

***MUNICIPALITY OF WOONSOCKET***  
***AUDIT REPORT***  
***AND***  
***FINANCIAL STATEMENTS***  
***FOR THE YEARS ENDED***  
***DECEMBER 31, 2011 AND 2010***

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*Your success is our business!*

## *INDEPENDENT AUDITOR'S REPORT*

To the Board of Trustees  
Municipality of Woonsocket, South Dakota

We have audited the accompanying 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, 2011 and 2010, which collectively comprise the Municipality's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Municipality of Woonsocket's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the Municipality of Woonsocket prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, the business-type activities, and each major fund as of December 31, 2011 and 2010, and the respective changes in financial position-modified cash basis, and cash flows-modified cash basis, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2013, on our consideration of the Municipality of Woonsocket'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality of Woonsocket's financial statements as a whole. The Budgetary Comparison schedules and other supplementary schedules 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except the Schedules of Changes in Long-term Debt and Schedule of Municipal Officials, 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1. The Schedules of Changes in Long-term Debt and Schedule of Municipal Officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Handwritten signature in black ink, appearing to read "CLO of LLC".

Mitchell, South Dakota  
January 18, 2013

*MUNICIPALITY OF WOONSOCKET, SD*  
*STATEMENTS OF NET POSITION – MODIFIED CASH BASIS*

	<i>DECEMBER 31,</i>					
	<i>2011</i>			<i>2010</i>		
	<b>Primary Government</b>			<b>Primary Government</b>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<i>ASSETS</i>						
Cash and Cash Equivalents	\$ 424,110	\$ 157,354	\$ 581,464	\$ 227,202	\$ 109,843	\$ 337,045
<i>Total Assets</i>	<u>\$ 424,110</u>	<u>\$ 157,354</u>	<u>\$ 581,464</u>	<u>\$ 227,202</u>	<u>\$ 109,843</u>	<u>\$ 337,045</u>
 <i>NET POSITION</i>						
Unrestricted	\$ 424,110	\$ 157,354	\$ 581,464	\$ 227,202	\$ 109,843	\$ 337,045
<i>Total Net Position</i>	<u>\$ 424,110</u>	<u>\$ 157,354</u>	<u>\$ 581,464</u>	<u>\$ 227,202</u>	<u>\$ 109,843</u>	<u>\$ 337,045</u>

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

**MUNICIPALITY OF WOONSOCKET, SD**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**DECEMBER 31, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General Government	\$ 78,527	\$ 46,395	\$ --	\$ --	\$ (32,132)	\$ --	\$ (32,132)
Public Safety	19,500	--	--	--	(19,500)	--	(19,500)
Public Works	176,544	--	111,760	--	(64,784)	--	(64,784)
Health and Welfare	280	--	--	--	(280)	--	(280)
Culture and Recreation	101,977	--	--	--	(101,977)	--	(101,977)
Conservation and Development	4,266	--	--	--	(4,266)	--	(4,266)
Miscellaneous Expenditures	9,655	--	--	--	(9,655)	--	(9,655)
Capital Outlay	498,315	--	--	498,315	--	--	--
<b>Total Governmental Activities</b>	<b>889,064</b>	<b>46,395</b>	<b>111,760</b>	<b>498,315</b>	<b>(232,594)</b>	<b>--</b>	<b>(232,594)</b>
<b>Business-type Activities:</b>							
Water	62,264	86,964	--	--	--	24,700	24,700
Sewer	43,536	66,347	--	--	--	22,811	22,811
<b>Total Business-Type Activities</b>	<b>105,800</b>	<b>153,311</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>47,511</b>	<b>47,511</b>
<b>Total primary government</b>	<b>\$ 994,864</b>	<b>\$ 199,706</b>	<b>\$ 111,760</b>	<b>\$ 498,315</b>	<b>\$ (232,594)</b>	<b>\$ 47,511</b>	<b>\$ (185,083)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property tax					\$ 138,333	\$ --	\$ 138,333
Sales tax					239,651	--	239,651
State shared revenues					43,569	--	43,569
Unrestricted investment earnings					6,069	--	6,069
Miscellaneous revenue					1,880	--	1,880
<b>Total general revenues and transfers</b>					<b>429,502</b>	<b>--</b>	<b>429,502</b>
Change in net position					196,908	47,511	244,419
Net position-beginning					227,202	109,843	337,045
Net position-ending					<b>\$ 424,110</b>	<b>\$ 157,354</b>	<b>\$ 581,464</b>

