

TOWN OF WOLSEY, SOUTH DAKOTA
Audited Financial Statements
December 31, 2010

TOWN OF WOLSEY
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PRIVATE COMPANIES PRACTICE SECTION

May 28, 2015

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

Governing Board
Town of Wolsey
Wolsey, 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 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 Town of Wolsey, South Dakota (Town), as of December 31, 2010 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated May 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the modified cash basis financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town'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 as items 2010-002 and 2010-005 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Current Audit Findings as items 2010-001, 2010-003, and 2010-004.

We noted certain matters that we reported to management of the Town of Wolsey, South Dakota in a separate letter dated May 28, 2015.

Town's Responses to Findings

The Town's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Town'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.



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Huron, South Dakota

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May 28, 2015

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

Governing Board
Town of Wolsey
Wolsey, South Dakota

Report on Compliance for Each Major Federal Program

We have audited of the Town of Wolsey, South Dakota (Town) 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 Town's major federal programs for the year ended December 31, 2010. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town'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 Town'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 Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Wolsey complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Report on Internal Control Over Compliance

Management of the Town 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 Town'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 Town's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Current Audit Findings as item 2010-001 that we consider to be a material weakness.

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

The Town's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule Current Audit Findings. The Town's response was not subject 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.



Snow, Huether & Coyle
Huron, South Dakota

TOWN OF WOLSEY, SOUTH DAKOTA
SCHEDULE OF CURRENT AUDIT FINDINGS
For the Year Ended December 31, 2010

Summary of Auditor's Results:

An unmodified opinion was issued on the financial statements of the governmental activities, the business type activities, and each major fund.

Material weaknesses were disclosed by our audit of the financial statements for a lack of segregation of duties and financial statement preparation as discussed in 2010-002 and 2010-005.

Our audit disclosed three instances of noncompliance which were material to the financial statements as discussed in 2010-001, 2010-003 and 2010-004.

An unmodified opinion was issued on compliance with the requirements applicable to major programs.

The audit finding required to be reported in accordance with the Office of Management and Budget Circular A-133, Section 510(a) is listed below in 2010-001.

The federal awards tested as major programs were:

1. CFDA 66.458 U.S. Environmental Protection Agency – Capitalization Grant for Clean Water State Revolving Funds.
2. CFDA 66.468 U.S. Environmental Protection Agency – Capitalization Grant for Drinking Water State Revolving Funds.

The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.

The Town of Wolsey did not qualify as a low-risk auditee.

Current Federal Compliance Audit Findings:

2010-001 – Failure to complete a financial statement audit and the Single Audit reporting package within the required time frame.

Criteria: OMB Circular A-133 requires the Single Audit reporting package to be completed and submitted within nine months after the end of the fiscal year end date.

Condition: The time frame required by OMB Circular A-133 was not met.

Recommendation for Corrective Action: We recommend the Town of Wolsey arrange to have the Single Audit and related reporting package completed within the required time frame in years where Federal grants exceed \$500,000.

Corrective Action Plan: Linda Haeder is the contact person responsible for the corrective action plan for this comment. The Town of Wolsey, South Dakota will review the Federal grants received on an annual basis and obtain a financial statement audit as necessary.

Current Other Audit Findings:

2010-002 – Lack of segregation of duties.

Criteria: Standards require that an organization maintain adequate segregation of duties.

Condition: A significant deficiency and material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties.

Cause: This finding is a result of the size of the Town of Wolsey, South Dakota, which precludes staffing at a level sufficient to provide an ideal environment for internal controls.

Effect: A lack of segregation of duties may increase the risk of misappropriation of assets.

Recommendation for Corrective Action: We understand the Town of Wolsey, South Dakota has determined it is not cost beneficial to employ additional personnel to be able to adequately segregate duties. Thus, we recommend that the Town of Wolsey, South Dakota make every reasonable effort to provide compensating controls wherever and whenever possible.

Corrective Action Plan: Linda Haeder is the contact person responsible for the corrective action plan for this comment. The Town of Wolsey, South Dakota has determined it is not cost beneficial to employ additional personnel to be able to adequately segregate duties. The Town of Wolsey, South Dakota is aware of this problem and is attempting to provide compensating controls wherever and whenever possible. However, this lack of segregation of duties continues to exist.

2010-003 – General fund budget overdraft.

Criteria: South Dakota Codified Laws (SDCL) 9-21 requires governmental expenditures to be authorized in annual appropriation ordinance, or by a supplemental appropriation ordinance, by the governing body before the end of the year. The Town is prohibited from spending in excess of appropriated amounts.

Condition: During 2010, the Town exceeded its appropriations items and did not approve supplemental appropriations to address these additional expenditures.

Effect: Expenditures in excess of budget can lead to unnecessary expenditures and unnecessary taxation. Also, joint and several liability may attach to any official who approves an expenditure in excess of the amount budgeted for any purpose or department. (SDCL 9-21-9 and 9-21-10)

Recommendation for Corrective Action: We recommend the Town of Wolsey, South Dakota to utilize contingency transfers and supplemental appropriations to adjust budget line items when necessary.

Corrective Action Plan: Linda Haeder is the contact person responsible for the corrective action plan for this comment. The Town of Wolsey, South Dakota will review the budget and expenditures at the end of each year and approve supplemental appropriations for any additional government expenditures.

2010-004 – Related Entities

Criteria: Governmental Accounting Standards Board (GASB) and South Dakota Codified Laws (SDCL) 9-14-19 require that a government's financial statements include the activity of all entities related to that government.

Condition: The financial records for the Fire Department, Fitness Center and Parks & Recreation Department are maintained by individuals within the respective departments; however, the Town's Finance Officer should supervise the overall Town's financial condition and include those departments within the Town's financial statements.

Effect: Exclusion of these departments from the Town's financial statements results in inaccurate financial reporting and could materially misstate the Town's financial condition. Further, lack of review could possibly allow for the misappropriation of funds.

Recommendation for Corrective Action: We recommend the Town of Wolsey, South Dakota receive the financial records for these departments on an annual basis and include all departments within their financial statements.

Corrective Action Plan: Linda Haeder is the contact person responsible for the corrective action plan for this comment. The Town of Wolsey, South Dakota has consolidated and reported all departments within these financial statements at the auditors' recommendation.

2010-005 – Preparation of the Financial Statements, Footnotes, and Material Journal Entries

Criteria: The City's internal control structure should be designed to provide for the preparation of the financial statements and footnotes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with the modified cash basis of accounting.

Condition: The financial statements and related notes for the year ended December 31, 2010, were prepared by the external auditors. As a part of the preparation process, we proposed material audit adjustments to the financial statements.

Effect: This condition may affect the Town's ability to record, process, summarize and report financial data within the financial statements.

