

Attachments

REDACTED – FOR PUBLIC INSPECTION

Five – Year Plan Progress Report **City of Faith Municipal Telephone Company**

SAC 391653

Year 2014 Federal Universal Service Receipts:

Interstate Access Support	\$	█
Interstate Common Line Support	\$	█
Connect America Fund Support	\$	█
High Cost Loop Support	\$	█
Safety Net Additive Support	\$	█
Safety Valve Loop Cost Adjustment	\$	█
TOTAL	\$	█

Expenditures For Provision, Maintenance, and Upgrading Of Facilities and Services Supported By Federal Universal Service Funding:

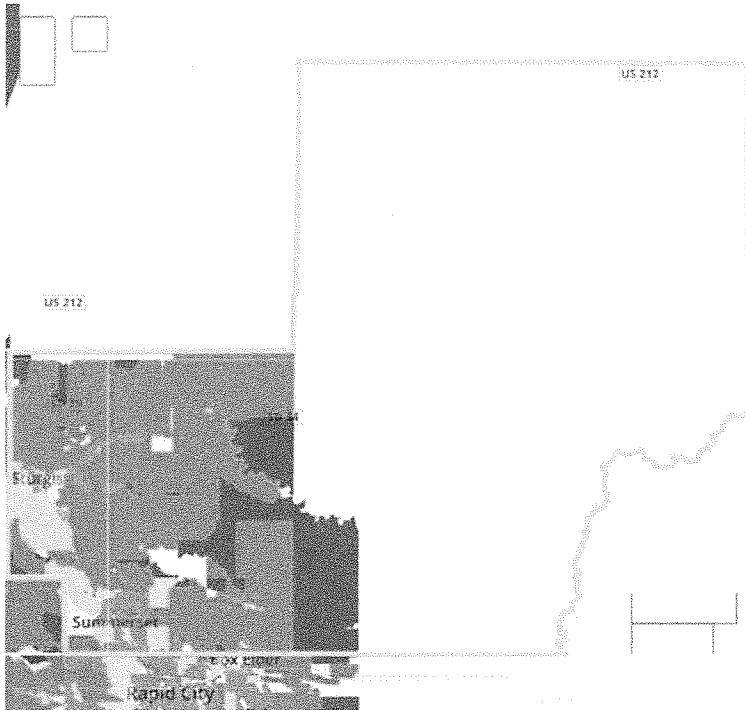
	<u>Actual</u>
	2014
Plant Specific Operations Expenses	
Network support (Accts 6110-16)	\$ █
General support (Accts 6120-24)	\$ █
Central office (Accts 6210-6232)	\$ █
Cable and wire facilities (Accts 6410-41)	\$ █
Network operations (Accts 6530-35)	\$ █
Depreciation and amortization (Accts 6560-65)	\$ █
Customer Operations Expenses	
Customer services (Accts 6611-23)	\$ █
Corporate Operations Expenses	
Executive and planning (Accts 6710-12)	\$ █
General and administrative (Accts 6720-28)	\$ █
Total Years Supported Expenses, Before Return on Investment	\$ █
Additions/Capx	
Switching (Acct 2210)	\$ █
Transmission Equipment (Acct 2230)	\$ █
Cable and wire (Acct 2410)	\$ █
Total	\$ █
Total Supported Expenditures, Before Return on Investment	\$ █

It is estimated that [REDACTED] of the [REDACTED] of universal service funding received in 2014 was used to ensure and improve *service quality*. This ensures that the network is maintained and operated to provide telecommunications and information services as well as interexchange services and advanced telecommunications that are reasonably comparable to those services offered in urban areas and are available at rates that are reasonably comparable to rates charged for similar services in urban areas. Expenditures are not tracked at the wire center or census block level and are reported here on a total service area basis. We believe it is reasonable to conclude the same [REDACTED] of universal service funding received in 2014 will be used to ensure and improve service quality in 2015.

It is estimated that [REDACTED] of th [REDACTED] of universal service funding received in 2014 was used improve *service coverage* at wire centers served by our company for telecommunications and information services as well as interexchange services and advanced telecommunications (broadband). Due to these expenditures, [REDACTED] of households in our service area will have access to our broadband capable network as of July 1, 2015 Expenditures are not tracked at the wire center or census block level and are reported here on a total service area basis. We believe it is reasonable to conclude the same [REDACTED] of universal service funding received in 2014 will be used to improve service coverage in 2015.

It is estimated that [REDACTED] of the [REDACTED] of universal service funding received in 2014 was used improve *service capacity* at wire centers served by our company for telecommunications and information services as well as interexchange services and advanced telecommunications (broadband). Due to these expenditures, [REDACTED] of households in our service area will have access to our broadband capable network at speeds that meet or exceed 10Mbps/1Mbps as of July 1, 2015. Expenditures are not tracked at the wire center or census block level and are reported here on a total service area basis. We believe it is reasonable to conclude the same [REDACTED] of universal service funding received in 2014 will be used to improve service capacity in 2015.

