

**MUNICIPALITY OF WAGNER
WAGNER, SOUTH DAKOTA**

AUDIT REPORT

**FOR THE YEAR JANUARY 1, 2019 TO DECEMBER 31, 2019
AND
FOR THE YEAR JANUARY 1, 2020 TO DECEMBER 31, 2020**

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF WAGNER

MUNICIPAL OFFICIALS
DECEMBER 31, 2020

MAYOR:

Don Hosek

GOVERNING BOARD:

Roger Schroeder, President
Tom F. Beeson, Vice-President
Ron Cuka
Rich Dufur
Colby Kirwan
Taylor Mohr

FINANCE OFFICER:

Rebecca Brunsing

ATTORNEY:

Ken Cotton

Schoenfish & Co., Inc.

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

Governing Board
Municipality of Wagner
Wagner, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Wagner, South Dakota (Municipality), as of December 31, 2020 and December 31, 2019, and for each of the two years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated August 9, 2021, which was adverse for the aggregate discretely presented component unit because it was not presented.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2020-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2020-002.

Municipality's Response to Findings

The Municipality's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Municipality'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 Municipality's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.
Certified Public Accountants
August 9, 2021

Schoenfish & Co., Inc.

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

Governing Board
Municipality of Wagner
Wagner, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Municipality of Wagner, South Dakota (Municipality) compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Municipality's major federal programs for the years ended December 31, 2020 and December 31, 2019. The Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the Municipality of Wagner complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2020 and December 31, 2019.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2020-001 to be a material weakness.

The Municipality's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Municipality's response was not subjected to the auditing procedures applied in the audit of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.



Schoenfish & Co., Inc.
 Certified Public Accountants
 August 9, 2021

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Finding Number 2018-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2020-001.

Finding Number 2018-002:

The Municipality raised the water rates to be effective for 2017 and 2018. Due to an oversight the rates were not changed until 2019 resulting in a material loss of revenue in the Water Fund. This comment has been corrected.

Compliance – Related Finding – Material Weakness:

Finding Number 2018-003:

The amount of purchases from a business owned by a member of the governing board were in excess of the amounts authorized by South Dakota Codified Laws SDCL 6-1-1 and 6-1-2, resulting in a conflict of interest. This comment has not been corrected and is restated as audit finding number 2020-002.

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

- a. An unmodified opinion was issued on the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information opinion units. An adverse opinion was issued on the financial statements of the aggregate discretely presented component units because they are not presented.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in finding number 2020-001.
- c. Our audit did disclose noncompliance which was material to the financial statements as discussed in finding number 2020-002.

Federal Awards:

- d. A material weakness was disclosed for internal control over major federal programs for a lack of segregation of duties affecting the reporting compliance requirement category as discussed in finding number 2020-001.
- e. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit did not disclose any audit findings that need to be disclosed in accordance with 2 CFR 200.516(a) except for a material weakness resulting in a lack of segregation of duties for revenues as discussed in finding 2020-001.
- g. The federal awards tested as major programs were:
 1. Community Facilities Loans and Grants CFDA No. 10.766
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. The Municipality of Wagner did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2020-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

Major Federal Program:

The major federal program affected is the Community Facilities Loans and Grants, CFDA No. 10.766.

Criteria:

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

Condition:

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

Effect:

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

Identification as a Repeat Finding:

This is a continuing audit finding since 1998.

Recommendation:

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

CURRENT OTHER AUDIT FINDINGS:

Compliance – Related Finding – Material Weakness:

Finding Number 2020-002:

The amount of purchases from a business owned by a member of the governing board were in excess of the amounts authorized by South Dakota Codified Laws SDCL 6-1-1 and 6-1-2, resulting in a conflict of interest.

Criteria:

SDCL 6-1-1 states in part, "It shall be unlawful for any officer of a county, municipality...who has been elected or appointed, to be interested, either by himself or agent, in any contract entered into by said county, municipality...either for labor or services to be rendered, or for the purchase of commodities, materials, supplies, or equipment of any kind, the expense, price or consideration of which is paid from public funds..."

SDCL 6-1-2 outlines seven exceptions to SDCL 6-1-1.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

Condition:

Midtowne Oil & Wash, LLC is owned by councilperson Brenda Jatón. In 2019, while Brenda Jatón was a councilperson, the Municipality had expenditures in excess of that allowed by SDCL 6-1-1. An analysis of these purchases revealed that they did not qualify under SDCL 6-1-2 as an exception to the provisions of SDCL 6-1-1.

Wagner Building & Supply is partly owned by councilperson Tom Beeson. In 2019 and 2020, while Tom Beeson was a councilperson, the Municipality had expenditures in excess of that allowed by SDCL 6-1-1. An analysis of these purchases revealed that they all did not qualify under SDCL 6-1-2 as an exception to the provisions of SDCL 6-1-1.

Effect:

When the Municipality makes purchases from a councilman there is no assurance that the councilman has not used his position to encourage the purchase from his business.

Identification as a Repeat Finding:

This is a continuing audit finding since 2018.

Recommendation:

2. We recommend purchases made from a business owned by a municipal official be limited to those authorized by SDCL 6-1-1 and 6-1-2.

CLOSING CONFERENCE

The audit was discussed with the Mayor and the Finance Officer on August 17, 2021.

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Corrective Action Plan

Finding Number 2020-01:

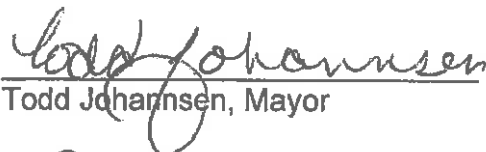
A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. The major programs affected are Community Facilities Loans and Grants, CFDA No. 10.766. This affects the reporting compliance requirement.

The City of Wagner Mayor, Todd Johannsen is the contact person for the corrective action plan for this finding. Because of the size of the City of Wagner, the City can't support hiring additional staff that would be sufficient to support the internal controls needed to properly segregate duties. The Mayor, City Council Members and Finance Office employees are aware of the problem. We will be working on some different policies and controls that will help minimize the future risk. This will be an ongoing process that will include input from the State Auditor's Office, talking to other municipalities and utilizing the Mayor and council in some of the financial controls.

Finding Number 2020-002:

The amount of purchases from a business owned by a member of the governing board were in excess of the amounts authorized by South Dakota Codified Laws SDCL 6-1-1 and 6-1-2, resulting in a conflict of interest.

The City of Wagner Mayor, Todd Johannsen is the contact person for the corrective action plan for this finding. The Municipality will continue to monitor all anticipated expenditures which may involve councilmen. The city council has adopted a conflict-of-interest policy, that is reviewed and signed by councilpersons annually. Potential conflicts of interest are disclosed at each meeting and councilmen do abstain from discussion and voting on motions involving conflicts of interest.


Todd Johannsen, Mayor

8-9-21
Date


Rebecca Brunsing, Finance Officer

8-9-2021
Date

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Wagner
Wagner, South Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Wagner, South Dakota, (Municipality) as of December 31, 2020 and December 31, 2019, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Municipality's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinions

The financial statements do not include financial data for the Wagner Housing and Redevelopment Commission of the Municipality of Wagner. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the Municipality's primary government unless the Municipality also issues financial statements for the financial reporting entity that include the financial data for its component units. The Municipality has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented components units would have been presented inclusive of the Wagner Housing and Redevelopment Commission of the Municipality of Wagner.