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

**MUNICIPALITY OF WOONSOCKET, SD**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**DECEMBER 31, 2010**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
General Government	\$ 72,798	\$ 45,362	\$ --	\$ (27,436)	\$ --	\$ (27,436)
Public Safety	19,500	--	--	(19,500)	--	(19,500)
Public Works	323,795	--	--	(323,795)	--	(323,795)
Health and Welfare	773	--	--	(773)	--	(773)
Culture and Recreation	87,106	--	--	(87,106)	--	(87,106)
Conservation and Development	4,706	--	--	(4,706)	--	(4,706)
Capital Outlay	205,269	--	205,269	--	--	--
<b>Total Governmental Activities</b>	<b>713,947</b>	<b>45,362</b>	<b>205,269</b>	<b>(463,316)</b>	<b>--</b>	<b>(463,316)</b>
<b>Business-type Activities:</b>						
Water	54,616	81,883	--	--	27,267	27,267
Sewer	36,971	64,431	--	--	27,460	27,460
<b>Total Business-Type Activities</b>	<b>91,587</b>	<b>146,314</b>	<b>--</b>	<b>--</b>	<b>54,727</b>	<b>54,727</b>
<b>Total primary government</b>	<b>\$ 805,534</b>	<b>\$ 191,676</b>	<b>\$ 205,269</b>	<b>\$ (463,316)</b>	<b>\$ 54,727</b>	<b>\$ (408,589)</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Property tax				\$ 142,852	\$ --	\$ 142,852
Sales tax				196,591	--	196,591
State shared revenues				43,957	--	43,957
Unrestricted investment earnings				4,990	--	4,990
Miscellaneous revenue				8,898	--	8,898
<b>Total general revenues and transfers</b>				<b>397,288</b>	<b>--</b>	<b>397,288</b>
<b>Change in net position</b>				<b>(66,028)</b>	<b>54,727</b>	<b>(11,301)</b>
<b>Net position—beginning</b>				<b>293,230</b>	<b>55,116</b>	<b>348,346</b>
<b>Net position—ending</b>				<b>\$ 227,202</b>	<b>\$ 109,843</b>	<b>\$ 337,045</b>

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

**MUNICIPALITY OF WOONSOCKET, SD**  
**BALANCE SHEETS – MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**

**DECEMBER 31,**

	<u>2011</u>	<u>Total</u>	<u>2010</u>	<u>Total</u>	
	2nd Cent	Governmental	2nd Cent	Governmental	
	Sales Tax	Funds	Sales Tax	Funds	
	Fund	Fund	Fund	Fund	
	<u>General</u>	<u>General</u>	<u>General</u>	<u>General</u>	
	Fund	Fund	Fund	Fund	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 289,375	\$ 134,735	\$ 424,110	\$ 138,705	\$ 88,497
<i>Total Assets</i>	<u>\$ 289,375</u>	<u>\$ 134,735</u>	<u>\$ 424,110</u>	<u>\$ 138,705</u>	<u>\$ 88,497</u>
<b>FUND BALANCES</b>					
Committed	\$ --	\$ 134,735	\$ 134,735	\$ --	\$ 88,497
Unassigned	289,375	--	289,375	138,705	--
<i>Total Fund Balances</i>	<u>\$ 289,375</u>	<u>\$ 134,735</u>	<u>\$ 424,110</u>	<u>\$ 138,705</u>	<u>\$ 88,497</u>

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**MUNICIPALITY OF WOONSOCKET, SD**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**

	DECEMBER 31,					
	2011			2010		
	General Fund	2nd Cent Sales Tax Fund	Total Governmental Funds	General Fund	2nd Cent Sales Tax Fund	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 262,103	\$ 116,342	\$ 378,445	\$ 239,395	\$ 100,937	\$ 340,332
Licenses and permits	4,000	--	4,000	3,950	--	3,950
Federal Grants	111,760	--	111,760	--	--	--
Intergovernmental	39,109	--	39,109	39,118	--	39,118
Charges for goods and services	46,395	--	46,395	45,362	--	45,362
Investment income	6,069	--	6,069	4,990	--	4,990
Fines and forfeits	--	--	--	23	--	23
Miscellaneous	1,880	--	1,880	8,875	--	8,875
<b>Total Revenue</b>	<u>471,316</u>	<u>116,342</u>	<u>587,658</u>	<u>341,713</u>	<u>100,937</u>	<u>442,650</u>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>General Government:</b>	78,527	--	78,527	72,798	--	72,798
<b>Public Safety:</b>						
Police	19,500	--	19,500	19,500	--	19,500
<b>Public Works:</b>						
Highways and streets	77,106	24,410	101,516	185,702	60,908	246,610
Sanitation	63,902	150	64,052	68,811	--	68,811
Cemeteries	10,977	--	10,977	8,373	--	8,373
Health and Welfare:	280	--	280	773	--	773
Culture and Recreation:	56,433	45,544	101,977	69,845	17,260	87,105
<b>Conservation and Development:</b>						
Economic development and assistance (Industrial development)	4,266	--	4,266	4,706	--	4,706
Miscellaneous	9,655	--	9,655	--	--	--
<b>Total Expenditures</b>	<u>320,646</u>	<u>70,104</u>	<u>390,750</u>	<u>430,508</u>	<u>78,168</u>	<u>508,676</u>
<b>Net Change in Fund Balance</b>	150,670	46,238	196,908	(88,795)	22,769	(66,026)
<b>Fund balances - beginning</b>	<u>138,705</u>	<u>88,497</u>	<u>227,202</u>	<u>227,500</u>	<u>65,728</u>	<u>293,228</u>
<b>Fund balances - ending</b>	<u>\$ 289,375</u>	<u>\$ 134,735</u>	<u>\$ 424,110</u>	<u>\$ 138,705</u>	<u>\$ 88,497</u>	<u>\$ 227,202</u>