Recommendation for Corrective Action: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make a decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan: Linda Haeder is the contact person responsible for the corrective action plan for this comment. The Town of Wolsey, South Dakota accepts the risk associated with preparation of the final audited financial statements by the independent auditor.

TOWN OF WOLSEY, SOUTH DAKOTA
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2010

Prior Federal Compliance Audit Findings:

2008-001 – Failure to complete a financial statement audit and the Single Audit reporting package within the required time frame.

Criteria: OMB Circular A-133 requires the Single Audit reporting package to be completed and submitted within nine months after the end of the fiscal year end date.

Condition: The time frame required by OMB Circular A-133 was not met.

Recommendation for Corrective Action: We recommend the Town of Wolsey arrange to have the Single Audit and related reporting package completed within the required time frame in years where Federal grants exceed \$500,000.

Corrective Action Plan: Linda Haeder is the contact person responsible for the corrective action plan for this comment. The Town of Wolsey, South Dakota will review the Federal grants received on an annual basis and obtain a financial statement audit as necessary.

Prior Other Audit Findings:

2008-002 – Lack of segregation of duties.

Criteria: Standards require that an organization maintain adequate segregation of duties.

Condition: A significant deficiency and material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties.

Cause: This finding is a result of the size of the Town of Wolsey, South Dakota, which precludes staffing at a level sufficient to provide an ideal environment for internal controls.

Effect: A lack of segregation of duties may increase the risk of misappropriation of assets.

Recommendation for Corrective Action: We understand the Town of Wolsey, South Dakota has determined it is not cost beneficial to employ additional personnel to be able to adequately segregate duties. Thus, we recommend that the Town of Wolsey, South Dakota make every reasonable effort to provide compensating controls wherever and whenever possible.

Corrective Action Plan: Linda Haeder is the contact person responsible for the corrective action plan for this comment. The Town of Wolsey, South Dakota has determined it is not cost beneficial to employ additional personnel to be able to adequately segregate duties. The Town of Wolsey, South Dakota is aware of this problem and is attempting to provide compensating controls wherever and whenever possible. However, this lack of segregation of duties continues to exist.

2008-003 – General fund budget overdraft.

Criteria: South Dakota Codified Laws (SDCL) 9-21 requires governmental expenditures to be authorized in annual appropriation ordinance, or by a supplemental appropriation ordinance, by the

governing body before the end of the year. The Town is prohibited from spending in excess of appropriated amounts.

Condition: During 2008, the Town exceeded its appropriations items and did not approve supplemental appropriations to address these additional expenditures.

Effect: Expenditures in excess of budget can lead to unnecessary expenditures and unnecessary taxation. Also, joint and several liability may attach to any official who approves an expenditure in excess of the amount budgeted for any purpose or department. (SDCL 9-21-9 and 9-21-10)

Recommendation for Corrective Action: We recommend the Town of Wolsey, South Dakota to utilize contingency transfers and supplemental appropriations to adjust budget line items when necessary.

Corrective Action Plan: Linda Haeder is the contact person responsible for the corrective action plan for this comment. The Town of Wolsey, South Dakota will review the budget and expenditures at the end of each year and approve supplemental appropriations for any additional government expenditures.

2008-004 – Related Entities

Criteria: Governmental Accounting Standards Board (GASB) and South Dakota Codified Laws (SDCL) 9-14-19 require that a government's financial statements include the activity of all entities related to that government.

Condition: The financial records for the Fire Department, Fitness Center and Parks & Recreation Department are maintained by individuals within the respective departments; however, the Town's Finance Officer should supervise the overall Town's financial condition and include those departments within the Town's financial statements.

Effect: Exclusion of these departments from the Town's financial statements results in inaccurate financial reporting and could materially misstate the Town's financial condition. Further, lack of review could possibly allow for the misappropriation of funds.

Recommendation for Corrective Action: We recommend the Town of Wolsey, South Dakota receive the financial records for these departments on an annual basis and include all departments within their financial statements.

Corrective Action Plan: Linda Haeder is the contact person responsible for the corrective action plan for this comment. The Town of Wolsey, South Dakota has consolidated and reported all departments within these financial statements at the auditors' recommendation.

2008-005 – Preparation of the Financial Statements, Footnotes, and Material Journal Entries

Criteria: The City's internal control structure should be designed to provide for the preparation of the financial statements and footnotes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with the modified cash basis of accounting.

Condition: The financial statements and related notes for the year ended December 31, 2008, were prepared by the external auditors. As a part of the preparation process, we proposed material audit adjustments to the financial statements.

Effect: This condition may affect the Town's ability to record, process, summarize and report financial data within the financial statements.

Recommendation for Corrective Action: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make a decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan: Linda Haeder is the contact person responsible for the corrective action plan for this comment. The Town of Wolsey, South Dakota accepts the risk associated with preparation of the final audited financial statements by the independent auditor.

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May 28, 2015

INDEPENDENT AUDITORS' REPORT

Municipal Council
Town of Wolsey
Wolsey, South Dakota

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Wolsey, South Dakota (Town), as of December 31, 2010, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Town'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.

Auditors' 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 auditors' 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 auditors' consider internal control relevant to the Town'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 Town'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.

Opinions

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, and each major fund of the Town of Wolsey as of December 31, 2010, and the respective changes in financial position-modified cash basis, thereof for the year 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 Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards which as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, and Schedule of Changes in Long-Term Debt listed in the Table of Contents are presented for the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2015, on our consideration of the Town'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 Town's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Snow, Huether & Coyle".

Snow, Huether & Coyle
Huron, South Dakota

**TOWN OF WOLSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

This section of the Town of Wolsey's (Town) annual financial report presents our discussion and analysis of the Town's financial performance and financial activities for the year ended December 31, 2010, within the limitations of the Town's modified cash basis of accounting. Please read it in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS:

During the year, the Town's receipts from all sources were \$1,010,269.73 and total disbursements of \$951,889.54 for an increase in net assets of \$58,380.19.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Town's modified cash basis of accounting.

Report Components

This annual report consists of four parts as follows:

Government-Wide Financial Statements: The Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis provide information about the activities of the Town using a government-wide focus (or "as a whole").

Fund Financial Statements: Fund financial statements focus on the individual parts of the Town's government. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer financial information about the activities the Town operates like businesses, such as water, sewer and solid waste services.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Supplementary Information: This Management's Discussion and Analysis and the Budgetary Comparison Schedules represent financial information that provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statement"). The Budgetary Comparison Schedule is presented on a budgetary basis of accounting whereby capital outlay expenditures are reported within the respective functions rather than as a separate capital outlay function.

Basis of Accounting

The Town has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Town's modified cash basis of accounting, revenues and

expenses and related assets are recorded when they result from cash transactions, except for the recording of investments.

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 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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Town as a Whole

The Town's Reporting Entity Presentation

This annual report includes all activities for which the Town of Wolsey's Council is fiscally responsible. These activities, defined as the Town's reporting entity, are operated within separate legal entities that make up the primary government.

