

***MUNICIPALITY OF WOONSOCKET
AUDIT REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2014***

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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

To the Board of Trustees
Municipality of Woonsocket, 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 and each major fund of the Municipality of Woonsocket, South Dakota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated January 16, 2017.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2014-001.

Municipality of Woonsocket, SD's Response to Finding

Municipality of Woonsocket, SD's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Municipality of Woonsocket, SD's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script that reads "CLO Prof LLC".

Mitchell, South Dakota
January 16, 2017

**MUNICIPALITY OF WOONSOCKET
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

SCHEDULE OF CURRENT AUDIT FINDINGS

Finding No. 2014-01 – Noncompliance with South Dakota bid laws

Criteria: Public improvement contracts involving fifty thousand dollars or more for supplies and services involving twenty five thousand dollars or more shall be advertised for public bids.

Condition: The Municipality did not seek bids in accordance with SDCL 5-18A-14 for procurement of asphalt for municipal projects.

Cause: The Municipality of Woonsocket thought they could use the bid contract awarded by Sanborn County Highway Department projects to be compliant with the bid process.

Effect: Municipality could pay excess funds for project contracts awarded.

Recommendation: Municipality of Woonsocket follow the SDCL 5-18A guidance to award contracts involving amounts at or in excess of the bid requirements.

View of Responsible Officials: Management agrees with the finding.



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INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees
Municipality of Woonsocket, South Dakota**

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Woonsocket, South Dakota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of the governmental activities, the business-type activities, and each major fund of the Municipality of Woonsocket as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis of Accounting

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

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Municipality's financial statements. The budgetary comparison schedule, schedule of changes in long-term debt, and municipal officials, listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, which is the responsibility of management and except for the schedule of changes in long-term debt and the municipal officials, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The schedule of changes in long-term debt and municipal officials has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2017 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "CIO of LLC".

Mitchell, South Dakota
January 16, 2017

MUNICIPALITY OF WOONSOCKET, SD
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2014

	<i>Primary Government</i>		
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
ASSETS			
Cash and cash equivalents	\$ 351,662	\$ 185,236	\$ 536,898
<i>Total Assets</i>	\$ 351,662	\$ 185,236	\$ 536,898
NET POSITION			
Unrestricted	\$ 351,662	\$ 185,236	\$ 536,898
<i>Total Net Position</i>	\$ 351,662	\$ 185,236	\$ 536,898

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

MUNICIPALITY OF WOONSOCKET, SD
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i> <i>Charges for Services</i>	<i>Net (Expense) Revenue and Changes in Net Position</i>		
			<i>Primary Government</i>		
			<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
<i>Primary Government:</i>					
<i>Governmental Activities:</i>					
General government	\$ 82,452	\$ 40,351	\$ (42,101)	\$ --	\$ (42,101)
Public safety	20,000	--	(20,000)	--	(20,000)
Public works	275,072	45,447	(229,625)	--	(229,625)
Culture and recreation	122,326	--	(122,326)	--	(122,326)
Conservation and development	6,055	--	(6,055)	--	(6,055)
Miscellaneous Expenditures	221	--	(221)	--	(221)
<i>Total Governmental Activities</i>	<u>506,126</u>	<u>85,798</u>	<u>(420,328)</u>	<u>--</u>	<u>(420,328)</u>
<i>Business-type Activities:</i>					
Water	70,737	80,857	--	10,120	10,120
Sewer	41,528	58,833	--	17,305	17,305
<i>Total Business-Type Activities</i>	<u>112,265</u>	<u>139,690</u>	<u>--</u>	<u>27,425</u>	<u>27,425</u>
<i>Total Primary Government</i>	<u>\$ 618,391</u>	<u>\$ 225,488</u>	<u>(420,328)</u>	<u>27,425</u>	<u>(392,903)</u>
<i>General Revenues:</i>					
<i>Taxes:</i>					
Property tax			174,872	--	174,872
Sales tax			203,506	--	203,506
Unrestricted investment earnings			892	--	892
Miscellaneous revenue			6,902	--	6,902
<i>Total General Revenues and Transfers</i>			<u>386,172</u>	<u>--</u>	<u>386,172</u>
<i>Change in Net Position</i>			(34,156)	27,425	(6,731)
<i>Net Position-Beginning of Year</i>			<u>385,818</u>	<u>157,811</u>	<u>543,629</u>
<i>Net Position-End of Year</i>			<u>\$ 351,662</u>	<u>\$ 185,236</u>	<u>\$ 536,898</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