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

**MUNICIPALITY OF WOONSOCKET, SD**  
**STATEMENTS OF NET POSITION – MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**

*DECEMBER 31,*

	<b>Water Fund</b>	<b>2011 Sewer Fund</b>	<b>Totals</b>	<b>Water Fund</b>	<b>2010 Sewer Fund</b>	<b>Totals</b>
<i>ASSETS</i>						
Cash and cash equivalents	\$ 59,406	\$ 97,948	\$ 157,354	\$ 34,706	\$ 75,137	\$ 109,843
<i>Total Assets</i>	\$ 59,406	\$ 97,948	\$ 157,354	\$ 34,706	\$ 75,137	\$ 109,843
 <i>NET POSITION</i>						
Unrestricted	\$ 59,406	\$ 97,948	\$ 157,354	\$ 34,706	\$ 75,137	\$ 109,843
<i>Total Net Position</i>	\$ 59,406	\$ 97,948	\$ 157,354	\$ 34,706	\$ 75,137	\$ 109,843

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

**MUNICIPALITY OF WOONSOCKET, SD**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET POSITION – MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**

**DECEMBER 31,**

	<u>Water Fund</u>	<u>2011 Sewer Fund</u>	<u>Totals</u>	<u>Water Fund</u>	<u>2010 Sewer Fund</u>	<u>Totals</u>
<b>Operating Revenues:</b>						
Charges for goods and services	\$ 86,964	\$ 66,347	\$ 153,311	\$ 81,883	\$ 64,431	\$ 146,314
<b>Total Operating Revenues</b>	<u>86,964</u>	<u>66,347</u>	<u>153,311</u>	<u>81,883</u>	<u>64,431</u>	<u>146,314</u>
<b>Operating Expenses:</b>						
Personal Services	23,127	14,513	37,640	14,477	11,579	26,056
Other Current Expense	--	--	--	6,094	8,264	14,358
Supplies and Materials	39,137	29,023	68,160	34,045	17,129	51,174
Capital Assets	498,315	--	498,315	205,269	--	205,269
<b>Total Operating Expenses</b>	<u>560,579</u>	<u>43,536</u>	<u>604,115</u>	<u>259,885</u>	<u>36,972</u>	<u>296,857</u>
<b>Operating Income (Loss)</b>	<u>(473,615)</u>	<u>22,811</u>	<u>(450,804)</u>	<u>(178,002)</u>	<u>27,459</u>	<u>(150,543)</u>
<b>Nonoperating Revenues:</b>						
Grants	498,315	--	498,315	205,269	--	205,269
<b>Total Nonoperating Revenue</b>	<u>498,315</u>	<u>--</u>	<u>498,315</u>	<u>205,269</u>	<u>--</u>	<u>205,269</u>
<b>Change in net position</b>	<u>24,700</u>	<u>22,811</u>	<u>47,511</u>	<u>27,267</u>	<u>27,459</u>	<u>54,726</u>
<b>Net Position - beginning</b>	<u>34,706</u>	<u>75,137</u>	<u>109,843</u>	<u>7,439</u>	<u>47,678</u>	<u>55,117</u>
<b>Net Position - ending</b>	<u>\$ 59,406</u>	<u>\$ 97,948</u>	<u>\$ 157,354</u>	<u>\$ 34,706</u>	<u>\$ 75,137</u>	<u>\$ 109,843</u>

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

**MUNICIPALITY OF WOONSOCKET, SD**  
**STATEMENTS OF CASH FLOWS – MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**