The primary government includes the following legal entities:

- The Town of Wolsey

The Government-Wide Statement of Net Position and the Statement of Activities

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all of the Town's assets resulting from the use of the modified cash basis of accounting.

These two statements report the Town's net assets and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the Town's net assets as one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's sales tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental activities. Most of the Town's basic services are reported here, including the police, fire, general government, streets, pool and parks. Sales taxes, property taxes and state and federal grants finance most of these activities.

Business-type activities. The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water, sewer and solid waste systems are reported here. Bonds and federal and state grants pay for capital improvements to the water and sewer systems.

Reporting the Town’s Most Significant Funds

The Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Municipal Council establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town has two kinds of funds - *governmental and proprietary*.

Governmental funds - Most of the Town’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Town’s general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Town’s programs. The Town considers the General Fund its only significant or major governmental fund.

Proprietary funds - When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. The Town’s proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information.

MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

	Increase (Decrease)	Reason
Governmental Activities:		
Sales Tax:	\$ 39,317.20	Increase in recorded sales in Wolsey, South Dakota
Grant Proceeds:	46,075.00	U.S. Department of Homeland Security - Firefighter Assistance Grant
	12,623.11	U.S. Department of Homeland Security - Disaster Grant
	7,739.00	U.S. Department of Energy - Energy Efficiency Grant
Other Proceeds:	41,333.37	Elevator Cleanup Reimbursement
Disbursements:	7,739.00	Purchase new fire hall furnace
	16,147.35	Costs associated with demolishing elevator
	8,581.12	Costs associated with bike trail
	41,976.43	Purchase of 25 sets of firefighter bunker gear

Business-type Activities:

Charges for services	3,609.71	Increase in water and sewer service charges
Grant proceeds:	53,982.00	Community Development Block Grant
	29,100.19	Water Quality Grant
Loan Proceeds:	372,627.00	Partial advance on 2010 Clean Water SRF Loan from South Dakota Department of Environment and Natural Resources
	803.00	Final Advance from 2008 Clean Water SRF Loan
	4,067.00	Final Advance from 2008 Drinking Water SRF Loan
Disbursements:	474,491.23	Phase III - Water and Wastewater Project

Further comparative analysis will be provided in future years when information is available.

A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's combined net assets, resulting from modified cash basis transactions were \$140,797.15 for 2009 and increased to \$199,177.34 for 2010. The increase has been primarily due to an increase in sales tax revenue in 2010 and the reimbursement of the elevator cleanup costs.

The Town completed initial water and sewer projects in approximately 1981 and 1988. These projects were financed by loans from the United States Department of Agriculture. The Town has been making monthly payments for repayment of this debt. Balance as of December 31, 2010, on the water and sewer projects is \$52,452.23 and \$84,789.74, respectively.

The Town finished the Phase I (Drinking Water) of the Water and Wastewater Project in 2007. This project was financed by a loan from the South Dakota Department of Environment and Natural Resources. The Town of Wolsey has been making monthly payments for repayment of this debt. Balance on the 2005 Drinking Water Loan as of December 31, 2010 is \$200,581.30. In 2004, the Town implemented a 2nd penny sales tax bond for repayment purposes.

The Town is completing Phase II (Sewer and Water) of the Water and Wastewater Project in 2010. The project was financed through the Community Development Block Grant (Federal) totaling \$309,000.00, Consolidated Water Facilities Construction Program (State) totaling \$50,000.00 and loans totaling \$324,600.00 from the South Dakota Department of Environment and Natural Resources. In accordance with the loan agreements, the Town of Wolsey began making repayments in 2010. Balance on the loans as of December 31, 2010 is \$316,078.89. Repayment for the loans is intended through 2nd penny sales tax and a wastewater revenue bond. In 2007, an electrical and sewer rate increase was implemented for debt repayment purposes.

During 2008, the Town of Wolsey completed a project to replace pumps at the Town's lagoon. The project is being financed through a loan from the National Rural Water Association in the amount of \$43,500.00. The Town has been making monthly payments for repayment of this debt and balance as of December 31, 2010, is \$4,476.44.

During 2010, the Town is completing Phase III (Lift Station and Storm Sewer) of the Water and Wastewater Project. The project is being financed through a loan totaling \$556,790 from the South Dakota Department of Environment and Natural Resources. In accordance with the loan agreement the Town of Wolsey will begin making repayments on this debt in 2013. Balance on

the loan as of December 31, 2010, is \$372,627.00. Repayment for this loan is intended through 2nd penny sales tax.

CURRENTLY KNOWN FACTS

In 2009, the Town pursued funding for Phase III (Lift Station and Storm Sewer) of its water and wastewater project. The funding for the project consists of loans and grants. Phase III was completed in 2011 at a total cost of \$704,174.62. Repayment of this project is funded through the 2nd penny sales tax bond.

In 2011, 2012, 2013 and 2014, the Town increased water and sewer rates.

In February 2011, the Town paid the balance due in full for the loan received in 2010 from the National Rural Water Association.

General Fund Budgetary Highlights

In 2010, the Town did not adopt any supplemental appropriations surrounding the general fund. In total, the revenue within the general fund exceeded projections for the year ended December 31, 2010. However, the Town of Wolsey incurred expenditures in excess of appropriations in the following amounts in the general funds for the year ended December 31, 2010:

General government expenditures exceeded appropriations by \$87,007.52. This over-expenditure was funded through reduced spending in other expenditures.

Fire Public Safety expenditures exceeded appropriations due to the purchase of new equipment by \$31,172.17 and the over-expenditure was funded by additional federal grants received surrounding the fire public safety and use of reserve funds.

Public works expenditures exceeded appropriations by \$8,833.18 due to additional repairs required as a result of storm damage. The over-expenditure was funded by additional federal grants received in response to this damage.

Culture and recreation expenditures exceeded appropriations by \$13,425.60. This over-expenditure was funded through reduced spending in other expenditures.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This report is designated to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Wolsey Finance Office at 305 Commercial Avenue, P.O. Box 356 Wolsey, South Dakota 57384 or telephone at (605) 883-4710.

