

**MUNICIPALITY OF WAGNER
WAGNER, SOUTH DAKOTA**

AUDIT REPORT

**FOR THE YEAR JANUARY 1, 2021 TO DECEMBER 31, 2021
AND
FOR THE YEAR JANUARY 1, 2022 TO DECEMBER 31, 2022**

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF WAGNER

MUNICIPAL OFFICIALS
DECEMBER 31, 2022

MAYOR:

Todd Johannsen

GOVERNING BOARD:

Colby Kirwan, President
Tom Abdouch
Dan Cimpl
Rich Dufur
Taylor Mohr
Jamie Soukup

FINANCE OFFICER:

Amber Mengenhauser

ATTORNEY:

Beau C. Barrett

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TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.....	3-5
Schedule of Prior Audit Findings and Questioned Costs.....	6
Schedule of Current Audit Findings and Questioned Costs.....	7-9
Independent Auditor's Report	10-13
BASIC FINANCIAL STATEMENTS:	
As of and For the Year Ended December 31, 2022:	
Government-Wide Financial Statements:	
Statement of Net Position – Modified Cash Basis.....	14
Statement of Activities – Modified Cash Basis.....	15
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet – Modified Cash Basis.....	16
Statement of Revenues, Expenditures, and Changes In Fund Balance – Modified Cash Basis.....	17-19
Proprietary Funds:	
Statement of Net Position – Modified Cash Basis.....	20
Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis.....	21
Fiduciary Funds:	
Statement of Fiduciary Net Position – Modified Cash Basis.....	22
Statement of Changes in Fiduciary Net Position – Modified Cash Basis.....	23
As of and For the Year Ended December 31, 2021:	
Government-Wide Financial Statements:	
Statement of Net Position – Modified Cash Basis.....	24
Statement of Activities – Modified Cash Basis.....	25
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet – Modified Cash Basis.....	26
Statement of Revenues, Expenditures, and Changes In Fund Balance – Modified Cash Basis.....	27-28

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TABLE OF CONTENTS
(Continued)

Proprietary Funds:	
Statement of Net Position – Modified Cash Basis.....	29
Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis.....	30
Fiduciary Funds:	
Statement of Fiduciary Net Position – Modified Cash Basis.....	31
Statement of Changes in Fiduciary Net Position – Modified Cash Basis.....	32
Notes to the Modified Cash Basis Financial Statements.....	33-48
Supplementary Information Other than MD&A:	
For the Year Ended December 31, 2022:	
Budgetary Comparison Schedules – Modified Cash Basis:	
General Fund.....	49-50
For the Year Ended December 31, 2021:	
Budgetary Comparison Schedules – Modified Cash Basis:	
General Fund.....	51-52
Notes to the Supplementary Information – Budgetary Comparison Schedules.....	53
Schedule of the Municipality’s Proportionate Share of the Net Pension Liability (Asset).....	54
Schedule of the Municipality Contributions.....	55
Notes to the Supplementary Information – Pension Schedules.....	56-57
Schedule of Expenditures of Federal Awards.....	58
Schedule of Long-Term Liabilities.....	59-61

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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, 2022 and December 31, 2021, 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 May 15, 2024, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2022-001 to be a material weakness.

Compliance and Other Matters

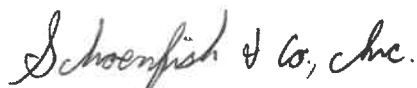
As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, noncompliance with which could have a direct and material 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Municipality's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Municipality's response to the findings identified in our audit. The Municipality's response to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Municipality's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
May 15, 2024

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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 biennial period ended December 31, 2022. 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.

In our opinion, the Municipality of Wagner complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the biennial period ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Municipality and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Municipality's compliance with the compliance requirements referred to above

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Municipality's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Municipality's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Municipality's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Municipality's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Municipality's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Municipality's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal

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control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Municipality's response to the internal control over compliance findings identified in our audit 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
May 15, 2024

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR FEDERAL AUDIT FINDINGS:

Finding Number 2020-001:

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 other audit finding number 2022-001.

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. This comment has been corrected.

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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 2022-001.
- c. Our audit did not disclose noncompliance which was material to the financial statements.

Federal Awards:

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with 2 CFR 200.516(a).
- f. The federal awards tested as major programs were:
 1. Community Facilities Loans and Grants ALN 10.766
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. The Municipality of Wagner did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:

There are no current federal compliance findings to disclose.

CURRENT OTHER AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2022-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This is a continuing audit finding since 1998.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria:

Proper segregations of duties results in increased reliability of reported financial data. Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets through the separation of key accounting and physical control functions.

The AICPA states that, "Segregation of Duties (SOD) is a basic building block of sustainable risk management and internal controls for a business. The principle of SOD is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation in key processes, fraud and error risks are far less manageable."

Cause:

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. A lack of proper segregation of duties existed for the revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Effect:

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

Recommendation:

We recommend that the Municipality of Wagner officials be cognizant of this lack of segregation of duties for revenues and attempt to develop policies and provide compensating internal controls whenever, and wherever, possible and practical. In addition, we recommend that all necessary accounting records be established and properly maintained to provide some compensation for lack of proper segregation of duties.

CLOSING CONFERENCE

The audit was discussed with the finance officer and the officials during the course of and at the conclusion of the audit.

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Corrective Action Plan

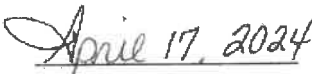
Finding Number 2022-001

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


The City of Wagner Mayor Tammy Thornton is the contact person for the corrective action plan for this finding. Due to the population of Wagner and the limited resources available to compensate employees and the fiscal responsibility of utilizing each employee's abilities in the most fiscally responsible nature, the City of Wagner can't justify hiring the additional staff that would be necessary to properly segregate duties. The Mayor, the City Council and the staff in the Finance Office are aware of the issue. The City of Wagner is actively working on policies that will put controls in place that will safeguard the Cities revenue and minimize any future risk. This process will be an ongoing process that will include input from numerous agencies that will ensure the City of Wagner's financial controls are at a very secure level.



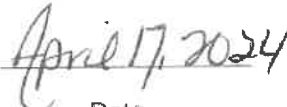
Tammy Thornton, Mayor



Date



Debra J. Houseman, City Finance Officer/Administrator



Date

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Wagner
Wagner, South Dakota

Report on the Audit of the Financial Statements

Adverse Opinion and Unmodified Opinions

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Wagner, South Dakota (Municipality), as of December 31, 2022 and December 31, 2021, 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.

Adverse Opinion

In our opinion, because of the omission of the discretely presented component units, the accompanying modified cash basis of accounting financial statements referred to above 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 as of December 31, 2022 and December 31, 2021, or the changes in financial position thereof for each of the years in the biennial period then ended.

Unmodified Opinions

In our opinion, the accompanying modified cash basis of accounting financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Municipality of Wagner as of December 31, 2022 and December 31, 2021, 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 for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Municipality and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The financial statements do not include financial data for the Municipality's legally separate component units. 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 component units.

Emphasis of Matter

As discussed in 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the modified cash basis of accounting financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

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- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the cash basis of accounting financial statements that collectively comprise the Municipality's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the Budgetary Comparison Schedules, and the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), the Schedule of Municipal Contributions, and the Schedule of Long-term Liabilities 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), the Schedule of Municipal Contributions, the Schedule of Expenditures of Federal Awards, and the Schedule of Long-term Liabilities is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Municipal Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2024 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely 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 effectiveness of the Municipality's 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 Municipality's internal control over financial reporting and compliance.

