29</u>
<b>TOTAL ASSETS</b>	<u><u>1,852.29</u></u>
<b>NET ASSETS</b>	
Net Assets Held In Agency Capacity	<u>1,852.29</u>
<b>TOTAL NET ASSETS</b>	<u><u>1,852.29</u></u>

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

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NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.c, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. Financial Reporting Entity:

The reporting entity of the Municipality of Wagner (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 Wagner, 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 low-income housing units, 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: Wagner Housing and Redevelopment Commission, P.O. Box 40, Wagner, SD 57380.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Assets/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, any may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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) 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 if 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.

**Proprietary Funds:**

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

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 MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

**Fiduciary Funds:**

Fiduciary funds consist of the following sub-categories 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 Municipality is acting as the agent for an organization improving the Wagner Lake.

**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.

The Municipality uses the modified cash basis of accounting, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

**Measurement Focus:**

In the government-wide Statement of Net Assets/Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied with the limitations of the modified cash basis of accounting.

**Basis of Accounting:**

In the Government-wide Statement of Net Assets/Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the cash basis of accounting, the statement of financial position reports only cash and cash equivalents. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the Municipality in these financial statements are:

- a. Recording long-term investments in marketable securities (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash assets at cost.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

If the Municipality applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

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 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. Under the modified cash basis of accounting, investments are carried at cost.

e. Long-Term Liabilities:

Under the modified cash basis of accounting, cash proceeds from long-term debt issuances is recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated, but are reported as a separate program cost category.

Long-term debts arising from cash transactions of governmental funds are not reported as liabilities in the fund financial statements. Instead, the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for long-term debts of proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

f. 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.

g. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Assets/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.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

h. Equity Classifications:

Government-wide Statements:

Equity is classified as net assets/net position and is displayed in two components.

1. Restricted net assets/net position – Consists of net assets/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.
2. Unrestricted net assets/net position – All other net assets 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 Assets/Net Position is reported as Net Assets/Net Position Held in Agency Capacity.

i. Application of Net Assets/Net Position:

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

j. 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 Finance Officer.
- 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.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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 Government 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.

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

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

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

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

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

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

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

**Assignment of Investment Income** – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality's policy is to credit all income from investments to the fund making the investment.

3. PROPERTY TAXES

Property 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 and payable as of 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.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

4. LONG-TERM COMMITMENTS

The Municipality of Wagner entered into a forty-year commitment with Randall Community Water District to provide water to the Municipality. A monthly charge in the amount of \$4,013.00 is paid by the Municipality to Randall Community Water District. The monthly charge represents a contribution by the Municipality to aid Randall Community Water District in the construction of the facilities necessary to provide the Municipality with water. The Municipality will not acquire ownership of any of these water facilities through lease payments. Payments are made from the Municipality's Water Fund.

The following are the minimum payments on this commitment:

2013	\$ 48,156.00
2014	\$ 48,156.00
2015	\$ 48,156.00
2016	\$ 48,156.00
2017	\$ 48,156.00
2018-2022	\$ 240,780.00
2023-2027	\$ 240,780.00
2028-2032	\$ 240,780.00
2033-2036	\$ 144,468.00

5. RESTRICTED NET ASSETS/NET POSITION

Restricted Net Assets/Net Position for the two years ended December 31, 2012 were as follows:

Major Purposes:	2012	2011
Library Fine Purposes	\$ 8,264.02	\$ 7,612.01
Equipment Repair/Replacement	<u>36,044.19</u>	<u>30,693.47</u>
Total Restricted Net Assets/Net Position	<u>\$ 44,308.21</u>	<u>\$ 38,305.48</u>

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

6. RETIREMENT PLAN

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2012, 2011 and 2010 were \$29,021.09, \$27,774.33, and \$29,826.97, respectively, equal to the required contributions each year.

