CITY OF FAULKTON

FAULKTON, SOUTH DAKOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDING DECEMBER 31, 2018

WITH ACCOUNTANT'S COMPILATION REPORT

DRAFT

3-26-19

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042

CITY OF FAULKTON
FAULKTON, SOUTH DAKOTA

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FOR THE YEAR ENDING DECEMBER 31, 2018

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NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "$" symbol is not used.

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Governing Board
City of Faulkton
Faulkton, South Dakota

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Management is responsible for the accompanying financial statements of governmental activities, business-type activities, and each major fund of the City of Faulkton, Faulk County, South Dakota, as of and for the one ended December 31, 2018, which collectively comprise the City's basis financial statements as listed in the table of contents, in accordance with a modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the City's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Management has omitted Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context.

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule (page 9), the schedule of the City's proportional share of net pension liabilities (assets) and the schedule of the City's pension contributions (page 10), and the schedule of changes in long-term debt (page 11) be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The required supplementary information was subject to my compilation engagement. I have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

I draw attention to the fact that these financial statements are prepared in accordance with a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

March 26, 2019

CITY OF FAULKTON

ANNUAL REPORT
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
AS OF DECEMBER 31, 2018

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Unaudited Component Unit
ASSETS:				
Cash and cash equivalents	811,139	429,173	1,240,312	62,282
Certificates of deposit	107,098	130,267	237,365	
Total assets	918,237	559,440	1,477,677	62,282
NET POSITION:				
Restricted for:				
Capital project purposes	275,405		275,405	
Debt service purposes		57,980	57,980	
Deposits		38,525	38,525	8,580
Unrestricted	642,832	462,935	1,105,767	53,702
Total net position	918,237	559,440	1,477,677	62,282

See accountant's compilation report.

CITY OF FAULKTON

ANNUAL REPORT
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2018

Functions/Programs:	Disbursements	Program Receipts: Charges for Services and Reimbursements	Program Receipts: Operating Grants and Contributions	Program Receipts: Capital Grants and Contributions	Net Receipts (Disbursements) and Changes in Net Position: Governmental Activities	Net Receipts (Disbursements) and Changes in Net Position: Business-type Activities	Net Receipts (Disbursements) and Changes in Net Position: Totals	Unaudited Component Unit
Primary government:								
Governmental activities:								
General government	116,160	12,194			(103,966)		(103,966)	
Public safety	55,896				(55,896)		(55,896)	
Public works	280,784	1,332		38,325	(241,127)		(241,127)	
Health and welfare	6,129		2,867		(3,262)		(3,262)	
Culture and recreation	99,884	17,199			(82,685)		(82,685)	
Economic development	56,000				(56,000)		(56,000)	
Total governmental activities	614,853	30,725	2,867	38,325	(542,936)	0	(542,936)	0
Business-type activities:								
Water	266,740	243,717		16,277		(6,746)	(6,746)	
Sewer	2,773,906	271,404		1,291,116		(1,211,386)	(1,211,386)	
Total business-type activities	3,040,646	515,121	0	1,307,393	0	(1,218,132)	(1,218,132)	0
Total primary government	3,655,499	545,846	2,867	1,345,718	(542,936)	(1,218,132)	(1,761,068)	0
Component unit activity:								
Faulkton Housing & Redev Commission	135,228	129,921	20,714					15,407

	Governmental Activities	Business-type Activities	Totals	Unaudited Component Unit
General receipts:				
Taxes:				
Property taxes	217,081		217,081	
Sales taxes	325,204		325,204	
Amusement taxes	120		120	
State shared receipts	53,944		53,944	
County shared receipts	2,422		2,422	
Interest received	3,397	752	4,149	104
Rents and franchise fees	10,266		10,266	
Miscellaneous	1,966		1,966	
Rural Development (USDA) loan proce	0	1,248,660	1,248,660	
Total general receipts and transfers	614,400	1,249,412	1,863,812	104
Change in net position	71,464	31,280	102,744	15,511
Net position:				
January 1, 2018	846,773	528,160	1,374,933	46,771
December 31, 2018	918,237	559,440	1,477,677	62,282

See accountant's compilation report.