Schoenfish & Co., Inc.

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Certified Public Accountants
May 15, 2024

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MUNICIPALITY OF WAGNER
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	1,505,042.89	1,211,499.00	2,716,541.89
Investments	1,206,917.07	146,454.73	1,353,371.80
Restricted Assets:			
Cash and Cash Equivalents		60,482.50	60,482.50
TOTAL ASSETS	2,711,959.96	1,418,436.23	4,130,396.19
NET POSITION:			
Restricted for:			
Road Maintenance Purposes	1,128,400.60		1,128,400.60
Equipment Repair & Replacement		140,451.31	140,451.31
Debt Services Purposes		54,982.50	54,982.50
Debt Short Lived Asset Reserve		5,500.00	5,500.00
Other Purposes-Library	23,309.03		23,309.03
Unrestricted	1,560,250.33	1,217,502.42	2,777,752.75
TOTAL NET POSITION	2,711,959.96	1,418,436.23	4,130,396.19

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, 2022

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	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	253,501.04	28,555.73	57,943.70	5,885.65	(161,115.96)		(161,115.96)
Public Safety	527,013.54	7,552.41			(519,461.13)		(519,461.13)
Public Works	663,197.95	21,233.51	65,385.74	17,556.08	(559,022.62)		(559,022.62)
Health and Welfare	4,661.55		4,000.00		(661.55)		(661.55)
Culture and Recreation	407,866.59	55,805.20			(352,061.39)		(352,061.39)
Conservation and Development	118,608.67				(118,608.67)		(118,608.67)
Miscellaneous		91,598.81			91,598.81		91,598.81
Payment on Long-Term Debt	34,556.56				(34,556.56)		(34,556.56)
Total Governmental Activities	2,009,405.90	204,745.66	127,329.44	23,441.73	(1,653,889.07)		(1,653,889.07)
Business-type Activities:							
Water	487,835.90	592,578.60		115,699.33		220,442.03	220,442.03
Sewer	546,652.47	396,609.78		195,379.66		45,336.97	45,336.97
Total Business-Type Activities	1,034,488.37	989,188.38	0.00	311,078.99		265,779.00	265,779.00
Total Primary Government	3,043,894.27	1,193,934.04	127,329.44	334,520.72	(1,653,889.07)	265,779.00	(1,388,110.07)
General Revenues:							
Taxes:							
Property Taxes					471,555.56		471,555.56
Sales Taxes					1,008,192.55		1,008,192.55
State Shared Revenues					17,409.40		17,409.40
Unrestricted Investment Earnings					17,393.79	414.14	17,807.93
Miscellaneous Revenue					11,039.86		11,039.86
Total General Revenues					1,525,591.16	414.14	1,526,005.30
Change in Net Position					(128,297.91)	266,193.14	137,895.23
Net Position - Beginning					2,840,257.87	1,152,243.09	3,992,500.96
NET POSITION - ENDING					2,711,959.96	1,418,436.23	4,130,396.19

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, 2022

	<u>General Fund</u>	<u>Restricted Road Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and Cash Equivalents	1,505,042.89		1,505,042.89
Investments	78,516.47	1,128,400.60	1,206,917.07
TOTAL ASSETS	<u>1,583,559.36</u>	<u>1,128,400.60</u>	<u>2,711,959.96</u>
FUND BALANCES:			
Restricted for Road Maintenance		1,128,400.60	1,128,400.60
Restricted for Library	23,309.03		23,309.03
Committed for Pool Construction	1,000,000.00		1,000,000.00
Assigned for Armory	22,978.61		22,978.61
Assigned for Next Year's Budget	475,312.00		475,312.00
Unassigned	61,959.72		61,959.72
TOTAL FUND BALANCES	<u>1,583,559.36</u>	<u>1,128,400.60</u>	<u>2,711,959.96</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, 2022

	General Fund	Restricted Road Fund	Total Governmental Funds
Revenues:			
Taxes:			
General Property Taxes	470,567.94		470,567.94
General Sales and Use Taxes	1,008,192.55		1,008,192.55
Penalties & Interest on Delinquent Taxes	987.62		987.62
Total Taxes	1,479,748.11	0.00	1,479,748.11
Licenses and Permits	31,435.00	0.00	31,435.00
Intergovernmental Revenue:			
Federal Grants	76,309.94		76,309.94
State Grants	4,000.00		4,000.00
State Shared Revenue:			
Bank Franchise Tax	6,968.62		6,968.62
Prorate License Fees	1,888.31		1,888.31
Liquor Tax Reversion	10,440.78		10,440.78
Motor Vehicle Licenses	20,695.13		20,695.13
County Shared Revenue:			
County Road Tax	3,265.11		3,265.11
County Road and Bridge Tax	24,559.36		24,559.36
County Wheel Tax	8,833.16		8,833.16
Total Intergovernmental Revenue	156,960.41	0.00	156,960.41
Charges for Goods and Services:			
Public Safety	7,033.25		7,033.25
Highways and Streets	1,320.00		1,320.00
Sanitation	61.62		61.62
Culture and Recreation	54,754.43		54,754.43
Other	19,815.89		19,815.89
Total Charges for Goods and Services	82,985.19	0.00	82,985.19
Fines and Forfeits:			
Court Fines and Costs	519.16		519.16
Library	1,050.77		1,050.77
Total Fines and Forfeits	1,569.93	0.00	1,569.93
Miscellaneous Revenue:			
Investment Earnings	10,535.39	6,858.40	17,393.79
Rentals	20,970.73		20,970.73
Special Assessments	5,334.51		5,334.51
Liquor Operating Agreement Income	67,784.81		67,784.81
Other	601.86		601.86
Total Miscellaneous Revenue	105,227.30	6,858.40	112,085.70
Total Revenue	1,857,925.94	6,858.40	1,864,784.34

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, 2022

	General Fund	Restricted Road Fund	Total Governmental Funds
Expenditures:			
General Government:			
Legislative	619.20		619.20
Executive	41,050.86		41,050.86
Elections	1,198.92		1,198.92
Financial Administration	93,734.02		93,734.02
Other	116,898.04		116,898.04
Total General Government	253,501.04	0.00	253,501.04
Public Safety:			
Police	526,828.54		526,828.54
Other Protection	185.00		185.00
Total Public Safety	527,013.54	0.00	527,013.54
Public Works:			
Highways and Streets	361,815.28		361,815.28
Sanitation	16,106.70		16,106.70
Airport	285,275.97		285,275.97
Total Public Works	663,197.95	0.00	663,197.95
Health and Welfare:			
Health	4,661.55		4,661.55
Total Health and Welfare	4,661.55	0.00	4,661.55
Culture and Recreation:			
Recreation	161,413.23		161,413.23
Parks	79,487.41		79,487.41
Libraries	84,816.11		84,816.11
Auditorium	81,649.84		81,649.84
Museums	500.00		500.00
Total Culture and Recreation	407,866.59	0.00	407,866.59
Conservation and Development:			
Urban Redevelopment and Housing	43,618.04		43,618.04
Economic Development and Assistance	74,990.63		74,990.63
Total Conservation and Development	118,608.67	0.00	118,608.67
Debt Service	34,556.56	0.00	34,556.56
Total Expenditures	2,009,405.90	0.00	2,009,405.90
Excess of Revenue Over (Under) Expenditures	(151,479.96)	6,858.40	(144,621.56)
Other Financing Sources (Uses):			
Transfers In	60,000.00		60,000.00
Transfers Out		(60,000.00)	(60,000.00)
Sale of Municipal Property	10,438.00		10,438.00
Compensation for Loss or Damage to Capital Assets	5,885.65		5,885.65
Total Other Financing Sources (Uses)	76,323.65	(60,000.00)	16,323.65