Adverse Opinion

In our opinion, because of the omission of financial data for the Wagner Housing and Redevelopment Commission, as discussed in the Basis for Adverse Opinions, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the Municipality of Wagner, South Dakota, as of December 31, 2020 and December 31, 2019, or the respective changes in financial position thereof for each of the years in the biennial period then ended.

Unmodified Opinions

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Wagner as of December 31, 2020 and December 31, 2019, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis of Accounting

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2020, the Municipality adopted Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Municipality's basic financial

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statements. The Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), the Schedule of the Municipality's Contributions, the Schedule of Expenditures of Federal awards, which as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Long-Term Liabilities schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2021 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
Certified Public Accountants
August 9, 2021

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MUNICIPALITY OF WAGNER
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2020

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	1,248,544.39	695,715.16	1,944,259.55
Investments	1,242,858.21	146,454.73	1,389,312.94
TOTAL ASSETS	2,491,402.60	842,169.89	3,333,572.49
NET POSITION:			
Restricted for:			
Road Maintenance Purposes	1,168,655.63		1,168,655.63
Library Fines	11,858.88		11,858.88
Equipment Repair & Replacement		111,534.30	111,534.30
Unrestricted	1,310,888.09	730,635.59	2,041,523.68
TOTAL NET POSITION	2,491,402.60	842,169.89	3,333,572.49

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

MUNICIPALITY OF WAGNER
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 For the Year Ended December 31, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	241,076.61	21,160.26	668,417.12		448,500.77		448,500.77
Public Safety	466,490.78	3,822.88			(462,667.90)		(462,667.90)
Public Works	1,219,973.61	16,981.32	57,556.53	24,196.66	(1,121,239.10)		(1,121,239.10)
Health and Welfare	6,114.99		4,000.00		(2,114.99)		(2,114.99)
Culture and Recreation	303,548.14	51,043.88			(252,504.26)		(252,504.26)
Conservation and Development	79,338.98				(79,338.98)		(79,338.98)
Miscellaneous		85,187.65			85,187.65		85,187.65
Payment on Long-Term Debt	34,556.56				(34,556.56)		(34,556.56)
Total Governmental Activities	2,351,099.67	178,195.99	729,973.65	24,196.66	(1,418,733.37)		(1,418,733.37)
Business-type Activities:							
Water	1,076,553.90	551,266.53				(525,287.37)	(525,287.37)
Sewer	1,378,498.89	339,583.28				(1,038,915.61)	(1,038,915.61)
Total Business-Type Activities	2,455,052.79	890,849.81	0.00	0.00	(1,564,202.98)		(1,564,202.98)
Total Primary Government	4,806,152.46	1,069,045.80	729,973.65	24,196.66	(1,418,733.37)	(1,564,202.98)	(2,982,936.35)
General Revenues:							
Taxes:							
Property Taxes					438,172.92		438,172.92
Sales Taxes					872,408.24		872,408.24
State Shared Revenues					16,733.10		16,733.10
Unrestricted Investment Earnings					35,788.04	7,725.23	43,513.27
Debt Issued						1,443,985.09	1,443,985.09
Miscellaneous Revenue					58,834.08		58,834.08
Total General Revenues					1,421,936.38	1,451,710.32	2,873,646.70
Change in Net Position					3,203.01	(112,492.66)	(109,289.65)
Net Position - Beginning					2,488,199.59	954,662.55	3,442,862.14
NET POSITION - ENDING					2,491,402.60	842,169.89	3,333,572.49

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

**MUNICIPALITY OF WAGNER
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2020**

	<u>General Fund</u>	<u>Restricted Road Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and Cash Equivalents	1,248,544.39		1,248,544.39
Investments	74,202.58	1,168,655.63	1,242,858.21
TOTAL ASSETS	<u>1,322,746.97</u>	<u>1,168,655.63</u>	<u>2,491,402.60</u>
FUND BALANCES:			
Restricted for Road Maintenance		1,168,655.63	1,168,655.63
Restricted for Library Fines	11,858.88		11,858.88
Committed for Pool Construction	600,000.00		600,000.00
Assigned for Armory	20,034.39		20,034.39
Assigned for Next Year's Budget	517,375.00		517,375.00
Unassigned	173,478.70		173,478.70
TOTAL FUND BALANCES	<u>1,322,746.97</u>	<u>1,168,655.63</u>	<u>2,491,402.60</u>

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

MUNICIPALITY OF WAGNER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General Fund	Restricted Road Fund	Total Governmental Funds
Revenues:			
Taxes:			
General Property Taxes	436,837.17		436,837.17
General Sales and Use Taxes	872,408.24		872,408.24
Amusement Taxes	168.00		168.00
Penalties & Interest on Delinquent Taxes	1,167.75		1,167.75
Total Taxes	1,310,581.16	0.00	1,310,581.16
Licenses and Permits	20,906.00	0.00	20,906.00
Intergovernmental Revenue:			
Federal Grants	667,021.09		667,021.09
State Grants	26,760.67		26,760.67
State Shared Revenue:			
Bank Franchise Tax	5,893.64		5,893.64
Prorate License Fees	4,195.21		4,195.21
Liquor Tax Reversion	10,839.46		10,839.46
Motor Vehicle Licenses	19,407.55		19,407.55
County Shared Revenue:			
County Road Tax	3,265.11		3,265.11
County Road and Bridge Tax	23,383.17		23,383.17
County Wheel Tax	7,305.49		7,305.49
Total Intergovernmental Revenue	768,071.39	0.00	768,071.39
Charges for Goods and Services:			
Public Safety	3,226.11		3,226.11
Highways and Streets	4,360.00		4,360.00
Sanitation	585.00		585.00
Culture and Recreation	51,043.88		51,043.88
Other	12,036.32		12,036.32
Total Charges for Goods and Services	71,251.31	0.00	71,251.31
Fines and Forfeits:			
Court Fines and Costs	596.77		596.77
Total Fines and Forfeits	596.77	0.00	596.77
Miscellaneous Revenue:			
Investment Earnings	13,882.61	21,905.43	35,788.04
Rentals	19,029.26		19,029.26
Special Assessments	2,832.02		2,832.02
Contributions and Donations from Private Sources	52,952.89		52,952.89
Liquor Operating Agreement Income	66,412.65		66,412.65
Other	4,852.19		4,852.19
Total Miscellaneous Revenue	159,961.62	21,905.43	181,867.05
Total Revenue	2,331,368.25	21,905.43	2,353,273.68