TOWN OF WOLSEY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2010

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	136,059.11		136,059.11
Investments	37,830.15		37,830.15
Restricted Assets:			
Cash and cash equivalents			0.00
Investments		25,288.08	25,288.08
TOTAL ASSETS	173,889.26	25,288.08	199,177.34
NET POSITION:			
Restricted for:			
Capital Projects Purposes			0.00
Debt Service Purposes		25,288.08	25,288.08
Permanently Restricted Purposes			
Expendable			0.00
Non-Expendable			0.00
Other Purposes			0.00
Unrestricted (Deficit)	173,889.26		173,889.26
TOTAL NET POSITION	173,889.26	25,288.08	199,177.34

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

TOWN OF WOLSEY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	147,407.52	5,526.25		66,437.11	(75,444.16)		(75,444.16)
Public Safety	68,972.17	2,251.72			(66,720.45)		(66,720.45)
Public Works	88,633.18	35,111.22	22,939.18		(30,582.78)		(30,582.78)
Health and Welfare					0.00		0.00
Culture and Recreation	31,625.60	23,071.96			(8,553.64)		(8,553.64)
Conservation and Development					0.00		0.00
Intergovernmental Expenditures					0.00		0.00
Operating Agreements					0.00		0.00
**Capital Outlay - Unallocated					0.00		0.00
*Interest and Principal on Long-Term Debt					0.00		0.00
Total Governmental Activities	336,638.47	65,961.15	22,939.18	66,437.11	(181,301.03)		(181,301.03)
Business-type Activities:							
Water	75,763.60	55,992.84		0.00		(19,770.76)	(19,770.76)
Sewer	539,487.47	41,310.14		83,082.19		(415,095.14)	(415,095.14)
						0.00	0.00
Total Business-Type Activities	615,251.07	97,302.98	0.00	83,082.19		(434,865.90)	(434,865.90)
Total Primary Government	951,889.54	163,264.13	22,939.18	149,519.30	(181,301.03)	(434,865.90)	(616,166.93)

Component Units:

General Revenues:

Taxes:

Property Taxes	58,899.52		58,899.52
Sales Taxes	164,987.68		164,987.68
State Shared Revenues	9,297.40		9,297.40
Grants and Contributions not Restricted to Specific Programs			0.00
Unrestricted Investment Earnings	241.84	7.82	249.66
Debt Issued	0.00	377,497.00	377,497.00
Miscellaneous Revenue	61,064.80	2,551.06	63,615.86
Sale of Municipal Property	0.00		0.00

Extraordinary Items

Transfers

Total General Revenues, Special Items, Extraordinary Items and Transfers	237,672.68	436,874.44	674,547.12
Change in Net Position	56,371.65	2,008.54	58,380.19
Net Position-Beginning	117,517.61	23,279.54	140,797.15
Adjustments:			0.00
Adjusted Net Position-Beginning	117,517.61	23,279.54	140,797.15
NET POSITION -ENDING	173,889.26	25,288.08	199,177.34

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

** This amount excludes the capital purchases that are included in the direct expenses of the various functions.

**TOWN OF WOLSEY
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2010**

	General Fund	Total Governmental Funds
	<hr/>	<hr/>
ASSETS:		
Cash and Cash Equivalents	136,059.11	136,059.11
106 Cash with Fiscal Agent	<hr/>	<hr/> 0.00
151 Investments	37,830.15	37,830.15
107.1 Restricted Cash and Cash Equivalents	<hr/>	<hr/> 0.00
107.2 Restricted Investments	<hr/>	<hr/> 0.00
 TOTAL ASSETS	 <hr/> <hr/> 173,889.26	 <hr/> <hr/> 173,889.26
 FUND BALANCES:		
263 Nonspendable	<hr/>	<hr/> 0.00
264 Restricted	<hr/>	<hr/> 0.00
265 Committed	<hr/>	<hr/> 0.00
266 Assigned	<hr/>	<hr/> 0.00
267 Unassigned	173,889.26	173,889.26
 TOTAL FUND BALANCES	 <hr/> <hr/> 173,889.26	 <hr/> <hr/> 173,889.26

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

TOWN OF WOLSEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
- MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	General Fund	Total Governmental Funds
Revenues:		
310 Taxes:		
311 General Property Taxes	58,688.13	58,688.13
312 Airflight Property Tax		0.00
313 General Sales and Use Taxes	164,987.68	164,987.68
314 Gross Receipts Business Taxes		0.00
315 Amusement Taxes		0.00
316 911 Telephone Surcharge		0.00
317 Excise Tax		0.00
318 Tax Deed Revenue		0.00
319 Penalties and Interest on Delinquent Taxes	211.39	211.39
		0.00
Total Taxes	223,887.20	223,887.20
320 Licenses and Permits	2,900.00	2,900.00
330 Intergovernmental Revenue:		
331 Federal Grants	66,437.11	66,437.11
332 Federal Shared Revenue		0.00
333 Federal Payments in Lieu of Taxes		0.00
334 State Grants	0.00	0.00
335 State Shared Revenue:		
335.01 Bank Franchise Tax	660.50	660.50
335.02 Motor Vehicle Commercial Prorate	5,199.47	5,199.47
335.03 Liquor Tax Reversion	2,543.78	2,543.78
335.04 Motor Vehicle Licenses (5%)	893.65	893.65
335.06 Fire Insurance Premiums Reversion		0.00
335.07 Liquor License Reversion		0.00
335.08 Local Government Highway and Bridge Fund	22,407.51	22,407.51
335.09 911 Remittances		0.00
335.20 Other		0.00
336 State Payments in Lieu of Taxes		0.00
338 County Shared Revenue:		
338.01 County Road Tax (25%)	531.67	531.67
338.02 County Highway and Bridge Reserve Tax (25%)		0.00
338.03 County Wheel Tax	0.00	0.00
338.99 Other		0.00
339 Other Intergovernmental Revenues		0.00
Total Intergovernmental Revenue	98,673.69	98,673.69

TOWN OF WOLSEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
- MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2010

	<u>General Fund</u>	<u>Total Governmental Funds</u>
340 Charges for Goods and Services:		
341 General Government		0.00
342 Public Safety	2,251.72	2,251.72
343 Highways and Streets		0.00
344 Sanitation	35,111.22	35,111.22
345 Health		0.00
346 Culture and Recreation	23,071.96	23,071.96
347 Ambulance		0.00
348 Cemetery		0.00
349 Other	2,026.25	2,026.25
Total Charges for Goods and Services	62,461.15	62,461.15
350 Fines and Forfeits:		
351 Court Fines and Costs		0.00
352 Animal Control Fines		0.00
353 Parking Meter Fines		0.00
354 Library		0.00
359 Other		0.00
Total Fines and Forfeits	0.00	0.00
360 Miscellaneous Revenue:		
361 Investment Earnings	241.84	241.84
362 Rentals	600.00	600.00
363 Special Assessments		0.00
364 Maintenance Assessments		0.00
367 Contributions and Donations from Private Sources		0.00
368 Liquor Operating Agreement Income		0.00
369 Other	61,064.80	61,064.80
Total Miscellaneous Revenue	61,906.64	61,906.64
Total Revenue	449,828.68	449,828.68
Expenditures:		
410 General Government:		
411 Legislative	861.39	861.39
412 Executive		0.00
413 Elections		0.00
414 Financial Administration	11,805.13	11,805.13
419 Other	100,284.78	100,284.78
Total General Government	112,951.30	112,951.30