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, 2022

	<u>General Fund</u>	<u>Restricted Road Fund</u>	<u>Total Governmental Funds</u>
Net Change in Fund Balance	<u>(75,156.31)</u>	<u>(53,141.60)</u>	<u>(128,297.91)</u>
Fund Balance - Beginning	<u>1,658,715.67</u>	<u>1,181,542.20</u>	<u>2,840,257.87</u>
FUND BALANCE - ENDING	<u><u>1,583,559.36</u></u>	<u><u>1,128,400.60</u></u>	<u><u>2,711,959.96</u></u>

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, 2022

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	738,167.59	473,331.41	1,211,499.00
Investments	120,373.75	26,080.98	146,454.73
Total Current Assets	858,541.34	499,412.39	1,357,953.73
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	60,482.50		60,482.50
Total Noncurrent Assets	60,482.50	0.00	60,482.50
TOTAL ASSETS	919,023.84	499,412.39	1,418,436.23
NET POSITION:			
Restricted Net Position, Restricted for:			
Revenue Bond Debt Service	54,982.50		54,982.50
Revenue Bond Short Lived Asset Reserve	5,500.00		5,500.00
Equipment Repair and/or Replacement	140,451.31		140,451.31
Unrestricted Net Position	718,090.03	499,412.39	1,217,502.42
TOTAL NET POSITION	919,023.84	499,412.39	1,418,436.23

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, 2022

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
Operating Revenue:			
Charges for Goods and Services	573,859.71	256,735.93	830,595.64
Surcharge as Security for Debt	13,326.57	139,523.85	152,850.42
Miscellaneous	5,392.32	350.00	5,742.32
Total Operating Revenue	592,578.60	396,609.78	989,188.38
Operating Expenses:			
Personal Services	98,120.69	132,858.43	230,979.12
Other Current Expense	58,989.25	60,596.43	119,585.68
Materials	292,095.40		292,095.40
Total Operating Expenses	449,205.34	193,454.86	642,660.20
Operating Income (Loss)	143,373.26	203,154.92	346,528.18
Nonoperating Revenue (Expense):			
Investment Earnings	414.14		414.14
Capital Assets		(206,313.65)	(206,313.65)
Debt Service (Principal)	(34,161.81)	(81,436.24)	(115,598.05)
Debt Service (Interest)	(4,468.75)	(65,447.72)	(69,916.47)
Total Nonoperating Revenue (Expense)	(38,216.42)	(353,197.61)	(391,414.03)
Income (Loss) Before Contributions	105,156.84	(150,042.69)	(44,885.85)
Capital Contributions	115,699.33	195,379.66	311,078.99
Change in Net Position	220,856.17	45,336.97	266,193.14
Net Position - Beginning	698,167.67	454,075.42	1,152,243.09
NET POSITION - ENDING	919,023.84	499,412.39	1,418,436.23

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, 2022**

	<u>Custodial Funds</u>
ASSETS:	
Cash and Cash Equivalents	<u>1,506.36</u>
TOTAL ASSETS	<u>1,506.36</u>
 NET POSITION	
Restricted for:	
Wagner Lake Improvements	<u>1,506.36</u>
TOTAL NET POSITION	<u><u>1,506.36</u></u>

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, 2022

	Custodial Funds
ADDITIONS:	
Interest and Dividends	0.76
Total Additions	0.76
DEDUCTIONS:	
Total Deductions	0.00
Change in Net Position	0.76
Net Position - Beginning	1,505.60
NET POSITION - ENDING	1,506.36

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, 2021

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	1,582,944.81	945,305.86	2,528,250.67
Investments	1,257,313.06	146,454.73	1,403,767.79
Restricted Assets:			
Cash and Cash Equivalents		60,482.50	60,482.50
TOTAL ASSETS	2,840,257.87	1,152,243.09	3,992,500.96
NET POSITION:			
Restricted for:			
Road Maintenance Purposes	1,181,542.20		1,181,542.20
Equipment Repair & Replacement		125,512.37	125,512.37
Debt Services Purposes		54,982.50	54,982.50
Debt Short Lived Asset Reserve		5,500.00	5,500.00
Other Purposes-Library	22,258.26		22,258.26
Unrestricted	1,636,457.41	966,248.22	2,602,705.63
TOTAL NET POSITION	2,840,257.87	1,152,243.09	3,992,500.96

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, 2021

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	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	348,479.14	57,647.34	68,193.01	34,461.70	(188,177.09)		(188,177.09)
Public Safety	395,463.17	4,810.35			(390,652.82)		(390,652.82)
Public Works	444,311.06	34,458.70	59,841.12	102,967.33	(247,043.91)		(247,043.91)
Health and Welfare	4,060.98		4,000.00		(60.98)		(60.98)
Culture and Recreation	300,532.13	60,579.73	10,000.00		(229,952.40)		(229,952.40)
Conservation and Development	77,951.50				(77,951.50)		(77,951.50)
Miscellaneous		65,478.91			65,478.91		65,478.91
Payment on Long-Term Debt	34,556.57				(34,556.57)		(34,556.57)
Total Governmental Activities	1,605,354.55	222,975.03	142,034.13	137,429.03	(1,102,916.36)		(1,102,916.36)
Business-type Activities:							
Water	717,872.93	602,510.05		212,353.87		96,990.99	96,990.99
Sewer	3,979,312.61	393,249.72		1,894,550.85		(1,691,512.04)	(1,691,512.04)
Total Business-Type Activities	4,697,185.54	995,759.77	0.00	2,106,904.72		(1,594,521.05)	(1,594,521.05)
Total Primary Government	6,302,540.09	1,218,734.80	142,034.13	2,244,333.75	(1,102,916.36)	(1,594,521.05)	(2,697,437.41)
General Revenues:							
Taxes:							
Property Taxes					465,290.65		465,290.65
Sales Taxes					943,211.73		943,211.73
State Shared Revenues					17,624.13		17,624.13
Unrestricted Investment Earnings					21,272.01	367.99	21,640.00
Debt Issued						1,904,226.26	1,904,226.26
Miscellaneous Revenue					4,373.11		4,373.11
Total General Revenues					1,451,771.63	1,904,594.25	3,356,365.88
Change in Net Position					348,855.27	310,073.20	658,928.47
Net Position - Beginning					2,491,402.60	842,169.89	3,333,572.49
NET POSITION - ENDING					2,840,257.87	1,152,243.09	3,992,500.96