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

MUNICIPALITY OF WAGNER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General Fund	Restricted Road Fund	Total Governmental Funds
Expenditures:			
General Government:			
Executive	41,110.95		41,110.95
Elections	1,425.14		1,425.14
Financial Administration	99,087.34		99,087.34
Other	99,453.18		99,453.18
Total General Government	241,076.61	0.00	241,076.61
Public Safety:			
Police	466,490.78		466,490.78
Total Public Safety	466,490.78	0.00	466,490.78
Public Works:			
Highways and Streets	687,917.60		687,917.60
Sanitation	16,181.76		16,181.76
Airport	515,874.25		515,874.25
Total Public Works	1,219,973.61	0.00	1,219,973.61
Health and Welfare:			
Health	6,114.99		6,114.99
Total Health and Welfare	6,114.99	0.00	6,114.99
Culture and Recreation:			
Recreation	114,494.53		114,494.53
Parks	51,234.59		51,234.59
Libraries	74,160.69		74,160.69
Auditorium	63,158.33		63,158.33
Museums	500.00		500.00
Total Culture and Recreation	303,548.14	0.00	303,548.14
Conservation and Development:			
Urban Redevelopment and Housing	27,619.53		27,619.53
Economic Development and Assistance	51,719.45		51,719.45
Total Conservation and Development	79,338.98	0.00	79,338.98
Debt Service	34,556.56	0.00	34,556.56
Total Expenditures	2,351,099.67	0.00	2,351,099.67
Excess of Revenue Over (Under) Expenditures	(19,731.42)	21,905.43	2,174.01
Other Financing Sources (Uses):			
Sale of Municipal Property	1,029.00		1,029.00
Total Other Financing Sources (Uses)	1,029.00	0.00	1,029.00
Net Change in Fund Balance	(18,702.42)	21,905.43	3,203.01
Fund Balance - Beginning	1,341,449.39	1,146,750.20	2,488,199.59
FUND BALANCE - ENDING	1,322,746.97	1,168,655.63	2,491,402.60

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

MUNICIPALITY OF WAGNER
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2020

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	480,434.94	215,280.22	695,715.16
Investments	120,373.75	26,080.98	146,454.73
Total Current Assets	600,808.69	241,361.20	842,169.89
 TOTAL ASSETS	 600,808.69	 241,361.20	 842,169.89
 NET POSITION:			
Restricted Net Position, Restricted for:			
Equipment Repair and/or Replacement	111,534.30		111,534.30
Unrestricted Net Position	489,274.39	241,361.20	730,635.59
 TOTAL NET POSITION	 600,808.69	 241,361.20	 842,169.89

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

MUNICIPALITY OF WAGNER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2020

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
Operating Revenue:			
Charges for Goods and Services	538,478.31	248,422.60	786,900.91
Surcharge as Security for Debt	11,186.61	91,010.68	102,197.29
Miscellaneous	1,601.61	150.00	1,751.61
Total Operating Revenue	551,266.53	339,583.28	890,849.81
Operating Expenses:			
Personal Services	97,514.36	167,586.61	265,100.97
Other Current Expense	676,103.29	1,119,030.01	1,795,133.30
Materials	264,192.00		264,192.00
Total Operating Expenses	1,037,809.65	1,286,616.62	2,324,426.27
Operating Income (Loss)	(486,543.12)	(947,033.34)	(1,433,576.46)
Nonoperating Revenue (Expense):			
Investment Earnings	6,741.41	983.82	7,725.23
Debt Service (Principal)	(33,968.61)	(43,365.11)	(77,333.72)
Debt Service (Interest)	(4,775.64)	(48,517.16)	(53,292.80)
Short-Term Debt Issued	562,646.68	881,338.41	1,443,985.09
Total Nonoperating Revenue (Expense)	530,643.84	790,439.96	1,321,083.80
Change in Net Position	44,100.72	(156,593.38)	(112,492.66)
Net Position - Beginning	556,707.97	397,954.58	954,662.55
NET POSITION - ENDING	600,808.69	241,361.20	842,169.89

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

MUNICIPALITY OF WAGNER
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
December 31, 2020

	Custodial Funds
ASSETS:	
Cash and Cash Equivalents	1,505.08
TOTAL ASSETS	1,505.08
NET POSITION	
Restricted for:	
Wagner Lake Improvements	1,505.08
TOTAL NET POSITION	1,505.08

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

MUNICIPALITY OF WAGNER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
For the Year Ended December 31, 2020

	Custodial Funds
ADDITIONS:	
Interest and Dividends	0.52
Total Additions	0.52
DEDUCTIONS:	
Total Deductions	0.00
Change in Net Position	0.52
Net Position - Beginning	1,504.56
NET POSITION - ENDING	1,505.08

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

MUNICIPALITY OF WAGNER
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	1,270,536.59	815,256.21	2,085,792.80
Investments	1,217,663.00	139,406.34	1,357,069.34
TOTAL ASSETS	2,488,199.59	954,662.55	3,442,862.14
NET POSITION:			
Restricted for:			
Road Maintenance Purposes	1,146,750.20		1,146,750.20
Library Fines	11,671.60		11,671.60
Equipment Repair & Replacement		101,821.54	101,821.54
Unrestricted	1,329,777.79	852,841.01	2,182,618.80
TOTAL NET POSITION	2,488,199.59	954,662.55	3,442,862.14

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

MUNICIPALITY OF WAGNER
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 For the Year Ended December 31, 2019

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government:							
General Government Activities:							
General Government	214,399.17	43,497.73			(170,901.44)		(170,901.44)
Public Safety	406,878.43	12,510.53	20,901.85		(373,466.05)		(373,466.05)
Public Works	488,289.43	34,307.99	60,994.18	52,207.46	(340,779.80)		(340,779.80)
Health and Welfare	4,856.04		2,500.00		(2,356.04)		(2,356.04)
Culture and Recreation	323,626.09	55,913.70		30,000.00	(237,712.39)		(237,712.39)
Conservation and Development	99,824.57				(99,824.57)		(99,824.57)
Miscellaneous		58,858.58			58,858.58		58,858.58
Payment on Long-Term Debt	34,556.56				(34,556.56)		(34,556.56)
Total Governmental Activities	1,572,430.29	205,088.53	84,396.03	82,207.46	(1,200,738.27)		(1,200,738.27)
Business-type Activities:							
Water	421,459.48	430,634.66				9,175.18	9,175.18
Sewer	417,477.40	329,160.39				(88,317.01)	(88,317.01)
Total Business-Type Activities	838,936.88	759,795.05	0.00	0.00	(79,141.83)		(79,141.83)
Total Primary Government	2,411,367.17	964,883.58	84,396.03	82,207.46	(1,200,738.27)		(1,279,880.10)
General Revenues:							
Taxes:							
Property Taxes					438,713.44		438,713.44
Sales Taxes					790,257.55		790,257.55
State Shared Revenues					15,194.93		15,194.93
Unrestricted Investment Earnings					59,473.82	1,407.88	60,881.70
Miscellaneous Revenue					18,154.22		18,154.22
Total General Revenues					1,321,793.96	1,407.88	1,323,201.84
Change in Net Position					121,055.69	(77,733.95)	43,321.74
Net Position - Beginning					2,367,143.90	1,032,396.50	3,399,540.40
NET POSITION - ENDING					2,488,199.59	954,662.55	3,442,862.14

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

**MUNICIPALITY OF WAGNER
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2019**

	<u>General Fund</u>	<u>Restricted Road Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and Cash Equivalents	1,270,536.59		1,270,536.59
Investments	<u>70,912.80</u>	<u>1,146,750.20</u>	<u>1,217,663.00</u>
TOTAL ASSETS	<u><u>1,341,449.39</u></u>	<u><u>1,146,750.20</u></u>	<u><u>2,488,199.59</u></u>
FUND BALANCES:			
Restricted for Road Maintenance		<u>1,146,750.20</u>	<u>1,146,750.20</u>
Restricted for Library Fines	<u>11,671.60</u>		<u>11,671.60</u>
Committed for Pool Construction	<u>400,000.00</u>		<u>400,000.00</u>
Assigned for Armory	<u>20,034.39</u>		<u>20,034.39</u>
Assigned for Next Year's Budget	<u>628,862.00</u>		<u>628,862.00</u>
Unassigned	<u>280,881.40</u>		<u>280,881.40</u>
TOTAL FUND BALANCES	<u><u>1,341,449.39</u></u>	<u><u>1,146,750.20</u></u>	<u><u>2,488,199.59</u></u>