TOWN OF WOLSEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
- MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	General Fund	Total Governmental Funds
420 Public Safety:		
421 Police	10,157.22	10,157.22
422 Fire	16,838.52	16,838.52
423 Protective Inspection		0.00
429 Other Protection		0.00
Total Public Safety	26,995.74	26,995.74
430 Public Works:		
431 Highways and Streets	58,181.61	58,181.61
432 Sanitation	30,451.57	30,451.57
433 Water		0.00
434 Electricity		0.00
435 Airport		0.00
436 Parking Facilities		0.00
437 Cemeteries		0.00
438 Natural Gas		0.00
439 Transit		0.00
Total Public Works	88,633.18	88,633.18
440 Health and Welfare:		
441 Health		0.00
442 Home Health		0.00
443 West Nile		0.00
444 Humane Society		0.00
445 Drug Education		0.00
446 Ambulance		0.00
447 Hospitals, Nursing Homes and Rest Homes		0.00
449 Other		0.00
Total Health and Welfare	0.00	0.00
450 Culture and Recreation:		
451 Recreation	31,369.19	31,369.19
452 Parks	256.41	256.41
455 Libraries		0.00
456 Auditorium		0.00
457 Historical Preservation		0.00
458 Museums		0.00
Total Culture and Recreation	31,625.60	31,625.60
460 Conservation and Development:		
463 Urban Redevelopment and Housing		0.00
465 Economic Development and Assistance (Industrial Development)		0.00
466 Economic Opportunity		0.00
Total Conservation and Development	0.00	0.00

TOWN OF WOLSEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
- MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	<u>General Fund</u>	<u>Total Governmental Funds</u>
470 Debt Service	0.00	0.00
480 Intergovernmental Expenditures		0.00
485 Capital Outlay	76,432.65	76,432.65
490 Miscellaneous:		
491 Judgments and Losses		0.00
492 Other Expenditures		0.00
499 Liquor Operating Agreements	0.00	0.00
Total Miscellaneous	0.00	0.00
Total Expenditures	336,638.47	336,638.47
Excess of Revenues Over (Under) Expenditures	113,190.21	113,190.21
Other Financing Sources (Uses):		
391.01 Transfers In		0.00
511 Transfers Out	(56,818.56)	(56,818.56)
513 Payments to Refunded Debt Escrow Agent		0.00
391.03 Sale of Municipal Property		0.00
391.04 Compensation for Loss or Damage to Capital Assets		0.00
391.20 Long-Term Debt Issued	0.00	0.00
Total Other Financing Sources (Uses)	(56,818.56)	(56,818.56)
391.06 (514) Special Items		0.00
391.05 (515) Extraordinary Items		0.00
Net Change in Fund Balance	56,371.65	56,371.65
Fund Balance - Beginning	117,517.61	117,517.61
Adjustments:		
_____		0.00
_____		0.00
Adjusted Fund Balance - Beginning	117,517.61	117,517.61
FUND BALANCE- ENDING	<u>173,889.26</u>	<u>173,889.26</u>

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

TOWN OF WOLSEY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2010

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents			0.00
151 Investments			0.00
Total Current Assets	0.00	0.00	0.00
Noncurrent Assets:			
107.1 Restricted Cash and Cash Equivalents			0.00
107.2 Restricted Investments	12,644.04	12,644.04	25,288.08
Total Noncurrent Assets	12,644.04	12,644.04	25,288.08
TOTAL ASSETS	12,644.04	12,644.04	25,288.08
NET POSITION:			
253.20 Restricted for:			
253.21 Revenue Bond Debt Service	12,644.04	12,644.04	25,288.08
253.22 Revenue Bond Retirement			0.00
253.23 Revenue Bond Contingency			0.00
253.24 Special Assessment Bond Guarantee			0.00
253.25 Special Assessment Bond Sinking			0.00
253.26 Equipment Repair and/or Replacement			0.00
253.27 Landfill Closure and Post Closure Costs			0.00
253.28 Permanently Restricted Purposes			0.00
253.29 Other purposes			0.00
253.90 Unrestricted	0.00	0.00	0.00
TOTAL NET POSITION	12,644.04	12,644.04	25,288.08

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

TOWN OF WOLSEY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2010

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
Operating Revenue:			
370/380 Charges for Goods and Services	55,992.84	41,310.14	97,302.98
Revenue Dedicated to Servicing Debt			0.00
380.05 Lottery Sales			0.00
369 Miscellaneous	2,551.06	0.00	2,551.06
Total Operating Revenue	58,543.90	41,310.14	99,854.04
Operating Expenses:			
410 Personal Services	8,446.30	6,100.50	14,546.80
420 Other Current Expense	50,545.53	0.00	50,545.53
426.2 Materials		3,260.68	3,260.68
430 Capital Assets	0.00	474,491.23	474,491.23
Total Operating Expenses	58,991.83	483,852.41	542,844.24
Operating Income (Loss)	(447.93)	(442,542.27)	(442,990.20)
Nonoperating Revenue (Expense):			
330 Operating Grants	0.00	0.00	0.00
361 Investment Earnings	3.91	3.91	7.82
362 Rental Revenue			0.00
441 Debt Service (Principal)	(5,018.78)	(32,534.24)	(37,553.02)
442 Interest Expense (Enter as Negative)	(11,752.99)	(23,100.82)	(34,853.81)
391.03 Sale of Municipal Property			0.00
391.20 Long-Term Debt Issued	4,067.00	373,430.00	377,497.00
(429)369.01 Other			0.00
Total Nonoperating Revenue (Expense)	(12,700.86)	317,798.85	305,097.99
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	(13,148.79)	(124,743.42)	(137,892.21)
391.07 Capital Contributions	0.00	83,082.19	83,082.19
391.1 Transfers In	14,153.06	42,665.50	56,818.56
511 Transfers Out (Enter as Negative)			0.00
391.06 (514) Special Items			0.00
391.05 (515) Extraordinary Items			0.00

TOWN OF WOLSEY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2010

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Change in Net Position	1,004.27	1,004.27	2,008.54
Net Position - Beginning	11,639.77	11,639.77	23,279.54
Adjustments:			0.00
			0.00
Adjusted Net Position - Beginning	11,639.77	11,639.77	23,279.54
NET POSITION - ENDING	12,644.04	12,644.04	25,288.08

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

TOWN OF WOLSEY
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 Town of Wolsey, (Town) 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 Town 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 Town (primary government). The Town may also be financially accountable for another organization if that organization is fiscally dependent on the Town.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. 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.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Town and for each function of the Town'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 Town or it meets the following criteria:

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

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

Governmental Funds:

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

Proprietary Funds:

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

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

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

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

Fiduciary Funds:

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

Pension (and Other Employee Benefit Trust Funds) – Pension and other employee benefit trust funds are used to account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution pension plans, other post-employment benefit plans, or other employee benefit plans.

Private-Purpose Trust Funds – Private-purpose trust funds are used for trust arrangements under which the principal and income benefit individuals, private organizations, or other governments.