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, 2021

	<u>General Fund</u>	<u>Restricted Road Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and Cash Equivalents	1,582,944.81		1,582,944.81
Investments	75,770.86	1,181,542.20	1,257,313.06
TOTAL ASSETS	<u>1,658,715.67</u>	<u>1,181,542.20</u>	<u>2,840,257.87</u>
FUND BALANCES:			
Restricted for Road Maintenance		1,181,542.20	1,181,542.20
Restricted for Library	22,258.26		22,258.26
Committed for Pool Construction	800,000.00		800,000.00
Assigned for Armory	22,802.67		22,802.67
Assigned for Next Year's Budget	602,655.00		602,655.00
Unassigned	210,999.74		210,999.74
TOTAL FUND BALANCES	<u>1,658,715.67</u>	<u>1,181,542.20</u>	<u>2,840,257.87</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, 2021

	General Fund	Restricted Road Fund	Total Governmental Funds
Revenues:			
Taxes:			
General Property Taxes	463,198.90		463,198.90
General Sales and Use Taxes	943,211.73		943,211.73
Penalties & Interest on Delinquent Taxes	2,091.75		2,091.75
Total Taxes	1,408,502.38	0.00	1,408,502.38
Licenses and Permits	47,000.00	0.00	47,000.00
Intergovernmental Revenue:			
Federal Grants	167,581.37		167,581.37
State Grants	7,578.97		7,578.97
State Shared Revenue:			
Bank Franchise Tax	6,295.05		6,295.05
Prorate License Fees	4,518.40		4,518.40
Liquor Tax Reversion	11,329.08		11,329.08
Motor Vehicle Licenses	20,025.81		20,025.81
County Shared Revenue:			
County Road Tax	3,265.11		3,265.11
County Road and Bridge Tax	24,364.13		24,364.13
County Wheel Tax	7,667.67		7,667.67
Total Intergovernmental Revenue	252,625.59	0.00	252,625.59
Charges for Goods and Services:			
Public Safety	4,689.35		4,689.35
Highways and Streets	3,850.00		3,850.00
Sanitation	1,304.02		1,304.02
Culture and Recreation	60,579.73		60,579.73
Other	14,542.08		14,542.08
Total Charges for Goods and Services	84,965.18	0.00	84,965.18
Fines and Forfeits:			
Court Fines and Costs	121.00		121.00
Total Fines and Forfeits	121.00	0.00	121.00
Miscellaneous Revenue:			
Investment Earnings	8,385.44	12,886.57	21,272.01
Rentals	25,409.94		25,409.94
Contributions and Donations from			
Private Sources	11,030.00		11,030.00
Liquor Operating Agreement Income	65,478.91		65,478.91
Other	1,978.89		1,978.89
Total Miscellaneous Revenue	112,283.18	12,886.57	125,169.75
Total Revenue	1,905,497.33	12,886.57	1,918,383.90

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, 2021

	General Fund	Restricted Road Fund	Total Governmental Funds
Expenditures:			
General Government:			
Executive	39,548.69		39,548.69
Elections	779.56		779.56
Financial Administration	98,783.51		98,783.51
Other	209,367.38		209,367.38
Total General Government	348,479.14	0.00	348,479.14
Public Safety:			
Police	394,963.17		394,963.17
Other Protection	500.00		500.00
Total Public Safety	395,463.17	0.00	395,463.17
Public Works:			
Highways and Streets	308,014.67		308,014.67
Sanitation	19,326.51		19,326.51
Airport	116,969.88		116,969.88
Total Public Works	444,311.06	0.00	444,311.06
Health and Welfare:			
Health	4,060.98		4,060.98
Total Health and Welfare	4,060.98	0.00	4,060.98
Culture and Recreation:			
Recreation	114,141.36		114,141.36
Parks	51,912.01		51,912.01
Libraries	65,986.66		65,986.66
Auditorium	67,992.10		67,992.10
Museums	500.00		500.00
Total Culture and Recreation	300,532.13	0.00	300,532.13
Conservation and Development:			
Urban Redevelopment and Housing	24,804.00		24,804.00
Economic Development and Assistance	53,147.50		53,147.50
Total Conservation and Development	77,951.50	0.00	77,951.50
Debt Service	34,556.57	0.00	34,556.57
Total Expenditures	1,605,354.55	0.00	1,605,354.55
Excess of Revenue Over (Under)			
Expenditures	300,142.78	12,886.57	313,029.35
Other Financing Sources (Uses):			
Sale of Municipal Property	1,364.22		1,364.22
Compensation for Loss or Damage to Capital Assets	34,461.70		34,461.70
Total Other Financing Sources (Uses)	35,825.92	0.00	35,825.92
Net Change in Fund Balance	335,968.70	12,886.57	348,855.27
Fund Balance - Beginning	1,322,746.97	1,168,655.63	2,491,402.60
FUND BALANCE - ENDING	1,658,715.67	1,181,542.20	2,840,257.87

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, 2021

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	517,311.42	427,994.44	945,305.86
Investments	120,373.75	26,080.98	146,454.73
Total Current Assets	637,685.17	454,075.42	1,091,760.59
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	60,482.50		60,482.50
Total Noncurrent Assets	60,482.50	0.00	60,482.50
TOTAL ASSETS	698,167.67	454,075.42	1,152,243.09
NET POSITION:			
Restricted Net Position, Restricted for:			
Revenue Bond Debt Service	54,982.50		54,982.50
Revenue Bond Short Lived Asset Reserve	5,500.00		5,500.00
Equipment Repair and/or Replacement	125,512.37		125,512.37
Unrestricted Net Position	512,172.80	454,075.42	966,248.22
TOTAL NET POSITION	698,167.67	454,075.42	1,152,243.09

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, 2021

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
Operating Revenue:			
Charges for Goods and Services	584,541.06	254,886.93	839,427.99
Surcharge as Security for Debt	13,227.49	138,212.79	151,440.28
Miscellaneous	4,741.50	150.00	4,891.50
Total Operating Revenue	602,510.05	393,249.72	995,759.77
Operating Expenses:			
Personal Services	96,376.10	151,687.41	248,063.51
Other Current Expense	97,730.96	211,492.96	309,223.92
Materials	281,658.50		281,658.50
Total Operating Expenses	475,765.56	363,180.37	838,945.93
Operating Income (Loss)	126,744.49	30,069.35	156,813.84
Nonoperating Revenue (Expense):			
Investment Earnings	367.99		367.99
Capital Assets	(203,476.81)	(1,839,373.09)	(2,042,849.90)
Debt Service (Principal)	(34,063.96)	(1,693,423.77)	(1,727,487.73)
Debt Service (Interest)	(4,566.60)	(83,335.38)	(87,901.98)
Long-Term Debt Issued		1,904,226.26	1,904,226.26
Total Nonoperating Revenue (Expense)	(241,739.38)	(1,711,905.98)	(1,953,645.36)
Income (Loss) Before Contributions	(114,994.89)	(1,681,836.63)	(1,796,831.52)
Capital Contributions	212,353.87	1,894,550.85	2,106,904.72
Change in Net Position	97,358.98	212,714.22	310,073.20
Net Position - Beginning	600,808.69	241,361.20	842,169.89
NET POSITION - ENDING	698,167.67	454,075.42	1,152,243.09

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, 2021

	<u>Custodial Funds</u>
ASSETS:	
Cash and Cash Equivalents	<u>1,505.60</u>
TOTAL ASSETS	<u>1,505.60</u>
NET POSITION	
Restricted for:	
Wagner Lake Improvements	<u>1,505.60</u>
TOTAL NET POSITION	<u>1,505.60</u>

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, 2021

	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	1,505.08
NET POSITION - ENDING	1,505.60

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. Capital Assets:

Capital assets include land, buildings, improvements other than buildings, furnishings and equipment, construction/development in progress, infrastructure, intangible lease assets, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type are presented using a modified cash basis of accounting. The Municipality has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating/amortizing those assets where appropriate, so any capital assets owned by the Municipality and the related depreciation/amortization are not reported on the financial statements of the Municipality.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

f. 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 liabilities 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 liabilities of proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

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

g. Program Revenues:

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

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

h. 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.

i. 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".