MUNICIPALITY OF WOONSOCKET, SD
BALANCE SHEET – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>General Fund</u>	<u>2nd Cent Sales Tax Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 316,038	\$ 35,624	\$ 351,662
Total Assets	<u>\$ 316,038</u>	<u>\$ 35,624</u>	<u>\$ 351,662</u>
FUND BALANCES			
Committed	\$ --	\$ 35,624	\$ 35,624
Unassigned	316,038	--	316,038
Total Fund Balances	<u>\$ 316,038</u>	<u>\$ 35,624</u>	<u>\$ 351,662</u>

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

MUNICIPALITY OF WOONSOCKET, SD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>General Fund</u>	<u>2nd Cent Sales Tax Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes:			
General property taxes	\$ 174,872	\$ --	\$ 174,872
General sales and use taxes	102,235	101,271	203,506
Licenses and permits	3,900	--	3,900
Intergovernmental:			
Bank franchise tax	46	--	46
Motor vehicle commercial prorated	3,371	--	3,371
Liquor tax reversion	4,977	--	4,977
Motor vehicle licenses	10,628	--	10,628
Local government highway and bridge fund	20,070	--	20,070
County road tax	6,355	--	6,355
Charges for goods and services	40,351	--	40,351
Investment income	892	--	892
Miscellaneous	2,202	800	3,002
Total Revenue	<u>369,899</u>	<u>102,071</u>	<u>471,970</u>
Expenditures:			
Current:			
General government	82,452	--	82,452
Public safety:			
Police	20,000	--	20,000
Public works:			
Highways and streets	108,756	69,597	178,353
Sanitation	83,581	8,120	91,701
Cemeteries	5,018	--	5,018
Culture and recreation:			
Conservation and development:	73,214	49,112	122,326
Economic development and assistance (Industrial development)	6,055	--	6,055
Miscellaneous	221	--	221
Total Expenditures	<u>379,297</u>	<u>126,829</u>	<u>506,126</u>
Net Change in Fund Balance	(9,398)	(24,758)	(34,156)
Fund balances - Beginning of Year	<u>325,436</u>	<u>60,382</u>	<u>385,818</u>
Fund balances - End of Year	<u>\$ 316,038</u>	<u>\$ 35,624</u>	<u>\$ 351,662</u>

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

MUNICIPALITY OF WOONSOCKET, SD
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2014

	<i>Enterprise Funds</i>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 35,690	\$ 149,546	\$ 185,236
<i>Total Assets</i>	<u>\$ 35,690</u>	<u>\$ 149,546</u>	<u>\$ 185,236</u>
 NET POSITION			
Unrestricted	\$ 35,690	\$ 149,546	\$ 185,236
<i>Total Net Position</i>	<u>\$ 35,690</u>	<u>\$ 149,546</u>	<u>\$ 185,236</u>

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

MUNICIPALITY OF WOONSOCKET, SD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<i>Enterprise Funds</i>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<i>Operating Revenues:</i>			
Charges for goods and services	\$ 80,857	\$ 58,833	\$ 139,690
<i>Total Operating Revenues</i>	<u>80,857</u>	<u>58,833</u>	<u>139,690</u>
<i>Operating Expenses:</i>			
Personal services	23,933	15,049	38,982
Other current expense	15,383	--	15,383
Supplies and materials	31,421	26,479	57,900
<i>Total Operating Expenses</i>	<u>70,737</u>	<u>41,528</u>	<u>112,265</u>
<i>Operating Income</i>	<u>10,120</u>	<u>17,305</u>	<u>27,425</u>
<i>Change in net position</i>	10,120	17,305	27,425
<i>Net Position - Beginning of Year</i>	<u>25,570</u>	<u>132,241</u>	<u>157,811</u>
<i>Net Position - End of Year</i>	<u>\$ 35,690</u>	<u>\$ 149,546</u>	<u>\$ 185,236</u>

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

MUNICIPALITY OF WOONSOCKET, SD
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<i>Enterprise Funds</i>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>			
Receipt from customers	\$ 80,857	\$ 58,833	\$ 139,690
Payments to suppliers	(46,804)	(26,479)	(73,283)
Payments to employees	<u>(23,933)</u>	<u>(15,049)</u>	<u>(38,982)</u>
 <i>NET CASH PROVIDED BY OPERATING ACTIVITIES</i>	 <u>10,120</u>	 <u>17,305</u>	 <u>27,425</u>
 <i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i>	 10,120	 17,305	 27,425
 <i>CASH AND CASH EQUIVALENTS - Beginning of Year</i>	 <u>25,570</u>	 <u>132,241</u>	 <u>157,811</u>
 <i>CASH AND CASH EQUIVALENTS - End of Year</i>	 <u><u>\$ 35,690</u></u>	 <u><u>\$ 149,546</u></u>	 <u><u>\$ 185,236</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

MUNICIPALITY OF WOONSOCKET, SD
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

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

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

At this time, Woonsocket has no component units of government which are separate legal entities and for which the Municipality is financially accountable.