CITY OF FAULKTON

ANNUAL REPORT
BALANCE SHEET -- MODIFIED CASH BASIS
ALL GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2018

		General Fund	2nd cent Fund	Total	
	ASSETS:				
101.00	Cash and cash equivalents	218,146		218,146	
104.00	Interest bearing accounts	317,588	275,405	592,993	
105.00	Certificates of deposit	107,098		107,098	
	Total assets	642,832	275,405	918,237	
	FUND BALANCES:				
263.00	Nonspendable			0	
264.00	Restricted			0	
265.00	Committed		275,405	275,405	
266.00	Assigned - Key deposit	1,400		1,400	
266.00	Assigned - Capital projects	55,000		55,000	
267.00	Unassigned	586,432		586,432	
	Total fund balances	642,832	275,405	918,237	*

* Equals net position on
statement of net position

See accountant's compilation report.

CITY OF FAULKTON

ANNUAL REPORT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2018

		General Fund	2nd Cent Fund	Total
	Receipts:			
	Local sources:			
	Taxes:			
311.00	Ad valorem taxes	217,081		217,081
313.00	General sales and use taxes	162,602	162,602	325,204
315.00	Amusement taxes	120		120
320.00	Licenses and permits:	11,819		11,819
	Intergovernmental:			
	State shared receipts:			
334.99	State grants	2,867	38,325	41,192
335.01	Bank franchise tax	1,067		1,067
335.03	Liquor tax reversion	4,629		4,629
335.04	Motor vehicle licenses (5%)	13,881		13,881
335.08	Highway and bridge	34,367		34,367
338.02	County shared receipts: road tax	2,422		2,422
	Charges for goods and services:			
343.00	Highways and streets	1,032		1,032
344.00	Solid waste	300		300
346.02	Swimming pool	12,883		12,883
346.03	Ball park	2,350		2,350
346.99	Carousel	779		779
346.99	Camper hook-ups	1,187		1,187
350.00	Fines and forfeits	375		375
	Miscellaneous:			
361.00	Interest received	761	2,636	3,397
362.00	Rents and franchise fees	10,266		10,266
369.00	Other	1,966		1,966
	Total receipts	482,754	203,563	686,317
	Disbursements:			
	Current:			
	General government:			
411.00	Mayor and Council	20,094		20,094
413.00	Elections	17		17
414.00	Financial administration	66,367		66,367
419.00	Other	28,290		28,290
	Public safety:			
421.00	Police	46,229		46,229
422.00	Fire	9,667		9,667
	Public works:			
431.00	Highways and streets	140,251		140,251
432.00	Solid waste	9,339		9,339
435.00	Airport	7,190		7,190
437.00	Cemetery	4,000		4,000
	Health and welfare:			
441.00	West Nile	6,129		6,129
	Culture and recreation:			
451.20	Swimming pool	42,186		42,186
451.20	Ball parks	9,089		9,089
451.40	Senior citizens	750		750
452.00	Area parks	4,114		4,114
452.00	Carousel	1,850		1,850
456.00	Community center	17,610		17,610
	Conservation and development:			
465.00	Economic development	5,286	50,714	56,000
	Capital outlay		145,681	145,681
	Total disbursements	418,458	196,395	614,853
	Excess of receipts over (under) disbursements	64,296	7,168	71,464
	Other financing sources (uses):			
391.03	None	0	0	0
	Net change in fund balance	64,296	7,168	71,464 *
262.00	Fund balance:			
	January 1, 2018	578,536	268,237	846,773
	December 31, 2018	642,832	275,405	918,237

* Equals change in net position on statement of activities

See accountant's compilation report.

CITY OF FAULKTON

ANNUAL REPORT
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
ENTERPRISE FUNDS
AS OF DECEMBER 31, 2018

		Water Fund	Sewer Fund	Total Enterprise Funds
	ASSETS			
	Current assets:			
101.00	Cash and cash equivalent	82,292	228,053	310,345
104.00	Interest bearing	93,954	24,874	118,828
105.00	Certificates of deposit	22,243	108,024	130,267
	Total assets	198,489	360,951	559,440
	NET POSITION			
253.21	Restricted - debt service	43,410	14,570	57,980
253.29	Restricted - deposits	38,525		38,525
253.90	Unrestricted	116,554	346,381	462,935
	Total net position	198,489	360,951	559,440

See accountant's compilation report.