Agency Funds – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Town does not have any fiduciary funds.

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 Town's basis of accounting is the modified cash basis, 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:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

In the government-wide Statement of 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 modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). 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 Town 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.

If the Town 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 and fiduciary 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 entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

e. Capital Assets:

Under the modified cash basis of accounting, capital assets are recorded as expenses when they result from cash transactions. The accounting treatment for property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary funds and whether they are reported in the government-wide or funds financial statements.

Government-wide Financial Statements:

Under the modified cash basis of accounting, capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash. In the Statement of Activities, cash payments for capital assets are recorded in the program category for which they were acquired. Allocations between programs are made, where necessary to match the cost with the program that benefits from the use of the capital assets.

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as expenditures of the governmental fund when paid for in cash. Capital assets acquired for use in proprietary fund operations are accounted for in the same manner as in the government-wide financial statements.

f. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, General Obligation Bonds, Revenue Bonds, Certificates of Participation, Financing (Capital Acquisition) Leases and Compensated Absences.

As discussed in Note 1.c. above the government-wide Statement of 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 Town has not elected to modify their cash basis presentation by recording long-term debt arising from cash

transactions so any outstanding indebtedness is not reported on the financial statements of the Town. The Town does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the Statement of Activities the principal portion of these Debt Service payments are reported within the appropriate expense function while the interest portion as reported is interest on Long-Term Debt for governmental funds. Debt service payments and interest payments are included in total expenses on the Statement of Activities for proprietary funds.

The Town has presented as Supplementary Information a Schedule of Changes in Long-Term Debt along with related notes that include details of any outstanding Long-Term Debt.

g. Program Revenues:

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

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

h. Proprietary Funds Revenue and Expense Classifications:

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

i. Cash and Cash Equivalents:

The Town considers all highly liquid investments as deposits (including restricted assets) with a term to maturity of three months or less, at date of acquisition, to be cash equivalents.

j. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in two components:

1. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position – All other net position that do not meet the definition of Restricted Net Position.

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. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as Net Position - Restricted.

k. Application of Net Position:

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

l. 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 Town 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 Governing Board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town 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.

m. Excess of Expenditures over Appropriations:

For the year ended December 31, 2010, expenditures in the general fund exceeded appropriations. These over expenditures were funded by greater than anticipated revenues and reduced spending in other expenditures.

2. Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk:

The Town 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 Town’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

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.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

Investments – In general, SDCL 4-5-6 permits Town 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 Town, as discussed above. The Town has no investment policy that would further limit its investment choices.

As of December 31, 2010, the Town had all its investments in the South Dakota Public Fund Investment Trust and in certificates of deposits. The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

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 Town's policy is to credit all income from deposits and investments to the General Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income except where legal or contractual requirements require investment income to be credited to a fund other than the one associated with the assets. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities.

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

Concentration of credit risk – The Town places no limit on the amount that may be invested in any issuer. The Town's investments consist of investment into the SDFIT account and in certificates of deposit.

3. Restricted Cash and Investments:

Investments of \$12,644.04 in the water fund and \$12,644.04 in the sewer fund are restricted by bond debt service requirements.

4. 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.

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

5. Long Term Debt:

A summary of changes in long term debt is as follows:

	Beginning Balance 1/1/2010	Additions	Deletions	Ending Balance 12/31/2010	Due Within One Year
Primary Government:					
Governmental Activities:					
Notes Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total Governmental Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-Type Activities:					
Bonds Payable:					
Revenue	\$ 668,259.33	\$ 377,497.00	\$ (19,227.12)	\$ 1,026,529.21	\$ 27,219.94
Notes Payable	<u>22,802.34</u>	<u>-</u>	<u>(18,325.90)</u>	<u>4,476.44</u>	<u>4,476.44</u>
Total Business-Type Activities	<u>\$ 691,061.67</u>	<u>\$ 377,497.00</u>	<u>\$ (37,553.02)</u>	<u>\$ 1,031,005.65</u>	<u>\$ 31,696.38</u>
Total Primary Government	<u>\$ 691,061.67</u>	<u>\$ 377,497.00</u>	<u>\$ (37,553.02)</u>	<u>\$ 1,031,005.65</u>	<u>\$ 31,696.38</u>

Debt payable as of December 31, 2010 is comprised of the following:

Revenue Bonds:

Water Treatment System Revenue Bond \$110,000.00, Series 1981 Final Maturity 8/27/2021, Interest Rate 5.0% Retired by Water Fund	\$ 52,452.23
Wastewater Treatment System Revenue Bond, \$111,000.00, Series 1988 Final Maturity 1/13/2028, Interest Rate 7.75% Retired by Sewer Fund	\$ 84,789.79
Clean Water SRF Loan, \$263,000.00, Series 2005 Final Maturity 07/15/2027, Interest Rate 3.25% Retired by Sewer Fund	\$ 200,581.30
Clean Water SRF Loan, \$162,300.00 Series 2008 Final Maturity 4/15/2030, Interest Rate 3.25% Retired by Sewer Fund	\$ 159,391.66
Drinking Water SRF Loan, \$162,300.00, Series 2008 Final Maturity 7/15/2030, Interest Rate 3.25% Retired by Water Fund	\$ 156,687.23

Clean Water SRF Loan, \$556,790.00, Series 2010
 Final Maturity 1/15/2033, Interest Rate 3.0%
 Retired by Sewer Fund

\$ 372,627.00

Other Long-Term Liabilities:

Notes Payable - Lagoon
 Final Maturity 10/31/2013, Interest Rate 3.0%
 Retired by Sewer Fund

\$ 4,476.44

The 2010 Clean Water SRF Loan total issuance was for \$556,790 however only \$372,627 had been drawn of the available funds as of December 31, 2010. The annual requirements to amortize all debt outstanding as of December 31, 2010, and the remaining available funds of the 2010 Clean Water SRF Loan, including interest payments of \$502,852.42 are as follows:

Year Ending December 31,	Water Treatment Revenue Bond Series 1981		Wastewater Treatment Revenue Bond Series 1988		Clean Water SRF Loan Series 2005	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	3,751.64	2,659.36	2,581.59	6,515.97	9,168.21	6,407.91
2012	3,939.22	2,471.78	2,788.93	6,308.63	9,469.83	6,106.29
2013	4,136.18	2,274.82	3,012.92	6,084.64	9,781.37	5,794.75
2014	4,342.99	2,068.01	3,254.89	5,842.67	10,103.16	5,472.96
2015	4,560.14	1,850.86	3,516.30	5,581.26	10,435.54	5,140.58
2016-2020	26,457.53	5,597.47	22,299.43	23,188.37	57,558.88	20,321.72
2021-2025	5,264.53	299.98	32,812.68	12,675.12	67,670.60	10,210.00
2026-2030	-	-	14,523.05	1,097.42	26,393.71	864.74
2031-2035	-	-	-	-	-	-
Total	52,452.23	17,222.28	84,789.79	67,294.08	200,581.30	60,318.95