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

MUNICIPALITY OF WAGNER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

	General Fund	Restricted Road Fund	Total Governmental Funds
Revenues:			
Taxes:			
General Property Taxes	436,047.92		436,047.92
General Sales and Use Taxes	790,257.55		790,257.55
Amusement Taxes	180.00		180.00
Penalties & Interest on Delinquent Taxes	2,485.52		2,485.52
Total Taxes	1,228,970.99	0.00	1,228,970.99
Licenses and Permits	21,068.02	0.00	21,068.02
Intergovernmental Revenue:			
Federal Grants	37,127.87		37,127.87
State Grants	3,784.90		3,784.90
State Shared Revenue:			
Bank Franchise Tax	4,989.16		4,989.16
Prorate License Fees	4,201.16		4,201.16
Liquor Tax Reversion	10,205.77		10,205.77
Motor Vehicle Licenses	19,859.95		19,859.95
County Shared Revenue:			
County Road Tax	6,530.22		6,530.22
County Road and Bridge Tax	23,137.85		23,137.85
County Wheel Tax	7,265.00		7,265.00
Total Intergovernmental Revenue	117,101.88	0.00	117,101.88
Charges for Goods and Services:			
Public Safety	11,719.76		11,719.76
Highways and Streets	6,670.07		6,670.07
Culture and Recreation	55,913.70		55,913.70
Other	17,285.16		17,285.16
Total Charges for Goods and Services	91,588.69	0.00	91,588.69
Fines and Forfeits:			
Court Fines and Costs	790.77		790.77
Total Fines and Forfeits	790.77	0.00	790.77
Miscellaneous Revenue:			
Investment Earnings	34,308.05	25,165.77	59,473.82
Rentals	32,782.47		32,782.47
Special Assessments	27,794.69		27,794.69
Contributions and Donations from Private Sources			
Private Sources	36,951.85		36,951.85
Liquor Operating Agreement Income	58,286.50		58,286.50
Other	572.08		572.08
Total Miscellaneous Revenue	190,695.64	25,165.77	215,861.41
Total Revenue	1,650,215.99	25,165.77	1,675,381.76

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

MUNICIPALITY OF WAGNER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

	General Fund	Restricted Road Fund	Total Governmental Funds
Expenditures:			
General Government:			
Executive	35,202.94		35,202.94
Elections	22.96		22.96
Financial Administration	92,824.34		92,824.34
Other	86,348.93		86,348.93
Total General Government	214,399.17	0.00	214,399.17
Public Safety:			
Police	406,878.43		406,878.43
Total Public Safety	406,878.43	0.00	406,878.43
Public Works:			
Highways and Streets	409,232.29		409,232.29
Sanitation	10,698.92		10,698.92
Airport	68,358.22		68,358.22
Total Public Works	488,289.43	0.00	488,289.43
Health and Welfare:			
Health	4,856.04		4,856.04
Total Health and Welfare	4,856.04	0.00	4,856.04
Culture and Recreation:			
Recreation	132,172.39		132,172.39
Parks	58,589.57		58,589.57
Libraries	67,224.15		67,224.15
Auditorium	65,139.98		65,139.98
Museums	500.00		500.00
Total Culture and Recreation	323,626.09	0.00	323,626.09
Conservation and Development:			
Urban Redevelopment and Housing	31,880.46		31,880.46
Economic Development and Assistance	67,944.11		67,944.11
Total Conservation and Development	99,824.57	0.00	99,824.57
Debt Service	34,556.56	0.00	34,556.56
Total Expenditures	1,572,430.29	0.00	1,572,430.29
Excess of Revenue Over (Under)			
Expenditures	77,785.70	25,165.77	102,951.47
Other Financing Sources (Uses):			
Sale of Municipal Property	18,104.22		18,104.22
Total Other Financing Sources (Uses)	18,104.22	0.00	18,104.22
Net Change in Fund Balance	95,889.92	25,165.77	121,055.69
Fund Balance - Beginning	1,245,559.47	1,121,584.43	2,367,143.90
FUND BALANCE - ENDING	1,341,449.39	1,146,750.20	2,488,199.59

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

MUNICIPALITY OF WAGNER
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2019

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	442,398.79	372,857.42	815,256.21
Investments	114,309.18	25,097.16	139,406.34
Total Current Assets	556,707.97	397,954.58	954,662.55
TOTAL ASSETS	556,707.97	397,954.58	954,662.55
NET POSITION:			
Restricted Net Position, Restricted for:			
Equipment Repair and/or Replacement	101,821.54		101,821.54
Unrestricted Net Position	454,886.43	397,954.58	852,841.01
TOTAL NET POSITION	556,707.97	397,954.58	954,662.55

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

MUNICIPALITY OF WAGNER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2019

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
Operating Revenue:			
Charges for Goods and Services	418,437.45	243,768.96	662,206.41
Surcharge as Security for Debt	10,835.77	85,074.98	95,910.75
Miscellaneous	1,361.44	316.45	1,677.89
Total Operating Revenue	430,634.66	329,160.39	759,795.05
Operating Expenses:			
Personal Services	83,927.85	149,796.44	233,724.29
Other Current Expense	71,719.57	173,185.00	244,904.57
Materials	224,681.50		224,681.50
Total Operating Expenses	380,328.92	322,981.44	703,310.36
Operating Income (Loss)	50,305.74	6,178.95	56,484.69
Nonoperating Revenue (Expense):			
Investment Earnings	1,407.88		1,407.88
Debt Service (Principal)	(36,325.13)	(44,735.74)	(81,060.87)
Debt Service (Interest)	(4,805.43)	(49,760.22)	(54,565.65)
Total Nonoperating Revenue (Expense)	(39,722.68)	(94,495.96)	(134,218.64)
Change in Net Position	10,583.06	(88,317.01)	(77,733.95)
Net Position - Beginning	546,124.91	486,271.59	1,032,396.50
NET POSITION - ENDING	556,707.97	397,954.58	954,662.55

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

MUNICIPALITY OF WAGNER
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
December 31, 2019

	Custodial Funds
ASSETS:	
Cash and Cash Equivalents	1,504.56
TOTAL ASSETS	1,504.56
 NET POSITION	
Restricted for:	
Wagner Lake Improvements	1,504.56
TOTAL NET POSITION	1,504.56

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

MUNICIPALITY OF WAGNER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
For the Year Ended December 31, 2019

	Custodial Funds
ADDITIONS:	
Total Additions	0.00
DEDUCTIONS:	
Other Deductions	17.47
Total Deductions	17.47
Change in Net Position	(17.47)
Net Position - Beginning	0.00
Restatement:	
Implementation of GASB No. 84 (See Note 10)	1,522.03
Net Position - Beginning, as Restated	1,522.03
NET POSITION - ENDING	1,504.56

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

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

The Municipality participates in a cooperative unit, the Southern Missouri Recycling & Waste Management District. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the Municipality.

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

The Housing and Redevelopment Commission of the Municipality of Wagner, South Dakota (Commission) is a proprietary fund-type, discretely presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Wagner Housing and Redevelopment Commission, P.O. Box 40, Wagner, SD 57380.

b. Basis of Presentation:

Government-wide Financial Statements:

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

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Municipality and for each function of the Municipality's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

Restricted Road Fund – To account for funds for city streets, road and alley construction maintenance, bridge construction and maintenance, facility construction and maintenance, and equipment purchasing and repair. This is a major fund.