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the 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.

MUNICIPALITY OF WOONSOCKET, SD
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

b. **Basis of Presentation:** *(continued)*

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 two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, or
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's 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 considered to be 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.

2nd Cent Sales Tax Fund: To account for half of the 2% municipal general sales tax used for expenditures of capital improvements and any other use the Municipality deems appropriate for this fund. This is a major fund.

MUNICIPALITY OF WOONSOCKET, SD
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

b. **Basis of Presentation:** *(continued)*

Fund Financial Statements: *(continued)*

Proprietary Funds:

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

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

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

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

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

MUNICIPALITY OF WOONSOCKET, SD
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

c. **Measurement Focus and Basis of Accounting:** *(continued)*

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. An acceptable modification to the cash basis of accounting implemented by the Municipality in these financial statements is:

Recording long-term investments (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.

MUNICIPALITY OF WOONSOCKET, SD
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

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

e. **Capital Assets:**

The accounting treatment for property, plant and equipment (capital assets) is the same whether the assets are used in governmental fund operations or proprietary fund or whether they are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

f. **Long-Term Liabilities:**

Under the modified cash basis of accounting, cash proceeds from long-term debt issuances are 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. Debt service costs are not allocated, but are reported as a separate program cost category.

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

MUNICIPALITY OF WOONSOCKET, SD
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

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 in a manner consistent with how they are classified in a Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. **Cash and Cash Equivalents:**

The Municipality pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

j. **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 their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. **Unrestricted net position** – Other net position that does not meet the definition of "restricted".

MUNICIPALITY OF WOONSOCKET, SD
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)***

j. ***Equity Classifications: (continued)***

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between “Restricted”, “Committed”, “Assigned” and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

k. ***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.

l. ***Fund Balance Classification Policies and Procedures:***

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

Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the governing body or 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 Municipality would use restricted amounts first when both restricted and unrestricted fund balances are 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 assigned then lastly unassigned amounts of restricted fund balance when expenditures are made.

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

MUNICIPALITY OF WOONSOCKET, SD
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

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

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

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

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

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

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

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

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

MUNICIPALITY OF WOONSOCKET, SD
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

3. PROPERTY TAXES:

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

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

4. LONG-TERM DEBT:

A summary of changes in long-term debt can be found on page 36.

Debt payable at December 31, 2014 is comprised of the following:

Department of Environment and Natural Resources (DENR)	<u>\$ 285,667</u>
Use of Proceeds: Drinking Water SRF Loan	
Interest Rate: 3.00% Fixed	
Maturity Date: January 2042	
Fund Servicing Debt: Water	
Subsequent Information: Principal forgiveness of \$416,500 on 1/1/12	

The annual requirements to amortize all debt outstanding as of December 31, 2014 including interest, are listed below:

<i>Years Ending Dec. 31,</i>	<i>Other Long-Term Debt</i>	
	<u><i>Principal</i></u>	<u><i>Interest</i></u>
2015	\$ 6,890	\$ 8,493
2016	7,099	8,284
2017	7,314	8,069
2018	7,536	7,847
2019	7,765	7,618
2019-2042	249,063	94,136
TOTAL	<u>\$ 285,667</u>	<u>\$ 134,447</u>

MUNICIPALITY OF WOONSOCKET, SD
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

5. RETIREMENT PLAN:

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

General employees are required by state statute to contribute 6 percent of their salary to the plan. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2014, 2013, and 2012 were \$6,039, \$5,822 and \$5,685, respectively, equal to the required contributions each year.

6. 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, 2014, the Municipality managed its risks as follows:

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 risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality.

The Municipality pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for:

- Governmental General Liability
- Automobile Liability
- Officials Liability
- Governmental Property

MUNICIPALITY OF WOONSOCKET, SD
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

6. RISK MANAGEMENT: (continued)

Liability Insurance: (continued)

The agreement with the South Dakota Public Assurance Alliance provides that the above coverages will be provided to a \$2,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. The Municipality carries a \$250-1,000 deductible for the property coverage, depending on the type of property.

The Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Unemployment Benefits:

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

SUPPLEMENTAL INFORMATION

MUNICIPALITY OF WOONSOCKET, SD
BUDGETARY COMPARISON SCHEDULES – MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	DECEMBER 31, 2014			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<i>Resources (Inflows):</i>				
<i>Taxes:</i>				
General property tax	\$ 188,252	\$ 188,252	\$ 174,872	\$ (13,380)
General sales and use tax	90,000	90,000	102,235	12,235
<i>Total Taxes:</i>	<u>278,252</u>	<u>278,252</u>	<u>277,107</u>	<u>(1,145)</u>
<i>Intergovernmental:</i>				
<i>State Shared Revenue:</i>				
State grants	1,000	1,000	--	(1,000)
Bank franchise tax	100	100	46	(54)
Motor vehicle commercial prorated	3,000	3,000	3,371	371
Liquor tax reversion	3,500	3,500	4,977	1,477
Motor vehicle licenses (5%)	6,000	6,000	10,628	4,628
Local government highway and bridge fund	12,000	12,000	20,070	8,070
<i>County Shared Revenue:</i>				
County road tax (25%)	7,000	7,000	--	(7,000)
County hwy & bridge tax (25%)	3,500	3,500	6,355	2,855
<i>Total Intergovernmental Revenue</i>	<u>36,100</u>	<u>36,100</u>	<u>45,447</u>	<u>9,347</u>
<i>Licenses and Permits</i>	<u>3,500</u>	<u>3,500</u>	<u>3,900</u>	<u>400</u>
<i>Charges for Goods and Services:</i>				
Sanitation	53,500	53,500	39,603	(13,897)
Culture & recreation	1,000	1,000	748	(252)
<i>Total Charges for Goods and Services</i>	<u>54,500</u>	<u>54,500</u>	<u>40,351</u>	<u>(14,149)</u>
<i>Fines and Forfeits</i>	<u>100</u>	<u>100</u>	<u>--</u>	<u>(100)</u>
<i>Miscellaneous Revenue:</i>				
Investment income	7,915	7,915	892	(7,023)
Contributions and donations from private sources	500	500	2,202	1,702
<i>Total Miscellaneous Revenue</i>	<u>8,415</u>	<u>8,415</u>	<u>3,094</u>	<u>(5,321)</u>
<i>Total Revenue</i>	<u>\$ 380,867</u>	<u>\$ 380,867</u>	<u>\$ 369,899</u>	<u>\$ (10,968)</u>

See accompanying Notes to Budgetary Comparison Schedules.

MUNICIPALITY OF WOONSOCKET, SD
BUDGETARY COMPARISON SCHEDULES – MODIFIED CASH BASIS
GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

	DECEMBER 31, 2014			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<i>Charges to Appropriation (Outflows):</i>				
<i>General Government:</i>				
Legislative				
Legislative	\$ 7,700	\$ 7,700	\$ 6,000	\$ 1,700
Contingency	14,000	14,000	--	14,000
Executive	2,600	2,600	2,400	200
Elections	375	375	528	(153)
Financial Administration	70,362	70,362	73,274	(2,912)
Other	18,692	18,692	250	18,442
<i>Total General Government</i>	<u>113,729</u>	<u>113,729</u>	<u>82,452</u>	<u>31,277</u>
<i>Public Safety:</i>				
Police	21,500	21,500	20,000	1,500
<i>Total Public Safety</i>	<u>21,500</u>	<u>21,500</u>	<u>20,000</u>	<u>1,500</u>
<i>Public Works:</i>				
Highways and streets	97,793	97,793	108,756	(10,963)
Sanitation	67,122	67,122	83,581	(16,459)
Cemeteries	9,435	9,435	5,018	4,417
<i>Total Public Works</i>	<u>174,350</u>	<u>174,350</u>	<u>197,355</u>	<u>(23,005)</u>
<i>Health and Welfare</i>	<u>3,210</u>	<u>3,210</u>	<u>--</u>	<u>3,210</u>
<i>Culture and Recreation:</i>				
Recreation	29,863	29,863	23,204	6,659
Parks	15,515	15,515	32,233	(16,718)
Libraries	11,700	11,700	17,777	(6,077)
<i>Total Culture and Recreation</i>	<u>57,078</u>	<u>57,078</u>	<u>73,214</u>	<u>(16,136)</u>
<i>Conservation and Development</i>	<u>6,000</u>	<u>6,000</u>	<u>6,055</u>	<u>(55)</u>
<i>Miscellaneous</i>	<u>--</u>	<u>--</u>	<u>221</u>	<u>(221)</u>
<i>Capital Replacement</i>	<u>5,000</u>	<u>5,000</u>	<u>--</u>	<u>5,000</u>
<i>Total Expenditures</i>	<u>380,867</u>	<u>380,867</u>	<u>379,297</u>	<u>1,570</u>
<i>Excess of Revenues (Under) Expenditures</i>	<u>--</u>	<u>--</u>	<u>(9,398)</u>	<u>(9,398)</u>
<i>Net Change in Fund Balance</i>	<u>--</u>	<u>--</u>	<u>(9,398)</u>	<u>(9,398)</u>
<i>Beginning Budgetary Fund Balance</i>	325,436	325,436	325,436	--
<i>Ending Budgetary Fund Balance</i>	<u>\$ 325,436</u>	<u>\$ 325,436</u>	<u>\$ 316,038</u>	<u>\$ (9,398)</u>