	<i>DECEMBER 31,</i>					
	<u>Water Fund</u>	<u>2011 Sewer Fund</u>	<u>Totals</u>	<u>Water Fund</u>	<u>2010 Sewer Fund</u>	<u>Totals</u>
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES:</i></b>						
Receipt from Customers	\$ 86,964	\$ 66,347	\$ 153,311	\$ 81,883	\$ 64,430	\$ 146,313
Payments to Suppliers	(39,137)	(29,023)	(68,160)	(40,139)	(25,392)	(65,531)
Payments to Employees	(23,127)	(14,513)	(37,640)	(14,477)	(11,579)	(26,056)
Net Cash Provided by Operating Activities	<u>24,700</u>	<u>22,811</u>	<u>47,511</u>	<u>27,267</u>	<u>27,459</u>	<u>54,726</u>
<b><i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</i></b>						
Federal Grant	<u>498,315</u>	<u>--</u>	<u>498,315</u>	<u>205,269</u>	<u>--</u>	<u>205,269</u>
<b><i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i></b>						
Purchase of Capital Assets	<u>(498,315)</u>	<u>--</u>	<u>(498,315)</u>	<u>(205,269)</u>	<u>--</u>	<u>(205,269)</u>
Net Increase in Cash and Cash Equivalents	24,700	22,811	47,511	27,267	27,459	54,726
Cash and Cash Equivalents - Beginning	<u>34,706</u>	<u>75,137</u>	<u>109,843</u>	<u>7,439</u>	<u>47,678</u>	<u>55,117</u>
Cash and Cash Equivalents - Ending	<u>\$ 59,406</u>	<u>\$ 97,948</u>	<u>\$ 157,354</u>	<u>\$ 34,706</u>	<u>\$ 75,137</u>	<u>\$ 109,843</u>

*The accompanying notes to financial statements*

*are an integral part of this statement.*  
**MUNICIPALITY OF WOONSOCKET, SD**  
**STATEMENTS OF CASH FLOWS – MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**(CONTINUED)**

**DECEMBER 31,**

	<u>Water Fund</u>	<u>2011 Sewer Fund</u>	<u>Totals</u>	<u>Water Fund</u>	<u>2010 Sewer Fund</u>	<u>Totals</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>						
Operating Income (Loss)	<u>\$ (473,615)</u>	<u>\$ 22,811</u>	<u>\$ (450,804)</u>	<u>\$ (178,002)</u>	<u>\$ 27,459</u>	<u>\$ (150,543)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Purchase of Capital Assets	<u>498,315</u>	<u>--</u>	<u>498,315</u>	<u>205,269</u>	<u>--</u>	<u>205,269</u>
Net Cash Provided by Operating Activities	<u>\$ 24,700</u>	<u>\$ 22,811</u>	<u>\$ 47,511</u>	<u>\$ 27,267</u>	<u>\$ 27,459</u>	<u>\$ 54,726</u>

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

*MUNICIPALITY OF WOONSOCKET, SD*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS*  
*DECEMBER 31, 2011 AND 2010*

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 BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS*  
*DECEMBER 31, 2011 AND 2010*

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, 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'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.

2<sup>nd</sup> 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 BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS  
DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

b. Basis of Presentation: (continued)

Fund Financial Statements: (continued)

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

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

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

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.

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 within the limitations of the modified cash basis of accounting.

*MUNICIPALITY OF WOONSOCKET, SD*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS*  
*DECEMBER 31, 2011 AND 2010*

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

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

**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:

1. 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.

The enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

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. *Interfund Eliminations and Reclassifications:*

The Municipality did not have interfund receivables, payables or internal service fund activity which required elimination or reclassification as of December 31, 2011 and 2010.

*MUNICIPALITY OF WOONSOCKET, SD*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS*  
*DECEMBER 31, 2011 AND 2010*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

f. 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.

g. 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.

h. 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.

*MUNICIPALITY OF WOONSOCKET, SD*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS*  
*DECEMBER 31, 2011 AND 2010*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

i. 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.

j. 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.

k. 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".

Fund Financial Statements:

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

l. 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.

m. 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.

*MUNICIPALITY OF WOONSOCKET, SD*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS*  
*DECEMBER 31, 2011 AND 2010*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

m. Fund Balance Classification Policies and Procedures: (continued)

- 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 – included 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.

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.

*MUNICIPALITY OF WOONSOCKET, SD*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS*  
*DECEMBER 31, 2011 AND 2010*

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

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.