Year Ending December 31,	Clean Water SRF Loan Series 2008		Drinking Water SRF Loan Series 2008		Clean Water SRF Loan Series 2010	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	5,959.80	5,108.08	5,758.70	5,022.62	-	-
2012	6,155.86	4,912.02	5,948.15	4,833.17	-	-
2013	6,358.38	4,709.50	6,143.83	4,637.49	15,429.43	72,065.86
2014	6,567.56	4,500.32	6,345.95	4,435.37	21,118.04	16,004.72
2015	6,783.62	4,284.26	6,554.72	4,226.60	21,758.74	15,364.02
2016-2020	37,416.15	17,923.25	36,153.63	17,752.97	119,105.62	66,508.18
2021-2025	43,989.27	11,350.13	42,504.96	11,401.64	138,303.65	47,310.15
2026-2030	46,161.02	3,644.44	47,277.29	3,934.53	160,595.93	25,017.87
2031-2035	-	-	-	-	80,478.59	3,048.00
Total	159,391.66	56,432.00	156,687.23	56,244.39	556,790.00	245,318.80

Year Ending December 31,	Note Payable - Lagoon	
	Principal	Interest
2011	4,476.44	21.92
2012	-	-
2013	-	-
2014	-	-
2015	-	-
2016-2020	-	-
2021-2025	-	-
2026-2030	-	-
2031-2035	-	-
Total	4,476.44	21.92

Year Ending December 31,	Total	
	Principal	Interest
2011	31,696.38	25,735.86
2012	28,301.99	24,631.89
2013	44,862.11	95,567.06
2014	51,732.59	38,324.05
2015	53,609.06	36,447.58
2016-2020	298,991.24	151,291.96
2021-2025	330,545.69	93,247.02
2026-2030	294,951.00	34,559.00
2031-2035	80,478.59	3,048.00
Total	1,215,168.65	502,852.42

6. Restricted Net Position:

Restricted net position for the year ended December 31, 2010 was as follows:

	Governmental Activities	Business-Type Activities
Water Fund - Bond Debt Service Requirements	\$ -	\$ 12,644.04
Sewer Fund - Bond Debt Service Requirements	-	12,644.04
Total Restricted Net Position	\$ -	\$ 25,288.08

These balances are restricted for debt service requirements.

7. Interfund Transfers:

Interfund transfers for the year ended December 31, 2010 were as follows:

	General Fund	Water Fund	Sewer Fund	Total
Transfer From:				
Major Funds:				
General Fund	\$ -	\$ 14,153.06	\$ 42,665.50	\$ 56,818.56

8. Related Party Transactions:

In 2010, the Town purchased \$6,435.93 of materials from the 281 Travel Center which is owned by Town Trustee Robert McGillvrey.

9. Subsequent Events:

The Town has evaluated subsequent events through May 28, 2015, the date which the financial statements were available to be issued.

10. Risk Management:

The Town 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, 2010, the Town managed its risks as follows:

Liability Insurance:

The Town 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.

Worker's Compensation:

The Town purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The Town provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

TOWN OF WOLSEY

SUPPLEMENTARY INFORMATION
TOWN OF WOLSEY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u> <u>Positive (Negative)</u>
Revenues:				
310 Taxes:				
311 General Property Taxes	65,500.00	65,500.00	58,688.13	(6,811.87)
312 Airlight Property Tax				0.00
313 General Sales and Use Taxes	104,600.00	104,600.00	164,987.68	60,387.68
314 Gross Receipts Business Taxes				0.00
315 Amusement Taxes				0.00
316 911 Telephone Surcharge				0.00
317 Excise Tax				0.00
318 Tax Deed Revenue				0.00
319 Penalties and Interest on Delinquent Taxes	250.00	250.00	211.39	(38.61)
Total Taxes	170,350.00	170,350.00	223,887.20	53,537.20
320 Licenses and Permits	1,350.00	1,350.00	2,900.00	1,550.00
330 Intergovernmental Revenue:				
331 Federal Grants			66,437.11	66,437.11
332 Federal Shared Revenue				0.00
333 Federal Payments in Lieu of Taxes				0.00
334 State Grants			0.00	0.00
335 State Shared Revenue:				
335.01 Bank Franchise Tax	1,600.00	1,600.00	660.50	(939.50)
335.02 Motor Vehicle Commercial Prorate	1,000.00	1,000.00	5,199.47	4,199.47
335.03 Liquor Tax Reversion	3,200.00	3,200.00	2,543.78	(656.22)
335.04 Motor Vehicle Licenses (5%)	5,100.00	5,100.00	893.65	(4,206.35)
335.06 Fire Insurance Premiums Reversion				0.00
335.07 Liquor License Reversion				0.00
335.08 Local Government Highway and Bridge Fund	24,400.00	24,400.00	22,407.51	(1,992.49)
335.09 911 Remittances				0.00
335.20 Other				0.00
336 State Payments in Lieu of Taxes				0.00
338 County Shared Revenue:				
338.01 County Road Tax (25%)	300.00	300.00	531.67	231.67
338.02 County Highway and Bridge Reserve Tax (25%)				0.00
338.03 County Wheel Tax			0.00	0.00
338.99 Other				0.00
339 Other Intergovernmental Revenues				0.00
Total Intergovernmental Revenue	35,600.00	35,600.00	98,673.69	63,073.69

SUPPLEMENTARY INFORMATION
TOWN OF WOLSEY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
340 Charges for Goods and Services:				
341 General Government				0.00
342 Public Safety			2,251.72	2,251.72
343 Highways and Streets				0.00
344 Sanitation	35,900.00	35,900.00	35,111.22	(788.78)
345 Health				0.00
346 Culture and Recreation	3,700.00	3,700.00	23,071.96	19,371.96
347 Ambulance				0.00
348 Cemetery				0.00
349 Other			2,026.25	2,026.25
Total Charges for Goods and Services	39,600.00	39,600.00	62,461.15	22,861.15
350 Fines and Forfeits:				
351 Court Fines and Costs				0.00
352 Animal Control Fines				0.00
353 Parking Meter Fines				0.00
354 Library				0.00
359 Other				0.00
Total Fines and Forfeits	0.00	0.00	0.00	0.00
360 Miscellaneous Revenue:				
361 Investment Earnings	300.00	300.00	241.84	(58.16)
362 Rentals	1,300.00	1,300.00	600.00	(700.00)
363 Special Assessments				0.00
364 Maintenance Assessments				0.00
367 Contributions and Donations from Private Sources				0.00
368 Liquor Operating Agreement Income				0.00
369 Other	13,000.00	13,000.00	61,064.80	48,064.80
Total Miscellaneous Revenue	14,600.00	14,600.00	61,906.64	47,306.64
Total Revenue	261,500.00	261,500.00	449,828.68	188,328.68
Expenditures:				
410 General Government:				
411 Legislative	6,100.00	6,100.00	861.39	5,238.61
411.5 Contingency	0.00	0.00		
Amount Transferred (Enter as Negative)				0.00
412 Executive	0.00	0.00	0.00	0.00
413 Elections	200.00	200.00	0.00	200.00
414 Financial Administration	34,100.00	34,100.00	11,805.13	22,294.87
419 Other	20,000.00	20,000.00	134,741.00	(114,741.00)
Total General Government	60,400.00	60,400.00	147,407.52	(87,007.52)