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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.

j. 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.

k. 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:

Pool Construction	\$ 1,000,000.00	Ordinance
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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.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

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

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

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

General Fund:	<u>12/31/2021</u>	<u>12/31/2022</u>
Activity:		
Legislative		619.20
General Govt - Other		1,773.04
Libraries		3,305.11
Auditorium		1,234.84
Debt Service	0.57	0.56

The Municipality plans to take the following actions to address these violations: use supplemental budgets and contingency transfers when authority exists.

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.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

As of December 31, 2022, 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.

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. RESTRICTED CASH AND INVESTMENTS

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

2021	2022	Purpose:
\$54,982.00	\$54,982.00	For Debt Service, by debt covenants
\$ 5,500.00	\$ 5,500.00	For Short-Lived Assets, by debt covenants

5. 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.

6. 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.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

The following are the minimum payments on this commitment:

2023	\$ 48,156.00
2024	\$ 48,156.00
2025	\$ 48,156.00
2026	\$ 48,156.00
2027	\$ 48,156.00
2028-2032	\$ 240,780.00
2033-2035	\$ 112,364.00

7. NONEXCHANGE FINANCIAL GUARANTEE

The Municipality of Wagner has entered into a debt service agreement with the Wagner Housing and Redevelopment Commission (a component unit of the Municipality of Wagner) pursuant to the type described in SDCL 11-7A-2(8). The agreement is to provide a partial back-up and guarantee in an amount not to exceed 25% to allow the Wagner HRC to issue a \$916,830.85 in revenue bonds to finance a housing development project. The balance of the bonds at December 31, 2022 is \$791,375.22.

8. RESTRICTED NET POSITION

Restricted Net Position for the two years ended December 31, 2022 was as follows:

	2021	2022
Major Purposes:		
Road Maintenance	\$ 1,181,542.20	\$ 1,128,400.60
Library Fine Purposes	22,258.26	23,309.03
Equipment Repair/Replacement	125,512.37	140,451.31
Debt Service Purposes	54,982.50	54,982.50
Debt Short Lived Asset Purpose	5,500.00	5,500.00
Total Restricted Net Assets/Net Position	\$ 1,389,795.33	\$ 1,352,643.44

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

9. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2022, were as follows:

	Transfers To:	
Transfers From:	General Fund	
Major Funds:		
Restricted Road Fund	\$	60,000.00

The Municipality transferred to the General Fund from the Restricted Road Fund to pay for annual chip sealing.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

10. 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 four classes of members, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation 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. Class A and B eligible spouses of Foundation members may receive a 60 percent joint survivor benefit when the member dies.

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

- 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.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

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, 2022, 2021, and 2020, equal to the required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 42,257.91
2021	\$ 38,502.20
2020	\$ 40,727.18

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

At June 30, 2022, SDRS is 100.1% 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, 2022 and reported by the Municipality as of December 31, 2022 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 3,985,827.44
Less proportionate share of total pension liability	<u>\$ 3,988,495.82</u>
Proportionate share of net pension liability (asset)	<u>\$ (2,668.38)</u>

The net pension liability (asset) was measured as of June 30, 2022 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, 2022, the Municipality's proportion was 0.028235000%, which is an increase (decrease) of (0.0006150%) from its proportion measured as of June 30, 2021.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

At June 30, 2021, SDRS is 105.53% 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, 2021 and reported by the Municipality as of December 31, 2021 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 4,000,447.80
Less proportionate share of total pension liability	<u>\$ 4,221,389.42</u>
Proportionate share of net pension liability (asset)	<u>\$ (220,941.62)</u>

The net pension liability (asset) was measured as of June 30, 2021 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, 2021, the Municipality's proportion was 0.02885000%, which is an increase (decrease) of (0.0018148%) from its proportion measured as of June 30, 2020.

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

Mortality Rates:

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

The actuarial assumptions used in the June 30, 2022 valuations were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

The total pension liability (asset) in the June 30, 2021 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. This is composed of an average inflation rate of 2.25% and real returns of 4.25%
Future COLAs	2.25%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 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.

The actuarial assumptions used in the June 30, 2021 valuation 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 of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (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%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	<u>100%</u>	

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	100%	

Discount Rate:

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

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

At June 30, 2022, the following presents the Municipality’s proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, 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% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality’s proportionate share of the net pension liability (asset)	\$ 554,065.53	\$(2,668.38)	\$(457,667.09)

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

At June 30, 2021, the following presents the Municipality’s proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, 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% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality’s proportionate share of the net pension liability (asset)	\$ 357,759.46	\$(220,941.62)	\$(690,712.19)

Pension Plan Fiduciary Net Position:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

11. 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, 2022, 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 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 October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing member with such a partial refund because the departing member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing member pursuant to the revised IGC.

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

Worker's Compensation:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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.

12. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2022, the Municipality was not involved in any significant litigation.

13. 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.

The most recent financial information available for this joint venture is for the year ended December 31, 2022. At December 31, 2022, this joint venture had total assets and deferred outflows of \$2,415,267.26, total liabilities and deferred inflows of \$562,977.74, and net position of \$1,852,289.52.

14. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through May 15, 2024, 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, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	466,628.00	466,628.00	470,567.94	3,939.94
General Sales and Use Taxes	800,000.00	800,000.00	1,008,192.55	208,192.55
Penalties and Interest on Delinquent Taxes	0.00	0.00	987.62	987.62
Total Taxes	<u>1,266,628.00</u>	<u>1,266,628.00</u>	<u>1,479,748.11</u>	<u>213,120.11</u>
Licenses and Permits	<u>24,000.00</u>	<u>24,000.00</u>	<u>31,435.00</u>	<u>7,435.00</u>
Intergovernmental Revenue:				
Federal Grants	346,500.00	346,500.00	76,309.94	(270,190.06)
State Grants	60,257.00	60,257.00	4,000.00	(56,257.00)
State Shared Revenue:				
Bank Franchise Tax	5,500.00	5,500.00	6,968.62	1,468.62
Prorate License Fees	4,000.00	4,000.00	1,888.31	(2,111.69)
Liquor Tax Reversion	10,000.00	10,000.00	10,440.78	440.78
Motor Vehicle Licenses	18,000.00	18,000.00	20,695.13	2,695.13
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	24,559.36	1,559.36
County Wheel Tax	7,200.00	7,200.00	8,833.16	1,633.16
Total Intergovernmental Revenue	<u>477,657.00</u>	<u>477,657.00</u>	<u>156,960.41</u>	<u>(320,696.59)</u>
Charges for Goods and Services:				
Public Safety	3,600.00	3,600.00	7,033.25	3,433.25
Highways and Streets	5,660.00	5,660.00	1,320.00	(4,340.00)
Sanitation	0.00	0.00	61.62	61.62
Culture and Recreation	54,962.00	54,962.00	54,754.43	(207.57)
Other	15,500.00	15,500.00	19,815.89	4,315.89
Total Charges for Goods and Services	<u>79,722.00</u>	<u>79,722.00</u>	<u>82,985.19</u>	<u>3,263.19</u>
Fines and Forfeits:				
Court Fines and Costs	500.00	500.00	519.16	19.16
Library	0.00	0.00	1,050.77	1,050.77
Total Fines and Forfeits	<u>500.00</u>	<u>500.00</u>	<u>1,569.93</u>	<u>1,069.93</u>
Miscellaneous Revenue:				
Investment Earnings	6,000.00	6,000.00	10,535.39	4,535.39
Rentals	25,250.00	25,250.00	20,970.73	(4,279.27)
Special Assessments	0.00	0.00	5,334.51	5,334.51
Contributions and Donations from Private Sources	0.00	35,000.00	0.00	(35,000.00)
Liquor Operating Agreement Income	60,000.00	60,000.00	67,784.81	7,784.81
Other	0.00	0.00	601.86	601.86
Total Miscellaneous Revenue	<u>91,250.00</u>	<u>126,250.00</u>	<u>105,227.30</u>	<u>(21,022.70)</u>
Total Revenue	<u>1,939,757.00</u>	<u>1,974,757.00</u>	<u>1,857,925.94</u>	<u>(116,831.06)</u>