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, 2011 and 2010, is comprised of the following:

Other Long-term Debt:	<i>2011</i>	<i>2010</i>
Santel Communications Cooperative, Inc	\$ 370,664	\$ 221,803
Use of Proceeds: Pass-through financing for local business		
Interest Rate: 3.50% Fixed		
Maturity Date: December 2016		
Fund Servicing Debt: General		
 Department of Environment and Natural Resources (DENR)	 \$ 703,584	 \$ 205,269
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		

*MUNICIPALITY OF WOONSOCKET, SD*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS*  
*DECEMBER 31, 2011 AND 2010*

4. **LONG-TERM DEBT:** (continued)

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

**Annual Requirements to Amortize Long-Term Debt:**

<i>Years Ending Dec. 31,</i>	<i>Other Long-term Debt</i>	
	<i>Principal</i>	<i>Interest</i>
	<hr/>	<hr/>
2012	\$ 14,378	\$ 17,313
2013	18,093	21,290
2014	18,703	20,680
2015	19,333	20,050
2016	19,985	19,398
2017-2042	567,256	199,778
<b>TOTAL</b>	<hr/> <b>\$ 657,748</b> <hr/>	<hr/> <b>\$ 298,509</b> <hr/>

5. **NOTE RECEIVABLE:**

The Municipality has a note receivable with a local business. The note receivable for December 31, 2011 and 2010 has a balance of \$370,664 and \$221,803, respectively.

See Note 8 for additional information on this note receivable.

6. **RETIREMENT PLAN:**

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and 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, 2011 and 2010 were \$6,048 and \$5,947, respectively, equal to the required contributions each year.

7. **RISK MANAGEMENT:**

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2011 and 2010, the Municipality managed its risks as follows:

*MUNICIPALITY OF WOONSOCKET, SD*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS*  
*DECEMBER 31, 2011 AND 2010*

7. *RISK MANAGEMENT:* (continued)

*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

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.

*MUNICIPALITY OF WOONSOCKET, SD  
NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS  
DECEMBER 31, 2011 AND 2010*

7. **RISK MANAGEMENT:** *(continued)*

**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.

During the year ended December 31, 2011 and 2010 no claims for unemployment benefits were paid. At December 31, 2011, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

8. **SUBSEQUENT EVENT:**

As communicated in Note 5, the Municipality has a note receivable with a local business. In 2012 the business stopped making payments to the Municipality. The Municipality is exploring collection processes available.

***SUPPLEMENTARY INFORMATION***

**MUNICIPALITY OF WOONSOCKET, SD**  
**BUDGETARY COMPARISON SCHEDULES – MODIFIED CASH BASIS**  
**GENERAL FUND**

	2011				DECEMBER 31,				2010			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final			Original	Final		
Beginning Budgetary Fund Balance	\$ 138,705	\$ 138,705	\$ 138,705	\$ --	\$ 227,500	\$ 227,500	\$ 227,500	\$ --	\$ 227,500	\$ 227,500	\$ 227,500	\$ --
<b>Resources (Inflows):</b>												
Taxes	263,939	263,939	262,103	(1,836)	260,579	260,579	239,395	(21,184)	260,579	260,579	239,395	(21,184)
Intergovernmental	31,700	31,700	39,108	7,408	31,700	31,700	39,117	7,417	31,700	31,700	39,117	7,417
Licenses and Permits	3,500	3,500	4,000	500	3,500	3,500	3,950	450	3,500	3,500	3,950	450
Federal Grants	--	--	111,760	111,760	--	--	--	--	--	--	--	--
Charges for Goods and Services	51,200	51,200	46,395	(4,805)	49,200	49,200	45,362	(3,838)	49,200	49,200	45,362	(3,838)
Fines and Forfeits	100	100	--	(100)	200	200	23	(177)	200	200	23	(177)
Miscellaneous Revenue	18,350	18,350	7,948	(10,402)	18,850	18,850	13,866	(4,984)	18,850	18,850	13,866	(4,984)
Amounts available for appropriation	\$ 368,789	\$ 368,789	\$ 471,314	\$ (9,235)	\$ 364,029	\$ 364,029	\$ 341,713	\$ (22,316)	\$ 364,029	\$ 364,029	\$ 341,713	\$ (22,316)

*See accompanying note to budgetary comparison schedules.*

**MUNICIPALITY OF WOONSOCKET, SD**  
**BUDGETARY COMPARISON SCHEDULES – MODIFIED CASH BASIS**  
**GENERAL FUND**  
**(CONTINUED)**