See accompanying Notes to Budgetary Comparison Schedules.

MUNICIPALITY OF WOONSOCKET, SD
BUDGETARY COMPARISON SCHEDULES – MODIFIED CASH BASIS
2ND CENT SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<i>Variance with Final Budget Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<i>Resources (Inflows):</i>				
<i>Taxes</i>	\$ 90,000	\$ 90,000	\$ 101,271	\$ 11,271
<i>Miscellaneous</i>	--	--	800	800
<i>Total Revenue</i>	<u>90,000</u>	<u>90,000</u>	<u>102,071</u>	<u>12,071</u>
<i>Charges to Appropriations (Outflows):</i>				
<i>Public Works:</i>				
<i>Highways and streets</i>	75,000	75,000	69,597	5,403
<i>Sanitation</i>	--	--	8,120	(8,120)
<i>Total Public Works</i>	<u>75,000</u>	<u>75,000</u>	<u>77,717</u>	<u>(2,717)</u>
<i>Culture and Recreation</i>	<u>10,000</u>	<u>25,000</u>	<u>49,112</u>	<u>(24,112)</u>
<i>Conservation and Development:</i>	<u>5,000</u>	<u>5,000</u>	--	5,000
<i>Total Expenditures</i>	<u>90,000</u>	<u>105,000</u>	<u>126,829</u>	<u>(21,829)</u>
<i>Excess of Revenues (Under) Expenditures</i>	--	(15,000)	(24,758)	(9,758)
<i>Net Change in Fund Balance</i>	--	(15,000)	(24,758)	(9,758)
<i>Beginning Budgetary Fund Balance</i>	60,382	60,382	60,382	--
<i>Ending Budgetary Fund Balance</i>	<u>\$ 60,382</u>	<u>\$ 45,382</u>	<u>\$ 35,624</u>	<u>\$ (9,758)</u>

See accompanying Notes to Budgetary Comparison Schedules.

MUNICIPALITY OF WOONSOCKET, SD
NOTES TO BUDGETARY COMPARISON SCHEDULES
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND
AND FOR EACH MAJOR SPECIAL REVENUE FUND
WITH A LEGALLY REQUIRED BUDGET
DECEMBER 31, 2014

Note 1: Budgets and Budgetary Accounting:

The Municipality follows these procedures in establishing the budgetary data reflected in the schedules:

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

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

The Municipality did not encumber any amounts at December 31, 2014.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. The Municipality of Woonsocket presents its budget on the modified cash basis of accounting to coincide with the basis of accounting utilized by the basic financial statements. See Note 1 to the basic financial statements for a definition of modified cash basis.

MUNICIPALITY OF WOONSOCKET, SD
SCHEDULE OF CHANGES IN LONG-TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2014

<i>Indebtedness</i>	<i>Long-Term Debt 1-Jan-14</i>	<i>Add New Debt</i>	<i>Less Debt Retired</i>	<i>Long-Term Debt 31-Dec-14</i>
Governmental Long-Term Debt:				
Other Long-Term Liabilities	\$ 292,354	\$ --	\$ 6,687	\$ 285,667
Total	\$ 292,354	\$ --	\$ 6,687	\$ 285,667

**MUNICIPALITY OF WOONSOCKET, SD
MUNICIPAL OFFICIALS
DECEMBER 31, 2014**

Governing Board Members:

**Lindy Peterson
Richard Reider
Richard Regynski
John Ames
Don Schmidt
Brandon Goergen
Jim Steichen**

Municipal Finance Officer:

Tara Weber

Municipal Attorney:

Jeffrey D. Larson