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WAGNER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Legislative	0.00	0.00	619.20	(619.20)
Contingency	15,000.00	15,000.00		
Amount Transferred		(15,000.00)		0.00
Executive	42,650.00	42,650.00	41,050.86	1,599.14
Elections	1,200.00	1,200.00	1,198.92	1.08
Financial Administration	97,142.00	99,242.00	93,734.02	5,507.98
Other	112,725.00	115,125.00	116,898.04	(1,773.04)
Total General Government	<u>268,717.00</u>	<u>258,217.00</u>	<u>253,501.04</u>	<u>4,715.96</u>
Public Safety:				
Police	527,313.00	562,313.00	526,828.54	35,484.46
Other Protection	1,000.00	3,000.00	185.00	2,815.00
Total Public Safety	<u>528,313.00</u>	<u>565,313.00</u>	<u>527,013.54</u>	<u>38,299.46</u>
Public Works:				
Highways and Streets	262,453.00	369,553.00	361,815.28	7,737.72
Sanitation	20,500.00	20,500.00	16,106.70	4,393.30
Airport	421,900.00	421,900.00	285,275.97	136,624.03
Total Public Works	<u>704,853.00</u>	<u>811,953.00</u>	<u>663,197.95</u>	<u>148,755.05</u>
Health and Welfare:				
Health	9,200.00	9,200.00	4,661.55	4,538.45
Total Health and Welfare	<u>9,200.00</u>	<u>9,200.00</u>	<u>4,661.55</u>	<u>4,538.45</u>
Culture and Recreation:				
Recreation	546,637.00	546,637.00	161,413.23	385,223.77
Parks	158,842.00	158,842.00	79,487.41	79,354.59
Libraries	79,911.00	81,511.00	84,816.11	(3,305.11)
Auditorium	73,615.00	80,415.00	81,649.84	(1,234.84)
Museums	500.00	500.00	500.00	0.00
Total Culture and Recreation	<u>859,505.00</u>	<u>867,905.00</u>	<u>407,866.59</u>	<u>460,038.41</u>
Conservation and Development:				
Urban Redevelopment and Housing	61,618.00	61,618.00	43,618.04	17,999.96
Economic Development and Assistance	75,650.00	75,650.00	74,990.63	659.37
Total Conservation and Development	<u>137,268.00</u>	<u>137,268.00</u>	<u>118,608.67</u>	<u>18,659.33</u>
Debt Service	<u>34,556.00</u>	<u>34,556.00</u>	<u>34,556.56</u>	<u>(0.56)</u>
Total Expenditures	<u>2,542,412.00</u>	<u>2,684,412.00</u>	<u>2,009,405.90</u>	<u>675,006.10</u>
Excess of Revenue Over (Under) Expenditures	<u>(602,655.00)</u>	<u>(709,655.00)</u>	<u>(151,479.96)</u>	<u>558,175.04</u>
Other Financing Sources (Uses):				
Transfers In	0.00	60,000.00	60,000.00	0.00
Sale of Municipal Property	0.00	0.00	10,438.00	10,438.00
Compensation for Loss or Damage to Capital Assets	0.00	0.00	5,885.65	5,885.65
Total Other Financing Sources (Uses)	<u>0.00</u>	<u>60,000.00</u>	<u>76,323.65</u>	<u>16,323.65</u>
Net Change in Fund Balances	<u>(602,655.00)</u>	<u>(649,655.00)</u>	<u>(75,156.31)</u>	<u>574,498.69</u>
Fund Balance - Beginning	1,658,715.67	1,658,715.67	1,658,715.67	0.00
FUND BALANCE - ENDING	<u>1,056,060.67</u>	<u>1,009,060.67</u>	<u>1,583,559.36</u>	<u>574,498.69</u>

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WAGNER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	466,796.00	466,796.00	463,198.90	(3,597.10)
General Sales and Use Taxes	760,000.00	760,000.00	943,211.73	183,211.73
Penalties and Interest on Delinquent Taxes	0.00	0.00	2,091.75	2,091.75
Total Taxes	1,226,796.00	1,226,796.00	1,408,502.38	181,706.38
Licenses and Permits	19,800.00	19,800.00	47,000.00	27,200.00
Intergovernmental Revenue:				
Federal Grants	45,000.00	55,000.00	167,581.37	112,581.37
State Grants	2,500.00	2,500.00	7,578.97	5,078.97
State Shared Revenue:				
Bank Franchise Tax	4,500.00	4,500.00	6,295.05	1,795.05
Prorate License Fees	4,000.00	4,000.00	4,518.40	518.40
Liquor Tax Reversion	10,000.00	10,000.00	11,329.08	1,329.08
Motor Vehicle Licenses	18,000.00	18,000.00	20,025.81	2,025.81
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	24,364.13	1,364.13
County Wheel Tax	7,200.00	7,200.00	7,667.67	467.67
Total Intergovernmental Revenue	117,400.00	127,400.00	252,625.59	125,225.59
Charges for Goods and Services:				
Public Safety	4,100.00	4,100.00	4,689.35	589.35
Highways and Streets	5,660.00	5,660.00	3,850.00	(1,810.00)
Sanitation	0.00	0.00	1,304.02	1,304.02
Culture and Recreation	49,362.00	49,362.00	60,579.73	11,217.73
Other	13,500.00	13,500.00	14,542.08	1,042.08
Total Charges for Goods and Services	72,622.00	72,622.00	84,965.18	12,343.18
Fines and Forfeits:				
Court Fines and Costs	1,000.00	1,000.00	121.00	(879.00)
Total Fines and Forfeits	1,000.00	1,000.00	121.00	(879.00)
Miscellaneous Revenue:				
Investment Earnings	12,000.00	12,000.00	8,385.44	(3,614.56)
Rentals	39,000.00	39,000.00	25,409.94	(13,590.06)
Contributions and Donations from Private Sources	0.00	0.00	11,030.00	11,030.00
Liquor Operating Agreement Income	49,200.00	49,200.00	65,478.91	16,278.91
Other	0.00	0.00	1,978.89	1,978.89
Total Miscellaneous Revenue	100,200.00	100,200.00	112,283.18	12,083.18
Total Revenue	1,537,818.00	1,547,818.00	1,905,497.33	357,679.33