	2011		DECEMBER 31,		2010			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
<b>Charges to Appropriations (Outflows):</b>								
<b>General Government</b>	<u>105,782</u>	<u>105,782</u>	<u>78,526</u>	<u>27,256</u>	<u>106,301</u>	<u>106,301</u>	<u>72,798</u>	<u>33,503</u>
<b>Public Safety:</b>								
Police	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>--</u>	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>--</u>
<b>Total Public Safety</b>	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>--</u>	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>--</u>
<b>Public Works:</b>								
Highways and streets	<u>83,134</u>	<u>83,134</u>	<u>77,106</u>	<u>6,028</u>	<u>93,573</u>	<u>93,573</u>	<u>185,702</u>	<u>(92,129)</u>
Sanitation	<u>62,880</u>	<u>62,880</u>	<u>63,902</u>	<u>(1,022)</u>	<u>60,470</u>	<u>60,470</u>	<u>68,811</u>	<u>(8,341)</u>
Cemeteries	<u>9,480</u>	<u>9,480</u>	<u>10,977</u>	<u>(1,497)</u>	<u>8,015</u>	<u>8,015</u>	<u>8,373</u>	<u>(358)</u>
<b>Total Public Works</b>	<u>155,494</u>	<u>155,494</u>	<u>151,985</u>	<u>3,509</u>	<u>162,058</u>	<u>162,058</u>	<u>262,886</u>	<u>(100,828)</u>
<b>Health and Welfare:</b>								
Health	<u>3,210</u>	<u>3,210</u>	<u>280</u>	<u>2,930</u>	<u>2,577</u>	<u>2,577</u>	<u>773</u>	<u>1,804</u>
<b>Total Health and Welfare</b>	<u>3,210</u>	<u>3,210</u>	<u>280</u>	<u>2,930</u>	<u>2,577</u>	<u>2,577</u>	<u>773</u>	<u>1,804</u>
<b>Culture and Recreation:</b>								
Recreation	<u>27,932</u>	<u>27,932</u>	<u>23,075</u>	<u>4,857</u>	<u>27,688</u>	<u>27,688</u>	<u>23,550</u>	<u>4,138</u>
Parks	<u>13,232</u>	<u>13,232</u>	<u>23,592</u>	<u>(10,360)</u>	<u>12,266</u>	<u>12,266</u>	<u>36,289</u>	<u>(24,023)</u>
Libraries	<u>11,700</u>	<u>11,700</u>	<u>9,766</u>	<u>1,934</u>	<u>11,700</u>	<u>11,700</u>	<u>10,006</u>	<u>1,694</u>
<b>Total Culture and Recreation</b>	<u>52,864</u>	<u>52,864</u>	<u>56,433</u>	<u>(3,569)</u>	<u>51,654</u>	<u>51,654</u>	<u>69,845</u>	<u>(18,191)</u>
<b>Conservation and Development:</b>								
Economic development and Assistance (Industrial development)	<u>6,000</u>	<u>6,000</u>	<u>4,266</u>	<u>1,734</u>	<u>6,000</u>	<u>6,000</u>	<u>4,706</u>	<u>1,294</u>
<b>Total Conservation and Development</b>	<u>6,000</u>	<u>6,000</u>	<u>4,266</u>	<u>1,734</u>	<u>6,000</u>	<u>6,000</u>	<u>4,706</u>	<u>1,294</u>
<b>Debt Service</b>	<u>25,939</u>	<u>25,939</u>	<u>--</u>	<u>25,939</u>	<u>25,939</u>	<u>25,939</u>	<u>--</u>	<u>25,939</u>
<b>Miscellaneous Financing Uses</b>	<u>--</u>	<u>--</u>	<u>9,654</u>	<u>(9,654)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Total Charges to Appropriations</b>	<u>368,789</u>	<u>368,789</u>	<u>320,644</u>	<u>48,145</u>	<u>374,029</u>	<u>374,029</u>	<u>430,508</u>	<u>(56,479)</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 138,705</u>	<u>\$ 138,705</u>	<u>\$ 289,375</u>	<u>\$ 150,670</u>	<u>\$ 217,500</u>	<u>\$ 217,500</u>	<u>\$ 138,705</u>	<u>\$ (78,795)</u>

*See accompanying note to budgetary comparison schedules.*

**MUNICIPALITY OF WOONSOCKET, SD**  
**BUDGETARY COMPARISON SCHEDULES – MODIFIED CASH BASIS**  
**2ND CENT SALES TAX FUND**