SUPPLEMENTARY INFORMATION
TOWN OF WOLSEY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
420 Public Safety:				0.00
421 Police	35,600.00	35,600.00	10,157.22	25,442.78
422 Fire	2,200.00	2,200.00	58,814.95	(56,614.95)
423 Protective Inspection				0.00
429 Other Protection				0.00
Total Public Safety	37,800.00	37,800.00	68,972.17	(31,172.17)
430 Public Works:				
431 Highways and Streets	47,000.00	47,000.00	58,181.61	(11,181.61)
432 Sanitation	32,800.00	32,800.00	30,451.57	2,348.43
433 Water				0.00
434 Electricity				0.00
435 Airport				0.00
436 Parking Facilities				0.00
437 Cemeteries				0.00
438 Natural Gas				0.00
439 Transit				0.00
Total Public Works	79,800.00	79,800.00	88,633.18	(8,833.18)
440 Health and Welfare:				
441 Health				0.00
442 Home Health				0.00
443 West Nile				0.00
444 Humane Society				0.00
445 Drug Education				0.00
446 Ambulance				0.00
447 Hospitals, Nursing Homes and Rest Homes				0.00
449 Other				0.00
Total Health and Welfare	0.00	0.00	0.00	0.00
450 Culture and Recreation:				
451 Recreation	18,200.00	18,200.00	31,369.19	(13,169.19)
452 Parks	0.00	0.00	256.41	(256.41)
455 Libraries				0.00
456 Auditorium				0.00
457 Historical Preservation				0.00
458 Museums				0.00
Total Culture and Recreation	18,200.00	18,200.00	31,625.60	(13,425.60)
460 Conservation and Development:				
463 Urban Redevelopment and Housing				0.00
465 Economic Development and Assistance (Industrial Development)				0.00
466 Economic Opportunity				0.00
Total Conservation and Development	0.00	0.00	0.00	0.00

SUPPLEMENTARY INFORMATION
TOWN OF WOLSEY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
470 Debt Service	47,400.00	47,400.00	0.00	47,400.00
480 Intergovernmental Expenditures				0.00
485 Capital Outlay			0.00	0.00
490 Miscellaneous:				
491 Judgments and Losses				0.00
492 Other Expenditures	30,000.00	30,000.00		30,000.00
499 Liquor Operating Agreements			0.00	0.00
Total Miscellaneous	30,000.00	30,000.00	0.00	30,000.00
Total Expenditures	273,600.00	273,600.00	336,638.47	(63,038.47)
Excess of Revenues Over (Under) Expenditures	(12,100.00)	(12,100.00)	113,190.21	125,290.21
Other Financing Sources (Uses):				
391.01 Transfers In			0.00	0.00
511 Transfers Out (Enter as Negative)			(56,818.56)	(56,818.56)
513 Payments to Refunded Debt Escrow Agent (Enter as Negative)				0.00
391.03 Sale of Municipal Property			0.00	0.00
391.04 Compensation for Loss or Damage to Capital Assets				0.00
391.20 General Long-Term Debt Issued			0.00	0.00
Total Other Financing Sources (Uses)	0.00	0.00	(56,818.56)	(56,818.56)
391.06 (514) Special Items				0.00
391.05 (515) Extraordinary Items				0.00
Net Change in Fund Balances	(12,100.00)	(12,100.00)	56,371.65	68,471.65
Fund Balance - Beginning	117,517.61	117,517.61	117,517.61	0.00
Adjustments:				

Adjusted Fund Balance - Beginning	117,517.61	117,517.61	117,517.61	0.00
FUND BALANCE - ENDING	105,417.61	105,417.61	173,889.26	68,471.65

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 Town follows these procedures in establishing the budgetary data reflected in the schedules:

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. Unexpended 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 Town did not encumber any amounts at either December 31, 2010.

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

Note 2. Other Comprehensive Basis of Accounting Modified Cash Basis/Budgetary Accounting Basis Differences

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

TOWN OF WOLSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Expenditures
US Department of Housing and Urban Development Indirect Federal Funding: Passed Through the Governor's Office of Economic Development: Community Development Block Grant	14.228	-	\$ 53,982 \$ 53,982
US Environmental Protection Agency Indirect Federal Funding: Passed Through the SD Department of Environment and Natural Resources: Capitalization Grant for Clean Water State Revolving Funds (Note 2) Capitalization Grant for Drinking Water State Revolving Funds (Note 2)	66.458 66.468	- -	532,019 156,687 \$ 688,706
US Department of Homeland Security Direct Federal Funding: Assistance to Firefighters Disaster Grants - Public Assistance	97.044 97.036	EMW-2008- FV-01842 DSR1915	46,075 12,623 \$ 58,698
US Department of Energy Indirect Federal Funding: Passed Through the South Dakota Energy Management Office Energy Efficiency and Conservation Block Grant	81.128	EECBG LG 103	7,739 \$ 7,739
GRAND TOTAL			\$ 809,125

Note 1: The Schedule of Expenditures of Federal Awards is a summary of the activity of Town of Wolsey's federal award programs presented on the modified cash basis of accounting. 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.

Note 2: This represents the Major Federal Financial Assistance Programs.

TOWN OF WOLSEY
SCHEDULE OF CHANGES IN LONG-TERM DEBT
For the Year Ended December 31, 2010

<u>Indebtedness</u>	<u>Long-Term Debt 1-Jan-10</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt 31-Dec-10</u>
Governmental Long-Term Debt:				
231.01 General Obligation Bonds				
231.02 Revenue Bonds				
231.03 Special Assessment Bonds				
236 Advance from Other Funds				
237 Other Long-Term Liabilities				
Enterprise Long-Term Debt: (only cash basis entities need to complete the enterprise section)				
231.01 General Obligation Bonds				
231.02 Revenue Bonds	668,259.33	377,497.00	(19,227.12)	1,026,529.21
231.03 Special Assessment Bonds				
235 Accrued Landfill Closure and Postclosure Care Costs				
236 Advance from Other Funds				
237 Other Long-Term Liabilities	22,802.34	0.00	(18,325.90)	4,476.44
Total	<u>691,061.67</u>	<u>377,497.00</u>	<u>(37,553.02)</u>	<u>1,031,005.65</u>