CITY OF FAULKTON

ANNUAL REPORT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN NET POSITION -- MODIFIED CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2018

		Water Fund	Sewer Fund	Total
	Operating receipts:			
381.00	Charges for goods and services	243,717	271,404	515,121
	Total operating receipts	243,717	271,404	515,121
	Operating disbursements:			
411.00	Personal services	47,949	46,815	94,764
420.00	Other current services	41,197	21,774	62,971
426.29	Cost of goods sold	120,806		120,806
	Total operating disbursements	209,952	68,589	278,541
	Excess operating receipts (disbursements)	33,765	202,815	236,580
	Nonoperating receipts (disbursements):			
361.00	Interest received	298	454	752
441.00	Debt service - principal	(21,252)	(82,329)	(103,581)
442.00	Debt service - interest	(35,536)	(66,369)	(101,905)
	Total nonoperating receipts (disbursements)	(56,490)	(148,244)	(204,734)
	Excess receipts (disbursements) before other financing sources and (uses):	(22,725)	54,571	31,846
	Other financing sources (uses):			
331.99	Capital grants - federal		783,652	783,652
334.99	Capital grants - state	16,277	507,464	523,741
391.28	Rural Development loan proceeds		1,248,660	1,248,660
433.00	Capital improvements		(2,556,619)	(2,556,619)
	Change in net position	(6,448)	37,728	31,280
253.90	Net position:			
	January 1, 2018	204,937	323,223	528,160
	December 31, 2018	198,489	360,951	559,440

See accountant's compilation report.

CITY OF FAULKTON

ANNUAL REPORT
STATEMENT OF CASH FLOWS-- MODIFIED CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2018

	Water Fund	Sewer Fund	Total
Cash flows from:			
Operating activities:			
Receipts from customers	243,717	271,404	515,121
Cost of employees	(47,949)	(46,815)	(94,764)
Payments to suppliers	(162,003)	(21,774)	(183,777)
Net cash provided (used) by operating activities	33,765	202,815	236,580
Noncapital financing activities:			
Operating grant			0
Capital financing activities:			
Capital grants - federal		783,652	783,652
Capital grants - state	16,277	507,464	523,741
Rural Development loan proceeds		1,248,660	1,248,660
Cash paid for capital improvements		(2,556,619)	(2,556,619)
Debt service - principal	(21,252)	(82,329)	(103,581)
Debt service - interest	(35,536)	(66,369)	(101,905)
Investing activities:			
Interest received	298	454	752
Purchase cert. of deposit	(67)	(323)	(390)
Net increase (decrease) in cash and cash equivalents	(6,515)	37,405	30,890
Cash and cash equivalents:			
January 1, 2018	182,761	215,522	398,283
December 31, 2018	176,246	252,927	429,173
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Excess operating receipts (disbursements)	33,765	202,815	236,580
Net cash provided (used) by operating activities	33,765	202,815	236,580

Noncash investing, capital and financing activities:
None

See accountant's compilation report.

CITY OF FAULKTON

ANNUAL REPORT
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2018

GENERAL FUND	Budgeted Amounts				Actual (Modified Cash Basis)	Variance Positive (Negative)
Receipts:	Original	Contingency Transfers	Supplemental:	Final		
Receipts from local sources:						
Taxes:						
Ad valorem taxes	216,276			216,276	217,081	805
Sales and use tax	160,000			160,000	162,602	2,602
Amusement tax				0	120	120
Licenses and permits:	11,345			11,345	11,819	474
Intergovernmental receipts:	48,350			48,350	59,233	10,883
Charges for goods and services	12,750			12,750	18,531	5,781
Fines and forfeits				0	375	375
Miscellaneous receipts:	11,450			11,450	12,993	1,543
Total receipts	460,171	0	0	460,171	482,754	22,583
Disbursements:						
General government:						
Mayor and Council	23,316	456		23,772	20,094	3,678
Contingency	15,000			15,000		15,000
Amount transferred		(456)		(456)		(456)
Elections	1,500			1,500	17	1,483
Financial administration	72,089			72,089	66,367	5,722
Other	32,863			32,863	28,290	4,573
Public safety:						
Police	47,229			47,229	46,229	1,000
Fire	12,000			12,000	9,667	2,333
Public works:						
Highways and streets	161,567			161,567	140,251	21,316
Solid waste	12,534			12,534	9,339	3,195
Airport	7,600			7,600	7,190	410
Cemetery	4,000			4,000	4,000	0
Capital outlay	5,000			5,000		5,000
Health and welfare:						
West Nile	6,400			6,400	6,129	271
Culture and recreation:						
Recreation, Parks, Community	81,753			81,753	75,599	6,154
Conservation and development:						
Economic devel. - assistance	8,000			8,000	5,286	2,714
Total disbursements	490,851	0	0	490,851	418,458	72,393
	934,228					
Excess of receipts over (under) disbursements	(30,680)	0	0	(30,680)	64,296	94,976
Other financing sources (uses):						
None	0			0		0
Net change in fund balance	(30,680)	0	0	(30,680)	64,296	94,976
Fund balance:						
January 1, 2018	578,536			578,536	578,536	0
December 31, 2018	547,856	0	0	547,856	642,832	94,976