	2011				DECEMBER 31,				2010			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final			Original	Final		
Beginning Budgetary Fund Balance	\$ 88,497	\$ 88,497	\$ 88,497	\$ --	\$ 65,728	\$ 65,728	\$ 65,728	\$ --	\$ 65,728	\$ 65,728	\$ 65,728	\$ --
Resources (Inflows):												
Taxes	85,000	85,000	116,342	31,342	85,000	85,000	100,937	15,937	85,000	85,000	100,937	15,937
Amounts available for appropriation	85,000	85,000	116,342	31,342	85,000	85,000	100,937	15,937	85,000	85,000	100,937	15,937
Charges to appropriations (Outflows):												
Public Works:												
Highways and streets	70,000	70,000	24,560	45,440	65,000	65,000	60,908	4,092	65,000	65,000	60,908	4,092
Total Public Works	70,000	70,000	24,560	45,440	65,000	65,000	60,908	4,092	65,000	65,000	60,908	4,092
Culture and Recreation	10,000	10,000	45,544	(35,544)	10,000	10,000	17,260	(7,260)	10,000	10,000	17,260	(7,260)
Conservation and Development:												
Economic Development	5,000	5,000	--	5,000	--	--	--	--	--	--	--	--
Total Conservation and Development	5,000	5,000	--	5,000	--	--	--	--	--	--	--	--
Total Charges to Appropriations	85,000	85,000	70,104	14,896	75,000	75,000	78,168	(3,168)	75,000	75,000	78,168	(3,168)
Ending Budgetary Fund Balance	\$ 88,497	\$ 88,497	\$ 134,735	\$ 46,238	\$ 75,728	\$ 75,728	\$ 88,497	\$ 12,769	\$ 75,728	\$ 75,728	\$ 88,497	\$ 12,769

*See accompanying note to budgetary comparison schedules.*

*MUNICIPALITY OF WOONSOCKET, SD  
NOTE 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, 2011 AND 2010*

**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, 2011 and 2010.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. The Town 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, 2011 AND 2010**

Indebtedness	Long-Term Debt 1-Jan-10	Add New Debt	Less Debt Retired	Long-Term Debt 31-Dec-10
Governmental Long-Term Debt:				
Other Long-Term Liabilities	\$ 239,639	\$ 205,269	\$ (17,836)	\$ 427,072
<b>Total</b>	<u>\$ 239,639</u>	<u>\$ 205,269</u>	<u>\$ (17,836)</u>	<u>\$ 427,072</u>

Indebtedness	Long-Term Debt 1-Jan-11	Add New Debt	Less Debt Retired	Long-Term Debt 31-Dec-11
Governmental Long-Term Debt:				
Other Long-Term Liabilities	\$ 427,072	\$ 869,911	\$ (222,735)	\$ 1,074,248
<b>Total</b>	<u>\$ 427,072</u>	<u>\$ 869,911</u>	<u>\$ (222,735)</u>	<u>\$ 1,074,248</u>

*MUNICIPALITY OF WOONSOCKET, SD  
MUNICIPAL OFFICIALS  
DECEMBER 31, 2011 AND 2010*

**Governing Board Members:** Lindy Peterson  
Joel Rassel  
Richard Regynski  
Dick Reider  
Richard Niles (2010 only)  
John Ames (2011 only)  
Michael Kogel (resigned April 2011)  
Donald Schmidt (appointed May 2011)

**Municipal Finance Officer:** Tara Weber

**Municipal Attorney:** Jeffrey D. Larson

***MUNICIPALITY OF WOONSOCKET***  
***SCHEDULE OF FEDERAL AWARDS***  
***FOR THE YEAR ENDED***  
***DECEMBER 31, 2011***

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**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 the 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, 2011 and 2010, which collectively comprise the Municipality of Woonsocket's basic financial statements and have issued our report thereon dated January 18, 2013. The financial statements were prepared on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. 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.

**Internal Control Over Financial Reporting**

Management of Municipality of Woonsocket is responsible for establishing and maintaining effective internal control over financial reports. In planning and performing our audit, we considered the Municipality of Woonsocket's internal control over financial reporting as a basis for designing our auditing procedures 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 of Woonsocket's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Municipality of Woonsocket's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: Findings 2011-01 and 2011-02.

Compliance and Other Matters

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

Municipality of Woonsocket's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Municipality of Woonsocket's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Council Members, and others with the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Handwritten signature in cursive, appearing to read "CIO of LLC".

Mitchell, South Dakota  
January 18, 2013



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***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133***

**To the Council Members  
Municipality of Woonsocket  
Woonsocket, South Dakota**

**Compliance**

We have audited Municipality of Woonsocket, South Dakota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Municipality of Woonsocket's major federal programs for the year ended December 31, 2011. Municipality of Woonsocket's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Municipality of Woonsocket's management. Our responsibility is to express an opinion on Municipality of Woonsocket's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Municipality of Woonsocket's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Municipality of Woonsocket's compliance with those requirements.