## 7. 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, 2012, the Municipality managed its risks as follows:

### Employee Health Insurance:

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

### Liability Insurance:

The Municipality purchases liability insurance for risks related to torts, theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

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

The agreement with the SDPAA provides that the above coverages will be provided to a \$6,620,399 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The Municipality would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of Municipality's First Full Year	50%
End of Municipality's Second Full Year	60%
End of Municipality's Third Full Year	70%
End of Municipality's Fourth Full Year	80%
End of Municipality's Fifth Full Year	90%
End of Municipality's Sixth Full Year and Thereafter	100%

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

As of December 31, 2011 and December 31, 2012, the Municipality has vested balance in the cumulative reserve fund of \$31,781.99 and \$31,781.99, respectively.

The Municipality carries a \$50/\$100 deductible for the vehicle coverage and \$500 deductible for the other property coverage.

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 the pool 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 of any claim per individual. The pool has reinsurance which covers up to an additional \$2,000,000 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 provided coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

8. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2012, the Municipality was not involved in any significant litigation.

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF WAGNER**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2012**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	337,399.00	337,399.00	329,394.59	(8,004.41)
General Sales and Use Taxes	650,000.00	650,000.00	741,897.59	91,897.59
Amusement Tax	0.00	0.00	348.00	348.00
Penalties and Interest on Delinquent Taxes	1,500.00	1,500.00	772.08	(727.92)
<b>Total Taxes</b>	<b>988,899.00</b>	<b>988,899.00</b>	<b>1,072,412.26</b>	<b>83,513.26</b>
Licenses and Permits	16,700.00	16,700.00	8,882.50	(7,817.50)
Intergovernmental Revenue:				
Federal Grants	88,575.00	88,575.00	110,457.58	21,882.58
State Grants	3,425.00	3,425.00	14,915.03	11,490.03
State Shared Revenue:				
Bank Franchise Tax	3,000.00	3,000.00	3,791.06	791.06
Liquor Tax Reversion	10,000.00	10,000.00	11,149.21	1,149.21
Motor Vehicle Licenses	7,500.00	7,500.00	12,468.72	4,968.72
Local Government Highway and Bridge Fund	3,000.00	3,000.00	0.00	(3,000.00)
Other	0.00	0.00	6,435.00	6,435.00
County Shared Revenue:				
County Road Tax	3,200.00	3,200.00	3,265.11	65.11
County HBR Tax	14,000.00	14,000.00	20,448.01	6,448.01
County Wheel Tax	4,000.00	4,000.00	5,686.02	1,686.02
Other	3,500.00	3,500.00	3,743.68	243.68
<b>Total Intergovernmental Revenue</b>	<b>140,200.00</b>	<b>140,200.00</b>	<b>192,359.42</b>	<b>52,159.42</b>
Charges for Goods and Services:				
Public Safety	100.00	100.00	41.00	(59.00)
Culture and Recreation	44,250.00	44,250.00	95,283.50	51,033.50
Other	23,751.00	23,751.00	28,149.41	4,398.41
<b>Total Charges for Goods and Services</b>	<b>68,101.00</b>	<b>68,101.00</b>	<b>123,473.91</b>	<b>55,372.91</b>
Fines and Forfeits:				
Court Fines and Costs	5,000.00	5,000.00	1,546.64	(3,453.36)
Animal Control Fines	20,500.00	20,500.00	22,442.88	1,942.88
Library	0.00	0.00	652.01	652.01
<b>Total Fines and Forfeits</b>	<b>25,500.00</b>	<b>25,500.00</b>	<b>24,641.53</b>	<b>(858.47)</b>
Miscellaneous Revenue:				
Investment Earnings	6,000.00	6,000.00	7,721.73	1,721.73
Rentals	14,000.00	14,000.00	13,870.17	(129.83)
Maintenance Assessments	5,000.00	5,000.00	4,850.00	(150.00)
Liquor Operating Agreement Income	55,000.00	55,000.00	334,896.22	279,896.22
Other	0.00	0.00	2,992.41	2,992.41
<b>Total Miscellaneous Revenue</b>	<b>80,000.00</b>	<b>80,000.00</b>	<b>364,330.53</b>	<b>284,330.53</b>
<b>Total Revenue</b>	<b>1,319,400.00</b>	<b>1,319,400.00</b>	<b>1,786,100.15</b>	<b>466,700.15</b>
<b>Expenditures:</b>				
General Government:				
Contingency	15,000.00	15,000.00		
Amount Transferred		(15,000.00)		0.00
Executive	37,600.00	37,600.00	33,986.76	3,613.24
Elections	1,300.00	1,300.00	25.07	1,274.93
Financial Administration	80,150.00	80,150.00	78,072.20	2,077.80
Other	94,300.00	94,300.00	85,678.08	8,621.92
<b>Total General Government</b>	<b>228,350.00</b>	<b>213,350.00</b>	<b>197,762.11</b>	<b>15,587.89</b>