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WAGNER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2021

	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	40,580.00	40,580.00	39,548.69	1,031.31
Elections	1,200.00	1,200.00	779.56	420.44
Financial Administration	103,172.00	103,172.00	98,783.51	4,388.49
Other	103,771.00	213,771.00	209,367.38	4,403.62
Total General Government	263,723.00	358,723.00	348,479.14	10,243.86
Public Safety:				
Police	481,013.00	481,013.00	394,963.17	86,049.83
Other Protection	2,000.00	2,000.00	500.00	1,500.00
Total Public Safety	483,013.00	483,013.00	395,463.17	87,549.83
Public Works:				
Highways and Streets	431,989.00	431,989.00	308,014.67	123,974.33
Sanitation	19,000.00	21,000.00	19,326.51	1,673.49
Airport	88,000.00	118,000.00	116,969.88	1,030.12
Total Public Works	538,989.00	570,989.00	444,311.06	126,677.94
Health and Welfare:				
Health	9,200.00	9,200.00	4,060.98	5,139.02
Total Health and Welfare	9,200.00	9,200.00	4,060.98	5,139.02
Culture and Recreation:				
Recreation	443,872.00	448,872.00	114,141.36	334,730.64
Parks	36,477.00	59,477.00	51,912.01	7,564.99
Libraries	84,551.00	84,551.00	65,986.66	18,564.34
Auditorium	72,312.00	72,312.00	67,992.10	4,319.90
Museums	500.00	500.00	500.00	0.00
Total Culture and Recreation	637,712.00	665,712.00	300,532.13	365,179.87
Conservation and Development:				
Urban Redevelopment and Housing	38,850.00	38,850.00	24,804.00	14,046.00
Economic Development and Assistance	54,950.00	54,950.00	53,147.50	1,802.50
Total Conservation and Development	93,800.00	93,800.00	77,951.50	15,848.50
Debt Service	34,556.00	34,556.00	34,556.57	(0.57)
Total Expenditures	2,060,993.00	2,215,993.00	1,605,354.55	610,638.45
Excess of Revenue Over (Under) Expenditures	(523,175.00)	(668,175.00)	300,142.78	968,317.78
Other Financing Sources (Uses):				
Sale of Municipal Property	0.00	0.00	1,364.22	1,364.22
Compensation for Loss or Damage to Capital Assets	0.00	0.00	34,461.70	34,461.70
Total Other Financing Sources (Uses)	0.00	0.00	35,825.92	35,825.92
Net Change in Fund Balances	(523,175.00)	(668,175.00)	335,968.70	1,004,143.70
Fund Balance - Beginning	1,322,746.97	1,322,746.97	1,322,746.97	0.00
FUND BALANCE - ENDING	799,571.97	654,571.97	1,658,715.67	1,004,143.70

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, 2021 and 2022.

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

South Dakota Retirement System

*Last 8 Years

	Municipality's proportion of the net pension liability/asset	Municipality's proportionate share of net pension liability (asset)	Municipality's covered-employee payroll	Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2022	0.0282350%	\$ (2,668)	\$ 601,167	0.44%	100.10%
2021	0.0288500%	\$ (220,942)	\$ 585,626	37.73%	105.52%
2020	0.0306648%	\$ (1,332)	\$ 597,997	0.22%	100.04%
2019	0.0309832%	\$ (3,283)	\$ 583,339	0.56%	100.09%
2018	0.0287170%	\$ (670)	\$ 528,408	0.13%	100.02%
2017	0.0284453%	\$ (2,581)	\$ 506,894	0.51%	100.10%
2016	0.0296074%	\$ 100,011	\$ 436,535	22.91%	96.89%
2015	0.0266918%	\$ (113,208)	\$ 432,525	26.17%	104.10%

*The amounts presented for each year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30. Until a 10-year trend is compiled, the Municipality will present information for those years for which information is available.

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

*Last 8 Years

	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required</u>	<u>Contribution deficiency (excess)</u>	<u>Municipality's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2022	\$ 42,258	\$ 42,258	\$ -	\$ 677,278	6.24%
2021	\$ 38,502	\$ 38,502	\$ -	\$ 575,817	6.69%
2020	\$ 40,727	\$ 40,727	\$ -	\$ 604,560	6.74%
2019	\$ 38,837	\$ 38,837	\$ -	\$ 576,499	6.74%
2018	\$ 37,951	\$ 37,951	\$ -	\$ 556,845	6.82%
2017	\$ 35,551	\$ 35,551	\$ -	\$ 522,373	6.81%
2016	\$ 32,369	\$ 32,369	\$ -	\$ 478,574	6.76%
2015	\$ 28,994	\$ 28,994	\$ -	\$ 429,923	6.74%

*Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

MUNICIPALITY OF WAGNER
Notes to Required Supplementary Information
for the Year Ended December 31, 2022

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions.

Changes from Prior Valuation

The June 30, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

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

Benefit Provision Changes

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety members.

Actuarial Assumption Changes

As a result of an experience analysis covering the period from July 1, 2016 to June 30, 2021 and presented to the SDRS Board of Trustees in April and June, 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022 valuation.

The changes to economic assumptions included increasing the price inflation to 2.5% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.5% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) 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%.

As of June 30, 2021 the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021 Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

MUNICIPALITY OF WAGNER
Notes to Required Supplementary Information
for the Year Ended December 31, 2022
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions
(Continued)

As of June 30, 2022 the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.1%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027 Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

Actuarial Method Changes

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.

MUNICIPALITY OF WAGNER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended December 31, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures 2021	Total Federal Expenditures 2022
Department of Agriculture:				
Direct Federal Funding:				
Community Facilities Loans and Grants (Note 3)	10.766		2,005,371.10	195,379.66
Total Department of Agriculture			<u>2,005,371.10</u>	<u>195,379.66</u>
Department of Transportation:				
Indirect Federal Funding:				
SD Department of Public Transportation, Airport Improvement Program	20.106		99,388.36	17,606.69
Airport Improvement Program (COVID 19)	20.106		5,964.79	32,956.31
Total Department of Transportation			<u>105,353.15</u>	<u>50,563.00</u>
US Department of Treasury - Direct Programs:				
Coronavirus State and Local Fiscal Recovery Funds	21.027		138,322.40	141,446.27
Total US Department of Treasury			<u>138,322.40</u>	<u>141,446.27</u>
General Services Administration:				
Indirect Federal Funding:				
SD Federal Property Agency: Donation of Federal Surplus Personal Property (Note 5)	39.003	N/A	2,366.45	540.35
Total General Services Administration			<u>2,366.45</u>	<u>540.35</u>
GRAND TOTAL			<u>2,251,413.10</u>	<u>387,929.28</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, 2021 and 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Municipality, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipality.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified 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, 2022. These loan balances outstanding which have continuing compliance requirements are also included in the federal expenditures presented in the Schedule.