In our opinion, Municipality of Woonsocket, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

**Internal Control over Compliance**

Management of Municipality of Woonsocket, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Municipality of Woonsocket's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Municipality of Woonsocket's 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular §\_\_\_.320, this report is a matter of public record and its distribution is not limited.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of Municipality of Woonsocket as of and for the year ended December 31, 2011, and have issued our report thereon dated January 18, 2013 which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting procedures applied in the audit of the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Mitchell, South Dakota  
January 18, 2013

**MUNICIPALITY OF WOONSOCKET  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2011 AND 2010**

**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

<b>Type of auditor's report issued:</b>	<b>Unqualified</b>	
<b>Internal control over financial reporting:</b>		
* Material weaknesses identified:	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
* Significant deficiencies identified that are not considered to be material weakness(es)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
<b>Noncompliance material to financial statements noted?</b>	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

**Federal Awards:**

<b>Internal control over major programs:</b>		
* Material weaknesses identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
* Significant deficiencies identified that are not considered to be material weakness(es)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
<b>Type of auditor's report issued on compliance for major programs:</b>	<b>Unqualified</b>	
<b>Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133</b>	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

**Identification of Major Programs:**

CFDA Numbers	Name of Federal Program or Cluster
66.468	ARRA - Drinking Water State Revolving Fund

**Dollar threshold used to distinguish between type A and type B programs:**

\$300,000

**Auditee qualified as low-risk auditee?**

yes       no

*MUNICIPALITY OF WOONSOCKET  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)*

*SECTION II – FINANCIAL STATEMENT FINDINGS*

**Finding 2011-01:**

**Criteria:** Auditing Standards 314.98 states “An important management responsibility is to establish and maintain internal control on an ongoing basis. Management’s monitoring of controls includes whether they are operating as intended and that they are modified as appropriate for changes in conditions. Monitoring of controls may include activities such as management’s review of whether bank reconciliations are being prepared on a timely basis ...”. Paragraph 99 adds “Monitoring of controls is a process to assess the quality of internal control performance over time. It involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. Management accomplishes monitoring of controls through ongoing activities, separate evaluations, or a combination of the two.”

**Condition:** Water usage is unable to be monitored and measured properly, and consequently, billings are written off or not billed properly.

**Context:** This finding was discovered while gaining an understanding of the controls for the water revenues.

**Effect:** Potential revenue could be missed due to inaccurate input data.

**Cause:** There are numerous broken, missing, or improperly installed water meters.

**Recommendation:** We would recommend that meters be replaced or fixed that are not working properly and routine maintenance be performed to keep meters in proper working order.

**Client Response:** Finance Officer, Tara Weber, was present when this matter was discussed. The client has since elected to purchase new meters to upgrade their current meters and provide meters where currently missing. They have allowed a 6-month window for this to be completed.

**Finding 2011-02:**

**Criteria:** Auditing Standards 314.98 states “An important management responsibility is to establish and maintain internal control on an ongoing basis. Management’s monitoring of controls includes whether they are operating as intended and that they are modified as appropriate for changes in conditions. Monitoring of controls may include activities such as management’s review of whether bank reconciliations are being prepared on a timely basis ...”. Paragraph 99 adds “Monitoring of controls is a process to assess the quality of internal control performance over time. It involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. Management accomplishes monitoring of controls through ongoing activities, separate evaluations, or a combination of the two.”

*MUNICIPALITY OF WOONSOCKET  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2011 AND 2010  
(CONTINUED)*

*SECTION II – FINANCIAL STATEMENT FINDINGS  
(CONTINUED)*

**Finding 2012-02: (continued)**

**Condition:** Financial systems are performed on various computer software as well as manually.

**Context:** This finding was discovered when reviewing the preliminary financial information from the client.

**Effect:** Amounts may not be carrying over properly from system to system or year to year.

**Cause:** There is not a cohesive system used to account for all financial systems.

**Recommendation:** We would recommend training on the current computer software to understand integrating the systems or utilizing a new software that can handle the processes the Municipality needs.

**Client Response:** Finance Officer, Tara Weber, was present when this matter was discussed. The client has since started exploring various options the current software would be able to provide.

*SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS*

There are no findings or questioned costs relating to the federal award programs which are required to be reported in accordance with section 510(a) of OMB Circular A-133.

**MUNICIPALITY OF WOONSOCKET  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2011**

	Federal CFDA Number	Federal Expenditures	Pass-through Identification Number	
U.S. Environmental Protection Agency				
ARRA Funding:				
Drinking Water State Revolving Fund	66.468	\$ 498,815	09-241	
Total U.S. Environmental Protection Agency				\$ 498,815
U.S. Department of Homeland Security				
Public Assistance				
Presidentially Declared Disaster	97.036	\$ 85,849	N/A	
Total U.S. Department of Agriculture				\$ 85,849
Grand Total				<u>\$ 584,664</u>

**Note 1: Basis of Presentation:**

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