CITY OF FAULKTON

ANNUAL REPORT
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2018

2ND CENT SALES TAX FUND (Reserved for capital improvements)	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	160,000		160,000	162,602	2,602
Intergovernmental receipts:					
Federal grants	112,500		112,500		(112,500)
State grants	6,250		6,250	38,325	32,075
Miscellaneous receipts:					
Interest received			0	2,636	2,636
Total receipts	278,750	0	278,750	203,563	(75,187)
Disbursements:					
City hall	1,500		1,500	1,392	108
Public works - streets and h:	80,000		80,000	59,874	20,126
Public works - sanitation	12,000		12,000		12,000
Public works - airport	133,750		133,750	56,381	77,369
Public works - sewer			0	3,748	(3,748)
Parks and recreation	106,000		106,000	24,286	81,714
Economic development	89,274		89,274	50,714	38,560
Total disbursements	422,524	0	422,524	196,395	226,129
Excess of receipts over (under) disbursements	(143,774)	0	(143,774)	7,168	150,942
Other financing sources (uses):					
Transfer in - general			0		0
Net change in fund balance	(143,774)	0	(143,774)	7,168	150,942
Fund balance:					
January 1, 2018	268,237		268,237	268,237	0
December 31, 2018	124,463	0	124,463	275,405	150,942

CITY OF FAULKTON
FOR THE FIVE YEARS ENDING DECEMBER 31, 2018

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION LIABILITY (ASSET)

SDRS Measurement Date Year Ended (1)	City's Percentage of the Net Pension Liability (Asset)	City's Proportionate Share of Net Pension Liability (Asset)	City's Covered Employee Payroll for its 6-30 Year End	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2018	0.0071544%	(167)	148,733	(00.11%)	100.02%
June 30, 2017	0.0071956%	(653)	146,200	(00.45%)	100.1%
June 30, 2016	0.0076667%	25,897	145,783	17.76%	96.9%
June 30, 2015	0.0074546%	(31,617)	136,100	(23.23%)	104.1%
June 30, 2014	0.0081172%	(58,481)	141,950	(41.20%)	107.3%

(1) The amounts presented for each fiscal year were determined as of the collective net pension liability (asset) which is 6-30 of the City's current calendar year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF FAULKTON
FOR THE FIVE YEARS ENDING DECEMBER 31, 2018

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

City's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
December 31, 2018	9,179	9,179	0	152,983	6.00%
December 31, 2017	8,783	8,783	0	146,383	6.00%
December 31, 2016	8,819	8,819	0	146,983	6.00%
December 31, 2015	8,237	8,237	0	137,283	6.00%
December 31, 2014	8,679	8,679	0	144,650	6.00%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF FAULKTON

ANNUAL REPORT
SCHEDULE OF CHANGES IN LONG-TERM DEBT
FOR THE YEAR ENDING DECEMBER 31, 2018

For: Department of Legislative Audit

		Beginning 12-31-17	Additions	(Deletions)	Governmental Ending 12-31-18	Business-Type Ending 12-31-18
	GOVERNMENTAL LONG-TERM DEBT					
231.01	General Obligation Bonds					
231.02	Revenue Bonds					
231.03	Special Assessment Bonds					
236.00	Advance from Other Funds					
237.00	Other Long-Term Liabilities					
233.00	Leave liability					
	ENTERPRISE LONG-TERM DEBT					
231.01	General Obligation Bonds					
231.02	Revenue Bonds	3,636,129	1,248,661	(103,581)		4,781,209
231.03	Special Assessment Bonds					
235.00	Accrued Landfill Closure and post closure care costs					
236.00	Advance from Other Funds					
237.00	Other Long-Term Liabilities					
233.00	Leave liability					
	Totals	3,636,129	1,248,661	(103,581)	0	4,781,209