Cluster/Program Title	Federal ALN Number	Amount Outstanding	Included as Federal Expenditure on this Schedule for 2021	Included as Federal Expenditure on this Schedule for 2022
USDA Rural Development Loan	10.766	1,663,431.01	103,788.75	0.00

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	1,443,985.09	178,226.26	(1,622,211.35)	0.00

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:					
Direct Borrowing					
Lease Payable	107,729.79	0.00	(58,837.44)	48,892.35	32,114.06
Total Debt	<u>107,729.79</u>	<u>0.00</u>	<u>(58,837.44)</u>	<u>48,892.35</u>	<u>32,114.06</u>
Accrued Compensated Absences-					
Governmental Funds	14,194.34	40,416.18	(41,606.40)	13,004.12	10,000.00
Total Governmental Activities	<u>121,924.13</u>	<u>40,416.18</u>	<u>(100,443.84)</u>	<u>61,896.47</u>	<u>42,114.06</u>
Business-Type Activities:					
Clean Water Revolving Loan,					
Series 2007	68,023.42	0.00	(14,862.39)	53,161.03	7,799.89
Drinking Water Revolving Loan # 1,					
Series 2007	450,000.00	0.00	(50,000.00)	400,000.00	25,000.00
Drinking Water Revolving Loan # 2,					
Series 2007	100,625.17	0.00	(11,666.64)	88,958.53	5,833.32
Water and Sewer Revenue Bond					
Series 2010	465,748.93	0.00	(19,877.41)	445,871.52	10,393.10
Water and Wastewater Revenue					
Bonds - Series 2015	1,619,801.41	0.00	(61,899.00)	1,557,902.41	32,003.98
Sewer and Water Revenue					
Bonds - Series 2021	0.00	1,726,000.00	(62,568.99)	1,663,431.01	34,291.13
Total Debt	<u>2,704,198.93</u>	<u>1,726,000.00</u>	<u>(220,874.43)</u>	<u>4,209,324.50</u>	<u>115,321.42</u>
Accrued Compensated Absences-					
Business-Type Funds	5,148.89	5,880.58	(5,780.66)	5,248.81	3,500.00
Total Business-Type Activities	<u>2,709,347.82</u>	<u>1,731,880.58</u>	<u>(226,655.09)</u>	<u>4,214,573.31</u>	<u>118,821.42</u>
Total Primary Government	<u><u>2,831,271.95</u></u>	<u><u>1,772,296.76</u></u>	<u><u>(327,098.93)</u></u>	<u><u>4,276,469.78</u></u>	<u><u>160,935.48</u></u>

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WAGNER
(Continued)

Debt payable at December 31, 2022, is comprised of the following:

Revenue Bonds:

Clean Water Revolving Loan – Series 2007	\$ 53,161.03
Maturity Date: January 15, 2029	
Interest Rate: 3.25%	
Payable from Sewer Fund	

Drinking Water Revolving Loan # 1 – Series 2007	\$ 400,000.00
Maturity Date: October 15, 2038	
Interest Rate: 0.00%	
Payable from Water Fund	

Drinking Water Revolving Loan # 2 – Series 2007	\$ 88,958.53
Maturity Date: January 15, 2038	
Interest Rate: 0.00%	
Payable from Water Fund	

Water and Sewer Project Revenue Bond – Series 2010	\$ 445,871.52
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	\$1,557,902.41
Maturity Date: April 19, 2056	
Interest Rate: 2.25%	
Payable from Sewer Fund	

Water and Wastewater Project Revenue Bonds – Series 2021	\$1,663,431.01
Maturity Date: December 10, 2060	
Interest Rate: 1.25%	
Payable from Sewer Fund	

Direct Borrowing Lease Payable:

Government Lease Purchase for Armory Energy Improvements	\$ 48,892.35
Maturity Date: June 17, 2024	
Interest Rate: 5.96%	
Payable from the General Fund	

The Municipality's outstanding notes from direct borrowings and direct placements related to governmental activities of \$48,892.35 include a provision that in an event of default, outstanding amounts may become immediately due and payable and may also require the surrender of equipment collateralized. Collateralized equipment on the direct borrowing lease payable includes the Schedule of Energy Conversion Measures.

Compensated Absences:

Payable from General Fund	\$ 13,004.12
Payable from Water Fund	\$ 830.33
Payable from Sewer Fund	\$ 4,418.48
Payment to be made by the fund that the payroll expenditures are charged to.	

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WAGNER
(Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2022, except for compensated absences, are as follows:

Annual Requirements to Maturity for Long-Term Debt
December 31, 2022

Year Ending	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
December 31,						
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	8,595.30	837.90	25,000.00		5,833.32	
2027	8,878.07	555.12	25,000.00		5,833.32	
2028-2032	11,509.75	281.75	125,000.00		29,166.60	
2033-2037			125,000.00		29,166.60	
2038-2042			25,000.00		1,458.73	
Totals	<u>53,161.03</u>	<u>5,796.46</u>	<u>400,000.00</u>	<u>0.00</u>	<u>88,958.53</u>	<u>0.00</u>

Year Ending	Water and Sewer Project Revenue Bond - Series 2010		Water and Wastewater Project Revenue Bond - Series 2015		Water and Wastewater Project Revenue Bond - Series 2021	
	Principal	Interest	Principal	Interest	Principal	Interest
December 31,						
2023	10,393.10	13,234.90	32,003.98	34,728.02	34,291.13	20,596.87
2024	10,709.21	12,918.90	32,731.55	34,000.45	34,722.24	20,165.76
2025	11,034.95	12,593.05	33,475.65	33,256.35	35,158.75	19,729.25
2026	11,370.58	12,257.42	34,236.67	32,495.33	35,600.76	19,287.24
2027	11,716.43	11,911.57	35,014.99	31,717.01	36,048.34	18,839.66
2028-2032	64,149.43	53,990.57	187,383.29	146,276.71	187,154.61	87,285.39
2033-2037	74,517.06	43,622.94	209,673.34	123,986.66	199,218.59	75,221.41
2038-2042	86,560.26	31,579.74	234,614.92	99,045.08	212,060.14	62,379.86
2043-2047	100,549.85	17,590.15	262,523.38	71,136.62	225,729.52	48,710.48
2048-2052	64,870.65	4,044.35	293,751.69	39,908.31	240,279.97	34,160.03
2053-2057			202,492.95	8,825.05	255,768.42	18,671.58
2058-2061					167,398.54	3,363.75
Totals	<u>445,871.52</u>	<u>213,743.59</u>	<u>1,557,902.41</u>	<u>655,375.59</u>	<u>1,663,431.01</u>	<u>428,411.28</u>

Year Ending	Direct Borrowing Lease Payable		Totals	
	Principal	Interest	Principal	Interest
December 31,				
2023	32,114.06	2,442.50	147,435.48	72,635.60
2024	16,778.29	499.99	133,831.10	68,961.81
2025			118,824.20	66,690.32
2026			120,636.63	64,877.89
2027			122,491.15	63,023.36
2028-2032			604,363.68	287,834.42
2033-2037			637,575.59	242,831.01
2038-2042			559,694.05	193,004.68
2043-2047			588,802.75	137,437.25
2048-2052			598,902.31	78,112.69
2053-2057			458,261.37	27,496.63
2058-2061			167,398.54	3,363.75
Totals	<u>48,892.35</u>	<u>2,942.49</u>	<u>4,258,216.85</u>	<u>1,306,269.41</u>