Proprietary Funds:

Enterprise Funds – enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues, earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

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

Fiduciary Funds:

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

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The custodial fund maintained is for the Wagner Lake Improvements.

c. Measurement Focus and Basis of Accounting:

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

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

Measurement Focus:

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

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

Basis of Accounting:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

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

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

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

d. Deposits and Investments:

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

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

e. Long-Term Liabilities:

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

The Municipality 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.

f. Program Revenues:

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

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

g. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified as operating or non-operating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

h. Equity Classifications:

Government-wide 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 its 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 does not meet the definition of "restricted".

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 is reported as restricted net position.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

i. Application of Net Position:

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

j. Fund Balance Classification Policies and Procedures:

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

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

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

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
Pool Construction	\$ 600,000.00	Ordinance

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

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Restricted Road Fund	SDDOT Road Swap Agreement

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

2. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2020, the Municipality implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the Municipality present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2019.

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

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

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

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

As of December 31, 2020, the Municipality did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

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

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

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

5. LONG-TERM COMMITMENTS

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

The following are the minimum payments on this commitment:

2021	\$ 48,156.00
2022	\$ 48,156.00
2023	\$ 48,156.00
2024	\$ 48,156.00
2025	\$ 48,156.00
2026-2030	\$ 240,780.00
2031-2035	\$ 208,676.00

6. OPERATING LEASES

The Municipality of Wagner entered into a lease agreement for a copier. The lease is paid monthly by the General Fund.

The following are the minimum payments on this operating lease:

<u>Year</u>	<u>General Fund</u>
2021	\$ 1,221.24
2022	508.85

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

7. CONDUIT DEBT

In the past, the Municipality has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the Municipality, the State of South Dakota, nor any other political subdivision of the state is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2020, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$916,830.85.

8. RESTRICTED NET POSITION

Restricted Net Position for the two years ended December 31, 2020 was as follows:

	<u>2019</u>	<u>2020</u>
Major Purposes:		
Road Maintenance	\$ 1,146,750.20	\$ 1,168,655.63
Library Fine Purposes	11,671.60	11,858.88
Equipment Repair/Replacement	101,821.54	111,534.30
Total Restricted Net Assets/Net Position	<u>\$ 1,260,243.34</u>	<u>\$ 1,292,048.81</u>

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

9. TAX ABATEMENTS

The Municipality enters into property tax abatement agreements with local businesses under SDCL 9-54 and 9-12-11. Under this agreement, the Municipality may grant sales tax abatements of up to 50 percent of the municipal sales tax collected on retail sales of the business. The amount is based on total sales of the store but sales must exceed \$1,000,000.00 per year and also generate at least six full-time employees. The agreement is for five years or until \$175,000.00 has been abated for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Municipality.

For the two years ended December 31, 2019 and 2020, the Municipality abated sales taxes totaling \$16,657.35 and \$0.00, respectively, under this program, including the following tax abatement agreements that are 100 percent of the total amount abated:

- A sales tax abatement to Shopko Stores Operating Co., LLC for purchasing and opening a store in an empty storefront in the business district. In 2018, Shopko Stores Operating Co., LLC announced the store would cease operations in February 2019. Shopko Stores Operating Co., LLC filed for Chapter 11 bankruptcy protection in January 2019.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

10. IMPLEMENTATION OF NEW STANDARD AND RESTATEMENT

The Municipality implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, beginning net position has been restated to reflect the reclassification of Agency Funds to Custodial Funds as of January 1, 2019, as follows:

	Custodial Funds
Net Position January 1, 2019, as previously reported	\$ -
Restatement:	
Implementation of GASB 84	1,522.03
Net Position January 1, 2019, as Restated	\$ 1,522.03

11. PENSION PLAN

Plan Information:

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

Benefits Provided:

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

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

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2020, 2019, and 2018, were \$40,727.18, \$38,837.31, and \$37,951.33, respectively, equal to the required contributions each year.

Pension Liabilities (Assets):

At June 30, 2020, SDRS is 100.04% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2020 and reported by the Municipality as of December 31, 2020 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 3,769,622.41
Less proportionate share of total pension liability	<u>\$ 3,770,954.17</u>
Proportionate share of net pension liability (asset)	<u>\$ (1,331.76)</u>

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the Municipality's proportion was 0.03066480%, which is a decrease of 0.0003184% from its proportion measured as of June 30, 2019.

At June 30, 2019, SDRS is 100.09% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2019 and reported by the Municipality as of December 31, 2019 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 3,861,189.09
Less proportionate share of total pension liability	<u>\$ 3,864,472.46</u>
Proportionate share of net pension liability (asset)	<u>\$ (3,283.37)</u>

The net pension liability (asset) was measured as of June 30, 2019 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the Municipality's proportion was 0.03098320%, which is an increase of 0.0022662% from its proportion measured as of June 30, 2018.

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.41%

The total pension liability (asset) in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.88%

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

The actuarial assumptions used in the June 30, 2020 and June 30, 2019 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	<u>100%</u>	

Best estimates of real rates for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.7%
Fixed Income	30.0%	1.7%
Real Estate	10.0%	4.3%
Cash	2.0%	0.9%
Total	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

For the year ended December 31, 2020, the following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 516,637.04	\$(1,331.76)	\$(425,020.05)

For the year ended December 31, 2019, the following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 544,975.29	\$(3,283.37)	\$(450,015.11)

Pension Plan Fiduciary Net Position:

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

12. RISK MANAGEMENT

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2020, the Municipality managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

The Municipality joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

services, loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality. The Municipality pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for vehicle liability; liability coverage for torts, theft, or damage to property; and errors and omissions of public officials.

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

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

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

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

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

As of December 31, 2020, the Municipality's balance available to be refunded per the SDPAA was \$23,111.00, which was an increase of \$304.00 from the previous year.

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

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium to the pool to provide worker's

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Unemployment Benefits:

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

13. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2020, the Municipality was not involved in any significant litigation.

14. JOINT VENTURE

The Municipality participates in a joint venture, known as the Southern Missouri Recycling & Waste Management District, formed for the purpose of providing solid waste disposal services to participating members.

The members of the joint venture are as follows:

Municipality of Armour	Municipality of Bonesteel	Charles Mix County
Douglas County	Municipality of Geddes	Gregory County
Municipality of Gregory	Municipality of Lake Andes	Municipality of Pickstown
Municipality of Ravinia	Municipality of Springfield	Municipality of Tabor
Municipality of Wagner		

The joint venture's governing board is composed of 13 representatives. The board is responsible for adopting the budget and setting service fees adequate to fund the budget.

The Municipality retains no equity in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation.

No other information was available for this joint venture.

15. RELATED PARTY

Maintenance and fuel were purchased from a business owned by councilperson Brenda Jatón. In 2019, purchases totaled \$8,421.14.