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF WAGNER**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2012**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures (continued):</b>				
Public Safety:				
Police	355,800.00	370,800.00	359,664.60	11,135.40
Other Protection	2,550.00	2,550.00	567.52	1,982.48
Total Public Safety	<u>358,350.00</u>	<u>373,350.00</u>	<u>360,232.12</u>	<u>13,117.88</u>
Public Works:				
Highways and Streets	417,150.00	417,150.00	378,798.55	38,351.45
Sanitation	15,100.00	15,100.00	12,855.50	2,244.50
Electricity	120,000.00	120,000.00	1,356.00	118,644.00
Airport	103,200.00	103,200.00	64,796.96	38,403.04
Total Public Works	<u>655,450.00</u>	<u>655,450.00</u>	<u>457,807.01</u>	<u>197,642.99</u>
Health and Welfare:				
Health	13,900.00	13,900.00	3,477.11	10,422.89
Total Health and Welfare	<u>13,900.00</u>	<u>13,900.00</u>	<u>3,477.11</u>	<u>10,422.89</u>
Culture and Recreation:				
Recreation	100,850.00	107,850.00	107,213.74	636.26
Parks	20,150.00	28,150.00	27,760.32	389.68
Libraries	72,800.00	72,800.00	70,098.89	2,701.11
Auditorium	64,150.00	140,800.00	133,838.57	6,961.43
Museums	500.00	500.00	500.00	0.00
Total Culture and Recreation	<u>258,450.00</u>	<u>350,100.00</u>	<u>339,411.52</u>	<u>10,688.48</u>
Conservation and Development:				
Urban Redevelopment and Housing	2,150.00	2,150.00	1,873.18	276.82
Economic Development and Assistance (Industrial Development)	65,300.00	65,300.00	50,097.66	15,202.34
Total Conservation and Development	<u>67,450.00</u>	<u>67,450.00</u>	<u>51,970.84</u>	<u>15,479.16</u>
Debt Service	<u>34,600.00</u>	<u>34,600.00</u>	<u>34,556.56</u>	<u>43.44</u>
Miscellaneous:				
Liquor Operating Agreements	0.00	325,000.00	293,506.63	31,493.37
Total Miscellaneous	<u>0.00</u>	<u>325,000.00</u>	<u>293,506.63</u>	<u>31,493.37</u>
Total Expenditures	<u>1,616,550.00</u>	<u>2,033,200.00</u>	<u>1,738,723.90</u>	<u>294,476.10</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(297,150.00)</u>	<u>(713,800.00)</u>	<u>47,376.25</u>	<u>761,176.25</u>
<b>Other Financing Sources (Uses):</b>				
Sale of Municipal Property	0.00	0.00	2,118.23	2,118.23
Total Other Financing Sources (Uses)	<u>0.00</u>	<u>0.00</u>	<u>2,118.23</u>	<u>2,118.23</u>
Net Change in Fund Balances	<u>(297,150.00)</u>	<u>(713,800.00)</u>	<u>49,494.48</u>	<u>763,294.48</u>
Fund Balance - Beginning	1,226,160.56	1,226,160.56	1,226,160.56	0.00
FUND BALANCE - ENDING	<u>929,010.56</u>	<u>512,360.56</u>	<u>1,275,655.04</u>	<u>763,294.48</u>