Maintenance supplies, repairs, and gravel were purchased from a business owned by councilperson Tom Beeson. In 2019, purchases totaled \$67,117.69 and in 2020, purchases totaled \$544,042.46. Of the 2020 purchases, \$489,480.00 was properly bid and would be exempt from SDCL 6-1-1 under the provisions of SDCL 6-1-2.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

16. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through August 9, 2021, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WAGNER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	449,577.00	449,577.00	436,837.17	(12,739.83)
General Sales and Use Taxes	750,000.00	750,000.00	872,408.24	122,408.24
Amusement Tax	300.00	300.00	168.00	(132.00)
Penalties and Interest on Delinquent Taxes	0.00	0.00	1,167.75	1,167.75
Total Taxes	1,199,877.00	1,199,877.00	1,310,581.16	110,704.16
Licenses and Permits	17,800.00	17,800.00	20,906.00	3,106.00
Intergovernmental Revenue:				
Federal Grants	514,800.00	514,800.00	667,021.09	152,221.09
State Grants	28,600.00	28,600.00	26,760.67	(1,839.33)
State Shared Revenue:				
Bank Franchise Tax	4,500.00	4,500.00	5,893.64	1,393.64
Prorate License Fees	4,000.00	4,000.00	4,195.21	195.21
Liquor Tax Reversion	10,000.00	10,000.00	10,839.46	839.46
Motor Vehicle Licenses	18,000.00	18,000.00	19,407.55	1,407.55
County Shared Revenue:				
County Road Tax	3,200.00	3,200.00	3,265.11	65.11
County Road and Bridge Tax	23,000.00	23,000.00	23,383.17	383.17
County Wheel Tax	7,200.00	7,200.00	7,305.49	105.49
Total Intergovernmental Revenue	613,300.00	613,300.00	768,071.39	154,771.39
Charges for Goods and Services:				
Public Safety	8,100.00	8,100.00	3,226.11	(4,873.89)
Highways and Streets	5,660.00	5,660.00	4,360.00	(1,300.00)
Sanitation	0.00	0.00	585.00	585.00
Culture and Recreation	54,362.00	54,362.00	51,043.88	(3,318.12)
Other	16,500.00	16,500.00	12,036.32	(4,463.68)
Total Charges for Goods and Services	84,622.00	84,622.00	71,251.31	(13,370.69)
Fines and Forfeits:				
Court Fines and Costs	1,000.00	1,000.00	596.77	(403.23)
Total Fines and Forfeits	1,000.00	1,000.00	596.77	(403.23)
Miscellaneous Revenue:				
Investment Earnings	30,000.00	30,000.00	13,882.61	(16,117.39)
Rentals	18,200.00	18,200.00	19,029.26	829.26
Special Assessments	0.00	0.00	2,832.02	2,832.02
Contributions and Donations from Private Sources	50,000.00	50,000.00	52,952.89	2,952.89
Liquor Operating Agreement Income	50,000.00	50,000.00	66,412.65	16,412.65
Other	0.00	0.00	4,852.19	4,852.19
Total Miscellaneous Revenue	148,200.00	148,200.00	159,961.62	11,761.62
Total Revenue	2,064,799.00	2,064,799.00	2,331,368.25	266,569.25

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WAGNER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget -
	Original	Final		Positive (Negative)
Expenditures:				
General Government:				
Contingency	15,000.00	15,000.00		
Amount Transferred		(15,000.00)		0.00
Executive	40,581.00	42,581.00	41,110.95	1,470.05
Elections	850.00	1,550.00	1,425.14	124.86
Financial Administration	105,294.00	109,294.00	99,087.34	10,206.66
Other	110,176.00	110,176.00	99,453.18	10,722.82
Total General Government	271,901.00	263,601.00	241,076.61	22,524.39
Public Safety:				
Police	534,350.00	534,350.00	466,490.78	67,859.22
Other Protection	2,000.00	2,000.00	0.00	2,000.00
Total Public Safety	536,350.00	536,350.00	466,490.78	69,859.22
Public Works:				
Highways and Streets	609,110.00	701,110.00	687,917.60	13,192.40
Sanitation	11,900.00	17,900.00	16,181.76	1,718.24
Airport	616,600.00	616,600.00	515,874.25	100,725.75
Total Public Works	1,237,610.00	1,335,610.00	1,219,973.61	115,636.39
Health and Welfare:				
Health	9,200.00	9,200.00	6,114.99	3,085.01
Total Health and Welfare	9,200.00	9,200.00	6,114.99	3,085.01
Culture and Recreation:				
Recreation	311,697.00	315,697.00	114,494.53	201,202.47
Parks	49,452.00	51,452.00	51,234.59	217.41
Libraries	74,410.00	74,410.00	74,160.69	249.31
Auditorium	74,685.00	74,685.00	63,158.33	11,526.67
Museums	500.00	500.00	500.00	0.00
Total Culture and Recreation	510,744.00	516,744.00	303,548.14	213,195.86
Conservation and Development:				
Urban Redevelopment and Housing	38,350.00	38,350.00	27,619.53	10,730.47
Economic Development and Assistance	54,950.00	54,950.00	51,719.45	3,230.55
Total Conservation and Development	93,300.00	93,300.00	79,338.98	13,961.02
Debt Service	34,556.00	34,556.00	34,556.56	(0.56)
Total Expenditures	2,693,661.00	2,789,361.00	2,351,099.67	438,261.33
Excess of Revenue Over (Under) Expenditures	(628,862.00)	(724,562.00)	(19,731.42)	704,830.58
Other Financing Sources (Uses):				
Sale of Municipal Property	0.00	0.00	1,029.00	1,029.00
Total Other Financing Sources (Uses)	0.00	0.00	1,029.00	1,029.00
Net Change in Fund Balances	(628,862.00)	(724,562.00)	(18,702.42)	705,859.58
Fund Balance - Beginning	1,341,449.39	1,341,449.39	1,341,449.39	0.00
FUND BALANCE - ENDING	712,587.39	616,887.39	1,322,746.97	705,859.58

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WAGNER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	429,812.00	429,812.00	436,047.92	6,235.92
General Sales and Use Taxes	750,000.00	750,000.00	790,257.55	40,257.55
Amusement Tax	300.00	300.00	180.00	(120.00)
Penalties and Interest on Delinquent Taxes	500.00	500.00	2,485.52	1,985.52
Total Taxes	1,180,612.00	1,180,612.00	1,228,970.99	48,358.99
Licenses and Permits	17,800.00	17,800.00	21,068.02	3,268.02
Intergovernmental Revenue:				
Federal Grants	270,000.00	270,000.00	37,127.87	(232,872.13)
State Grants	15,000.00	15,000.00	3,784.90	(11,215.10)
State Shared Revenue:				
Bank Franchise Tax	4,500.00	4,500.00	4,989.16	489.16
Prorate License Fees	4,000.00	4,000.00	4,201.16	201.16
Liquor Tax Reversion	10,000.00	10,000.00	10,205.77	205.77
Motor Vehicle Licenses	18,000.00	18,000.00	19,859.95	1,859.95
County Shared Revenue:				
County Road Tax	3,200.00	3,200.00	6,530.22	3,330.22
County Road and Bridge Tax	23,000.00	23,000.00	23,137.85	137.85
County Wheel Tax	7,200.00	7,200.00	7,265.00	65.00
Total Intergovernmental Revenue	354,900.00	354,900.00	117,101.88	(237,798.12)
Charges for Goods and Services:				
Public Safety	10,100.00	10,100.00	11,719.76	1,619.76
Highways and Streets	5,160.00	5,160.00	6,670.07	1,510.07
Culture and Recreation	106,000.00	106,000.00	55,913.70	(50,086.30)
Other	18,000.00	18,000.00	17,285.16	(714.84)
Total Charges for Goods and Services	139,260.00	139,260.00	91,588.69	(47,671.31)
Fines and Forfeits:				
Court Fines and Costs	1,000.00	1,000.00	790.77	(209.23)
Total Fines and Forfeits	1,000.00	1,000.00	790.77	(209.23)
Miscellaneous Revenue:				
Investment Earnings	25,000.00	25,000.00	34,308.05	9,308.05
Rentals	23,000.00	23,000.00	32,782.47	9,782.47
Special Assessments	0.00	0.00	27,794.69	27,794.69
Contributions and Donations from Private Sources	47,000.00	47,000.00	36,951.85	(10,048.15)
Liquor Operating Agreement Income	50,000.00	50,000.00	58,286.50	8,286.50
Other	0.00	0.00	572.08	572.08
Total Miscellaneous Revenue	145,000.00	145,000.00	190,695.64	45,695.64
Total Revenue	1,838,572.00	1,838,572.00	1,650,215.99	(188,356.01)