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF WAGNER**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2011**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	323,834.00	323,834.00	327,014.01	3,180.01
General Sales and Use Taxes	600,000.00	600,000.00	800,270.31	200,270.31
Amusement Tax	0.00	0.00	348.00	348.00
Tax Deed Revenue	0.00	0.00	6.75	6.75
Penalties and Interest on Delinquent Taxes	1,500.00	1,500.00	1,618.46	118.46
Total Taxes	<u>925,334.00</u>	<u>925,334.00</u>	<u>1,129,257.53</u>	<u>203,923.53</u>
Licenses and Permits	<u>17,200.00</u>	<u>17,200.00</u>	<u>18,688.50</u>	<u>1,488.50</u>
Intergovernmental Revenue:				
Federal Grants	218,000.00	218,000.00	83,042.02	(134,957.98)
State Grants	5,400.00	5,400.00	0.00	(5,400.00)
State Shared Revenue:				
Bank Franchise Tax	3,000.00	3,000.00	3,702.71	702.71
Motor Vehicle Commercial Prorate	3,000.00	3,000.00	3,997.83	997.83
Liquor Tax Reversion	9,000.00	9,000.00	10,477.44	1,477.44
Motor Vehicle Licenses	7,000.00	7,000.00	9,626.69	2,626.69
Other	5,000.00	5,000.00	3,838.65	(1,161.35)
County Shared Revenue:				
County Road Tax	3,200.00	3,200.00	3,265.11	65.11
County HBR Tax	13,000.00	13,000.00	16,124.82	3,124.82
County Wheel Tax	4,000.00	4,000.00	7,363.81	3,363.81
Total Intergovernmental Revenue	<u>270,600.00</u>	<u>270,600.00</u>	<u>141,439.08</u>	<u>(129,160.92)</u>
Charges for Goods and Services:				
Highways and Streets	14,200.00	14,200.00	15,974.09	1,774.09
Culture and Recreation	48,550.00	48,550.00	49,072.71	522.71
Other	21,751.00	21,751.00	27,789.14	6,038.14
Total Charges for Goods and Services	<u>84,501.00</u>	<u>84,501.00</u>	<u>92,835.94</u>	<u>8,334.94</u>
Fines and Forfeits:				
Court Fines and Costs	10,000.00	10,000.00	3,554.93	(6,445.07)
Library	0.00	0.00	543.70	543.70
Total Fines and Forfeits	<u>10,000.00</u>	<u>10,000.00</u>	<u>4,098.63</u>	<u>(5,901.37)</u>
Miscellaneous Revenue:				
Investment Earnings	8,000.00	8,000.00	6,805.95	(1,194.05)
Rentals	12,000.00	12,000.00	14,739.76	2,739.76
Contributions and Donations from Private Sources	5,000.00	5,000.00	12,904.50	7,904.50
Liquor Operating Agreement Income	55,000.00	55,000.00	66,228.20	11,228.20
Other	0.00	0.00	1,280.63	1,280.63
Total Miscellaneous Revenue	<u>80,000.00</u>	<u>80,000.00</u>	<u>101,959.04</u>	<u>21,959.04</u>
Total Revenue	<u>1,387,635.00</u>	<u>1,387,635.00</u>	<u>1,488,278.72</u>	<u>100,643.72</u>

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF WAGNER**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2011**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures:</b>				
General Government:				
Contingency	15,000.00	15,000.00		
Amount Transferred		(10,000.00)		5,000.00
Executive	37,700.00	37,700.00	30,691.29	7,008.71
Elections	1,300.00	1,300.00	0.00	1,300.00
Financial Administration	80,000.00	80,000.00	72,872.78	7,127.22
Other	88,150.00	123,150.00	122,136.44	1,013.56
<b>Total General Government</b>	<b>222,150.00</b>	<b>247,150.00</b>	<b>225,700.51</b>	<b>21,449.49</b>
Public Safety:				
Police	340,100.00	340,100.00	325,884.05	14,215.95
Other Protection	2,550.00	3,550.00	2,639.58	910.42
<b>Total Public Safety</b>	<b>342,650.00</b>	<b>343,650.00</b>	<b>328,523.63</b>	<b>15,126.37</b>
Public Works:				
Highways and Streets	388,800.00	388,800.00	332,669.35	56,130.65
Sanitation	15,200.00	15,200.00	13,099.64	2,100.36
Electricity	120,000.00	120,000.00	6,112.23	113,887.77
Airport	210,020.00	210,020.00	62,552.77	147,467.23
<b>Total Public Works</b>	<b>734,020.00</b>	<b>734,020.00</b>	<b>414,433.99</b>	<b>319,586.01</b>
Health and Welfare:				
Health	12,700.00	12,700.00	5,831.14	6,868.86
<b>Total Health and Welfare</b>	<b>12,700.00</b>	<b>12,700.00</b>	<b>5,831.14</b>	<b>6,868.86</b>
Culture and Recreation:				
Recreation	83,700.00	83,700.00	77,097.88	6,602.12
Parks	21,050.00	23,050.00	22,553.45	496.55
Libraries	67,050.00	67,050.00	63,022.90	4,027.10
Auditorium	64,000.00	64,000.00	55,654.63	8,345.37
Museums	500.00	500.00	500.00	0.00
<b>Total Culture and Recreation</b>	<b>236,300.00</b>	<b>238,300.00</b>	<b>218,828.86</b>	<b>19,471.14</b>
Conservation and Development				
Urban Redevelopment and Housing	0.00	2,000.00	1,098.06	901.94
Economic Development and Assistance (Industrial Development)	61,000.00	66,000.00	65,551.00	449.00
<b>Total Conservation and Development</b>	<b>61,000.00</b>	<b>68,000.00</b>	<b>66,649.06</b>	<b>1,350.94</b>
Debt Service	34,600.00	34,600.00	34,556.57	43.43
<b>Total Expenditures</b>	<b>1,643,420.00</b>	<b>1,678,420.00</b>	<b>1,294,523.76</b>	<b>383,896.24</b>
Excess of Revenue Over (Under) Expenditures	(255,785.00)	(290,785.00)	193,754.96	484,539.96
<b>Other Financing Sources (Uses):</b>				
Sale of Municipal Property	0.00	0.00	14,884.44	14,884.44
<b>Total Other Financing Sources (Uses)</b>	<b>0.00</b>	<b>0.00</b>	<b>14,884.44</b>	<b>14,884.44</b>
<b>Net Change in Fund Balances</b>	<b>(255,785.00)</b>	<b>(290,785.00)</b>	<b>208,639.40</b>	<b>499,424.40</b>
Fund Balance - Beginning	1,017,521.16	1,017,521.16	1,017,521.16	0.00
<b>FUND BALANCE - ENDING</b>	<b>761,736.16</b>	<b>726,736.16</b>	<b>1,226,160.56</b>	<b>499,424.40</b>

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NOTES TO THE 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 followed 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 introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, 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 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.

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, 2011 and 2012.

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 the modified cash basis of accounting.

NOTE 2. GAAP/Budgetary Accounting Basis Differences:

The Municipality's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenue and expenditures are recognized on a modified cash basis. Utilizing the modified cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