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WAGNER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Contingency	15,000.00	15,000.00		
Amount Transferred		(15,000.00)		0.00
Executive	41,550.00	41,550.00	35,202.94	6,347.06
Elections	850.00	850.00	22.96	827.04
Financial Administration	98,830.00	101,330.00	92,824.34	8,505.66
Other	104,370.00	104,370.00	86,348.93	18,021.07
Total General Government	260,600.00	248,100.00	214,399.17	33,700.83
Public Safety:				
Police	445,775.00	446,775.00	406,878.43	39,896.57
Other Protection	2,000.00	2,000.00	0.00	2,000.00
Total Public Safety	447,775.00	448,775.00	406,878.43	41,896.57
Public Works:				
Highways and Streets	421,605.00	421,605.00	409,232.29	12,372.71
Sanitation	10,900.00	13,400.00	10,698.92	2,701.08
Airport	352,150.00	352,150.00	68,358.22	283,791.78
Total Public Works	784,655.00	787,155.00	488,289.43	298,865.57
Health and Welfare:				
Health	9,200.00	9,200.00	4,856.04	4,343.96
Total Health and Welfare	9,200.00	9,200.00	4,856.04	4,343.96
Culture and Recreation:				
Recreation	374,130.00	378,630.00	132,172.39	246,457.61
Parks	63,490.00	67,990.00	58,589.57	9,400.43
Libraries	83,480.00	83,480.00	67,224.15	16,255.85
Auditorium	72,110.00	72,110.00	65,139.98	6,970.02
Museums	500.00	500.00	500.00	0.00
Total Culture and Recreation	593,710.00	602,710.00	323,626.09	279,083.91
Conservation and Development:				
Urban Redevelopment and Housing	38,300.00	38,300.00	31,880.46	6,419.54
Economic Development and Assistance	89,650.00	89,650.00	67,944.11	21,705.89
Total Conservation and Development	127,950.00	127,950.00	99,824.57	28,125.43
Debt Service	34,575.00	34,575.00	34,556.56	18.44
Total Expenditures	2,258,465.00	2,258,465.00	1,572,430.29	686,034.71
Excess of Revenue Over (Under)				
Expenditures	(419,893.00)	(419,893.00)	77,785.70	497,678.70
Other Financing Sources (Uses):				
Sale of Municipal Property	2,000.00	2,000.00	18,104.22	16,104.22
Total Other Financing Sources (Uses)	2,000.00	2,000.00	18,104.22	16,104.22
Net Change in Fund Balances	(417,893.00)	(417,893.00)	95,889.92	513,782.92
Fund Balance - Beginning	1,245,559.47	1,245,559.47	1,245,559.47	0.00
FUND BALANCE - ENDING	827,666.47	827,666.47	1,341,449.39	513,782.92

NOTES TO THE SUPPLEMENTARY INFORMATION

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

NOTE 1. Budgets and Budgetary Accounting:

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

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

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

The Municipality did not encumber any amounts at December 31, 2019 and 2020.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with the modified cash basis of accounting.

NOTE 2. GAAP/Budgetary Accounting Basis Differences:

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

SUPPLEMENTARY INFORMATION

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

South Dakota Retirement System

Last Six Years*

	2020	2019	2018	2017	2016	2015
Municipality's proportion of the net pension liability/asset	0.0306648%	0.0309832%	0.0287170%	0.0284453%	0.0296074%	0.0266918%
Municipality's proportionate share of net pension liability (asset)	\$ (1,332)	\$ (3,283)	\$ (670)	\$ (2,581)	\$ 100,011	\$ (113,208)
Municipality's covered-employee payroll	\$ 597,997	\$ 583,339	\$ 528,408	\$ 506,894	\$ 436,535	\$ 432,525
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.22%	0.56%	0.13%	0.51%	22.91%	26.17%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

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

SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS
 South Dakota Retirement System

Last Six Years

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 40,727	\$ 38,837	\$ 37,951	\$ 35,551	\$ 32,369	\$ 28,994
Contributions in relation to the contractually required contribution	\$ 40,727	\$ 38,837	\$ 37,951	\$ 35,551	\$ 32,369	\$ 28,994
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipality's covered-employee payroll	\$ 604,560	\$ 576,499	\$ 556,845	\$ 522,373	\$ 478,574	\$ 429,923
Contributions as a percentage of covered-employee payroll	6.74%	6.74%	6.82%	6.81%	6.76%	6.74%

**Notes to Supplementary Information
for the Year Ended December 31, 2020**
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions.

Changes from Prior Valuation

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

The details of the changes since the last valuation are as follows:

Benefit Provision Changes

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

Actuarial Method Changes

No changes in actuarial methods were made since the prior valuation.

MUNICIPALITY OF WAGNER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended December 31, 2020

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures 2019	Total Federal Expenditures 2020
Department of Agriculture: Direct Federal Funding: Community Facilities Loans and Grants (Note 3)	10.766		0.00	1,622,211.25
Total Department of Agriculture			<u>0.00</u>	<u>1,622,211.25</u>
US Department of Interior: Indirect Federal Funding: SD Department of Game, Fish & Parks, Outdoor Recreation--Acquisition, Development and Planning	15.916	46-01466	14,000.00	
Total US Department of Interior			<u>14,000.00</u>	<u>0.00</u>
Department of Transportation: Indirect Federal Funding: SD Department of Public Transportation, Airport Improvement Program	20.106		23,127.87	402,484.04
Total Department of Transportation			<u>23,127.87</u>	<u>402,484.04</u>
US Department of Treasury - Pass Through Programs: SD Bureau of Finance and Management, Coronavirus Relief Fund	21.019		0.00	306,295.07
Total US Department of Treasury			<u>0.00</u>	<u>306,295.07</u>
General Services Administration: Indirect Federal Funding: SD Federal Property Agency: Donation of Federal Surplus Personal Property (Note 5)	39.003	N/A	0.00	252.73
Total General Services Administration			<u>0.00</u>	<u>252.73</u>
National Endowment for the Humanities - Pass-Through Programs From: Indirect Federal Funding: SD Humanities Council: Promotion of the Humanities - Federal-State Partnership	45.129	SO-268667-20	0.00	10,000.00
Total National Endowment for the Humanities			<u>0.00</u>	<u>10,000.00</u>
Department of Homeland Security: Indirect Federal Funding: SD Department of Public Safety, Office of Emergency Management: Disaster Grants - Public Assistance Grants	97.036		0.00	10,470.20
Total Department of Homeland Security			<u>0.00</u>	<u>10,470.20</u>
GRAND TOTAL			<u><u>37,127.87</u></u>	<u><u>2,351,713.29</u></u>

Note 1: Basis of Presentation

This accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Municipality under programs of the federal government for the years ended December 31, 2019 and 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Municipality, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipality.