**MUNICIPALITY OF WAGNER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Two Years Ended December 31, 2012**

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures 2012</u>	<u>Expenditures 2011</u>
Department of Agriculture:			
Direct Federal Funding:			
Water and Waste Disposal Systems for Rural Communities - ARRA (Recovery Act) (Note 2)	10.781	264,898.16	409,461.84
Total Department of Agriculture		<u>264,898.16</u>	<u>409,461.84</u>
Department of Housing and Urban Development:			
Indirect Federal Funding:			
SD Governor's Office of Economic Development, Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii (Note 2)	14.228		360,500.00
Total Department of Housing and Urban Development		<u>0.00</u>	<u>360,500.00</u>
Department of Transportation:			
Direct Federal Funding:			
Airport Improvement Program	20.106	24,384.57	24,907.55
Indirect Federal Funding:			
SD Department of Public Safety: State and Community Highway Safety	20.600		4,620.00
Total Department of Transportation		<u>24,384.57</u>	<u>29,527.55</u>
US Department of Justice:			
Direct Federal Funding:			
Public Safety Partnership and Community Policing Grants	16.710	45,633.71	39,574.03
Total US Department of Justice		<u>45,633.71</u>	<u>39,574.03</u>
General Services Administration:			
Indirect Federal Funding:			
SD Federal Property Agency: Donation of Federal Surplus Personal Property (Note 4)	39.003	452.05	110.57
Total General Services Administration		<u>452.05</u>	<u>110.57</u>
Department of Homeland Security:			
Indirect Federal Funding:			
SD Department of Public Safety, Office of Emergency Management: Disaster Grants - Public Assistance Grants	97.036		2,394.52
Charles Mix County, Homeland Security Grant Program	97.067	3,068.80	
Total Department of Homeland Security		<u>3,068.80</u>	<u>2,394.52</u>
US Department of Energy			
Indirect Federal Funding:			
SD Governor's Office of Economic Development: Energy Efficiency and Conservation Block Grant Program (Recovery Act)	81.128	37,370.50	11,545.92
Total US Department of Energy		<u>37,370.50</u>	<u>11,545.92</u>
GRAND TOTAL		<u>375,807.79</u>	<u>853,114.43</u>

**Note 1:** This accompanying schedule of expenditures of federal awards includes the federal grant activity of the municipality and is presented on the modified cash basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**MUNICIPALITY OF WAGNER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Two Years Ended December 31, 2012**  
**(Continued)**

**Note 2:** This represents a Major Federal Financial Assistance Program.

**Note 3:** The municipality had the following loan balances outstanding at December 31, 2012. The loan balances outstanding which have continuing compliance requirements are also included in the federal expenditures presented in the schedule.

Cluster/Program Title	Federal CFDA Number	Amount Outstanding	Included as Federal Expenditure on this Schedule for 2011	Included as Federal Expenditure on this Schedule for 2012
Water and Waste Disposal Systems for Rural Communities - ARRA	10.781	534,350.16	264,898.16	219,461.84

**Note 4:** The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the municipality.

SUPPLEMENTARY INFORMATION  
MUNICIPALITY OF WAGNER

LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Financing (Capital					
Acquisition) Leases	317,412.69		(32,703.63)	284,709.06	17,849.96
<b>Total Debt</b>	317,412.69	0.00	(32,703.63)	284,709.06	17,849.96
Accrued Compensated Absences-					
Governmental Funds	7,334.43	23,937.19	(26,308.64)	4,962.98	4,962.98
<b>Total Governmental Activities</b>	324,747.12	23,937.19	(59,012.27)	289,672.04	22,812.94
<b>Business-Type Activities:</b>					
Clean Water Revolving Loan,					
Series 2007	129,474.87		(10,752.60)	118,722.27	5,643.04
Drinking Water Revolving Loan # 1,					
Series 2007	700,000.00		(50,000.00)	650,000.00	25,000.00
Drinking Water Revolving Loan # 2,					
Series 2007	158,958.37		(11,666.64)	147,291.73	5,833.32
Water and Sewer Revenue Bond					
Series 2010	50,640.00	484,360.00	(649.84)	534,350.16	7,702.28
<b>Total Debt</b>	1,039,073.24	484,360.00	(73,069.08)	1,450,364.16	44,178.64
Accrued Compensated Absences-					
Business-Type Funds	1,890.08	8,369.28	(8,762.07)	1,497.29	1,497.29
<b>Total Business-Type Activities</b>	1,040,963.32	492,729.28	(81,831.15)	1,451,861.45	45,675.93
<b>Total Primary Government</b>	<b>1,365,710.44</b>	<b>516,666.47</b>	<b>(140,843.42)</b>	<b>1,741,533.49</b>	<b>68,488.87</b>

Debt payable at December 31, 2012, is comprised of the following:

Revenue Bonds:

Clean Water Revolving Loan – Series 2007	\$ 118,722.27
Maturity Date: January 15, 2029	
Interest Rate: 3.25%	
Payable from Sewer Fund	
Drinking Water Revolving Loan # 1 – Series 2007	\$ 650,000.00
Maturity Date: October 15, 2038	
Interest Rate: 0.00%	
Payable from Water Fund	
Drinking Water Revolving Loan # 2 – Series 2007	\$ 147,291.73
Maturity Date: January 15, 2038	
Interest Rate: 0.00%	
Payable from Water Fund	
Water and Sewer Project Revenue Bond – Series 2010	\$ 534,350.16
Maturity Date: November 10, 2050	
Interest Rate: 3.00%	
Payable 33% from Water Fund and 67% from Sewer Fund	

SUPPLEMENTARY INFORMATION  
MUNICIPALITY OF WAGNER  
(Continued)

Financing (Capital Acquisition) Leases:

Government Lease Purchase for Armory Energy Improvements	\$ 284,709.06
Maturity Date: June 17, 2024	
Interest Rate: 5.96%	
Payable from the General Fund	

The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	\$	339,539.20
Interest		178,809.20
TOTAL		\$ 518,348.40

Compensated Absences:

Payable from General Fund	\$ 4,962.98
Payable from Water Fund	\$ 853.08
Payable from Sewer Fund	\$ 644.21
Payment to be made by the fund that the payroll expenditures are charged to.	

The annual requirements to amortize all debt outstanding as of December 31, 2012, except for compensated absences, are as follows:

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2012

Year Ending December 31,	Clean Water Revolving Loan - Series 2007		Drinking Water Revolving Loan # 1 - Series 2007	
	Principal	Interest	Principal	Interest
2013	5,643.04	3,790.16	5,833.32	
2014	5,828.68	3,604.52	5,833.32	
2015	6,020.44	3,412.76	5,833.32	
2016	6,218.50	3,214.70	5,833.32	
2017	6,423.07	3,010.13	5,833.32	
2018-2022	35,427.51	11,738.49	29,166.60	
2023-2027	41,651.28	5,514.72	29,166.60	
2028-2032	11,509.75	281.75	29,166.60	
2033-2037			29,166.60	
2038-2042			1,458.73	
2043-2047				
2048-2052				
Totals	118,722.27	34,567.23	147,291.73	0.00

SUPPLEMENTARY INFORMATION  
MUNICIPALITY OF WAGNER  
(Continued)

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2012  
(Continued)

Year Ending December 31,	Drinking Water Revolving Loan # 2 - Series 2007		Water and Sewer Project Revenue Bond - Series 2010	
	Principal	Interest	Principal	Interest
2013	25,000.00		7,702.28	15,925.72
2014	25,000.00		7,936.55	15,691.45
2015	25,000.00		8,177.95	15,450.05
2016	25,000.00		8,426.69	15,201.31
2017	25,000.00		8,682.99	14,945.01
2018-2022	125,000.00		47,540.86	70,599.14
2023-2027	125,000.00		55,224.27	62,915.73
2028-2032	125,000.00		64,149.43	53,990.57
2033-2037	125,000.00		74,517.06	43,622.94
2038-2042	25,000.00		86,560.26	31,579.74
2043-2047			100,549.06	17,590.94
2048-2052			64,882.76	6,001.24
Totals	<u>650,000.00</u>	<u>0.00</u>	<u>534,350.16</u>	<u>363,513.84</u>

Year Ending December 31,	Financing (Capital Acquisition) Leases		Totals	
	Principal	Interest	Principal	Interest
2013	17,849.96	16,706.60	62,028.60	36,422.48
2014	18,929.67	15,626.89	63,528.22	34,922.86
2015	20,074.70	14,481.86	65,106.41	33,344.67
2016	21,288.97	13,267.59	66,767.48	31,683.60
2017	22,576.71	11,979.85	68,516.09	29,934.99
2018-2022	135,096.68	37,686.12	372,231.65	120,023.75
2023-2027	48,892.37	2,942.47	299,934.52	71,372.92
2028-2032			229,825.78	54,272.32
2033-2037			228,683.66	43,622.94
2038-2042			113,018.99	31,579.74
2043-2047			100,549.06	17,590.94
2048-2052			64,882.76	6,001.24
Totals	<u>284,709.06</u>	<u>112,691.38</u>	<u>1,735,073.22</u>	<u>510,772.45</u>