MUNICIPALITY OF WAGNER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended December 31, 2020
(Continued)

Note 2: Summary of Significant Accounting Policies

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

Note 3: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.

Note 4: Federal Loan Program

The Municipality had the following loan balances outstanding at December 31, 2020. These loan balances outstanding which have continuing compliance requirements are also included in the federal expenditures presented in the Schedule.

Cluster/Program Title	Federal CFDA Number	Amount Outstanding	Included as Federal Expenditure on this Schedule for 2019	Included as Federal Expenditure on this Schedule for 2020
USDA Rural Development Loan	10.766	1,622,211.25	0.00	1,622,211.25

Note 5: Federal Surplus Property

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

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WAGNER

SHORT-TERM DEBT

The Municipality of Wagner has an agreement with Commercial State Bank for short-term/interim financing.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Commercial State Bank	0.00	1,443,985.09		1,443,985.09

LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental Activities:					
Notes Payable - Lots Financing (Capital Acquisition) Leases	4,898.14		(4,898.14)	0.00	0.00
Total Debt	160,046.71		(52,316.92)	107,729.79	28,555.10
Accrued Compensated Absences- Governmental Funds	164,944.85	0.00	(57,215.06)	107,729.79	28,555.10
Total Governmental Activities	11,670.75	37,327.19	(34,803.60)	14,194.34	14,194.34
Total Primary Government	176,615.60	37,327.19	(92,018.66)	121,924.13	42,749.44
Business-Type Activities:					
Clean Water Revolving Loan, Series 2007	81,954.15		(13,930.73)	68,023.42	7,310.94
Drinking Water Revolving Loan # 1, Series 2007	500,000.00		(50,000.00)	450,000.00	25,000.00
Drinking Water Revolving Loan # 2, Series 2007	112,291.81		(11,666.64)	100,625.17	5,833.32
Water and Sewer Revenue Bond Series 2010	484,470.22		(18,721.29)	465,748.93	9,761.44
Water and Wastewater Revenue Bonds - Series 2015	1,678,979.20		(59,177.79)	1,619,801.41	30,432.60
Total Debt	2,857,695.38	0.00	(153,496.45)	2,704,198.93	78,338.30
Accrued Compensated Absences- Business-Type Funds	4,522.15	19,519.42	(18,892.68)	5,148.89	5,148.89
Total Business-Type Activities	2,862,217.53	19,519.42	(172,389.13)	2,709,347.82	83,487.19
Total Primary Government	3,038,833.13	56,846.61	(264,407.79)	2,831,271.95	126,236.63

Debt payable at December 31, 2020, is comprised of the following:

Revenue Bonds:

Clean Water Revolving Loan – Series 2007 Maturity Date: January 15, 2029 Interest Rate: 3.25% Payable from Sewer Fund	\$ 68,023.42
 Drinking Water Revolving Loan # 1 – Series 2007 Maturity Date: October 15, 2038 Interest Rate: 0.00% Payable from Water Fund	 \$ 450,000.00

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WAGNER
(Continued)

Drinking Water Revolving Loan # 2 – Series 2007 \$ 100,625.17
Maturity Date: January 15, 2038
Interest Rate: 0.00%
Payable from Water Fund

Water and Sewer Project Revenue Bond – Series 2010 \$ 465,748.93
Maturity Date: November 10, 2050
Interest Rate: 3.00%
Payable 33% from Water Fund and 67% from Sewer Fund

Water and Wastewater Project Revenue Bonds – Series 2015 \$1,619,801.41
Maturity Date: April 19, 2056
Interest Rate: 2.25%
Payable from Sewer Fund

Financing (Capital Acquisition) Leases:

Government Lease Purchase for Armory Energy Improvements \$ 107,729.79
Maturity Date: June 17, 2024
Interest Rate: 5.96%
Payable from the General Fund

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

Principal	\$ 339,539.20
Interest	178,809.20
TOTAL	<u>\$ 518,348.40</u>

Compensated Absences:

Payable from General Fund	\$ 14,194.34
Payable from Water Fund	\$ 1,249.98
Payable from Sewer Fund	\$ 3,898.91

Payment to be made by the fund that the payroll expenditures are charged to.

The annual requirements to amortize all debt outstanding as of December 31, 2020, except for compensated absences, are as follows:

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WAGNER
(Continued)

Annual Requirements to Maturity for Long-Term Debt
December 31, 2020

Year Ending December 31,	Clean Water Revolving Loan - Series 2007		Drinking Water Revolving Loan # 1 - Series 2007		Drinking Water Revolving Loan # 2 - Series 2007	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	7,310.94	2,122.26	25,000.00		5,833.32	
2022	7,551.45	1,881.75	25,000.00		5,833.32	
2023	7,799.89	1,633.31	25,000.00		5,833.32	
2024	8,056.49	1,376.71	25,000.00		5,833.32	
2025	8,321.53	1,111.67	25,000.00		5,833.32	
2026-2030	28,983.12	1,674.78	125,000.00		29,166.60	
2031-2035			125,000.00		29,166.60	
2036-2040			75,000.00		13,125.37	
Totals	<u>68,023.42</u>	<u>9,800.48</u>	<u>450,000.00</u>	<u>0.00</u>	<u>100,625.17</u>	<u>0.00</u>

Year Ending December 31,	Water and Sewer Project Revenue Bond - Series 2010		Water and Wastewater Project Revenue Bond - Series 2015	
	Principal	Interest	Principal	Interest
2021	9,761.44	13,866.56	30,432.60	36,299.40
2022	10,086.31	13,541.69	31,292.66	35,439.34
2023	10,393.10	13,234.90	32,003.98	34,728.02
2024	10,709.21	12,918.90	32,731.55	34,000.45
2025	11,034.95	12,593.05	33,475.65	33,256.35
2026-2030	60,418.18	57,721.82	179,145.50	154,514.50
2031-2035	70,182.77	47,957.23	200,455.64	133,204.36
2036-2040	81,525.49	36,614.51	224,300.71	109,359.29
2041-2045	94,701.38	23,438.62	250,982.27	82,677.73
2046-2050	106,936.10	7,265.90	280,837.71	52,822.29
2051-2055			314,244.59	19,415.41
2056			9,898.55	26.73
Totals	<u>465,748.93</u>	<u>239,153.18</u>	<u>1,619,801.41</u>	<u>725,743.87</u>

Year Ending December 31,	Financing (Capital Acquisition) Leases		Totals	
	Principal	Interest	Principal	Interest
2021	28,555.10	6,001.46	106,893.40	58,289.68
2022	30,282.34	4,274.22	110,046.08	55,137.00
2023	32,114.06	2,442.50	113,144.35	52,038.73
2024	16,778.29	499.99	99,108.86	48,796.05
2025			83,665.45	46,961.07
2026-2030			422,713.40	213,911.10
2031-2035			424,805.01	181,161.59
2036-2040			393,951.57	145,973.80
2041-2045			345,683.65	106,116.35
2046-2050			387,773.81	60,088.19
2051-2055			314,244.59	19,415.41
2056			9,898.55	26.73
Totals	<u>107,729.79</u>	<u>13,218.17</u>	<u>2,811,928.72</u>	<u>987,915.70</u>