City of Faith Municipal Telephone Company SAC: 391653



100% of Service Area Meets or Exceeds 10Mbps/1Mbps

City of Faith Municipal Telephone Company

Certification of Compliance with Applicable Service Quality Standards and Consumer Protection Rules for Voice and Broadband Services

Service quality standards and consumer protection rules for broadband are not as defined as the rules for voice services. The Company complies with any service quality standards and consumer protection rules for broadband that are out there now and any that will be defined in the future.

Service Quality Standards

For voice services, the Company:

- Provides voice grade access to the public switched network.
- Provides flat rated local exchange service with no additional charge to end users.
- Provides access to the emergency services provided by local government or other public safety organizations, such as 911 and enhanced 911.
- Provides toll blocking and toll limitation services.

For voice and broadband services, the Company:

- Advertises the availability of its services and the charges using media of general distribution and/or on its website.
- Maintains a business office providing customers with access to a customer service representative either in person or via a local telephone call or toll-free telephone number during business hours.
- Directs after hour calls to the Company's help desk.
- Directs trouble reports to the on-call technician.
- Tracks all service orders to ensure they are completed in a timely manner.
- Measures its service connection and service interruption performance on a regular basis.
- Trains employees to:
 - Answer all incoming calls promptly.
 - Respond to all inquiries for information promptly and courteously.
 - Investigate thoroughly all customer complaints and handle appropriately according to the Company's guidelines for resolution of customer complaints.
 - Be knowledgeable about products and service offerings so they can assist the customer with selecting the best service option.
- Has a process for periodic inspection, testing and preventive maintenance of its equipment to permit the rendering of safe, adequate and continuous service at all times.
- Meets or exceeds the standards established by the state commission and provides any reports that may be required in accordance with the state commission's rules.

Consumer Protection Rules

The Company has established operating procedures designed to facilitate compliance with applicable consumer protection rules which include compliance with the Customer Proprietary Network Information (CPNI) rules. The operating procedures include:

- Appointment of a compliance officer.
- A manual detailing the specific procedures for protecting consumer information.
- Employee training on an annual basis.
- A disciplinary process for improper use of consumer information.

If complaints are filed with the Company regarding consumer protection rules, the complaint is immediately investigated, the matter tracked and any corrective action noted. This process ensures that problems are addressed and corrections made.

City of Faith Municipal Telephone Company

Functionality in Emergency Situations for Voice and Broadband Services

Back-Up Power

The Company has back-up power to ensure functionality without an external power source with its battery backup system that is capable of providing power for a minimum period of 8 hours. The Company has a generator that automatically comes on whenever there is a loss of power.

Rerouting of Traffic around Damaged Facilities

The Company provides service in a single exchange. The Company's interexchange traffic is on a SONET ring with diverse routing to prevent being isolated by a fiber cut. The same local loop serves both the voice and broadband services to the subscriber.

Traffic Spikes

The Company is capable of managing traffic spikes resulting from emergency situations as required by Section 54.202(a)(2). The Company can take reasonable steps to reroute traffic or add capacity to manage traffic spikes throughout its network as emergency situations require.

City of Faith Municipal Telephone Company

Lifeline Terms and Conditions

City of Faith Municipal Telephone Company (“City of Faith”) offers Lifeline program-supported service to qualified low-income residential consumers for one telephone line per eligible household. The Lifeline program provides discounts to eligible low-income consumers to help them establish and maintain telephone service. Lifeline assistance lowers the cost of basic, monthly local telephone service. Eligible consumers can receive \$9.25 per month in discounts. In addition, the Federal Universal Service Charge is not assessed to consumers participating in Lifeline. Toll Blocking prevents the placement of all long distance calls for which a subscriber would be charged. Toll blocking is available to eligible consumers at no cost. Also, by choosing this option, consumers are usually not charged a deposit.

Lifeline Program Eligibility Information

Program Based Eligibility

Consumers are eligible for Lifeline if they, one of their dependents or their household participate in one of the following qualifying assistance programs:

- Low-Income Home Energy Assistance Program (LIHEAP)
- Federal Public Housing Assistance (Section 8)
- Supplemental Nutrition Assistance Program (SNAP)
- Medicaid
- National School Lunch Program’s Free Lunch Program
- Supplemental Security Income (SSI)
- Temporary Assistance for Needy Families (TANF)

Lifeline applicants must present documentation demonstrating eligibility either through participation in one of the qualifying federal assistance programs or through income-based means.

Acceptable documentation of program-based eligibility includes: current or prior year’s statement of benefits from a qualifying state, federal or Tribal program; notice letter of participation in a qualifying state, federal or Tribal program; program participation documents; or another official document evidencing the consumer’s participation in a qualifying state, federal or Tribal program.

Income Based Eligibility

In addition, consumers are eligible for Lifeline if their household income is at or below 135% of the federal poverty guidelines.

2015 Federal Poverty Guidelines – 135%

Household Size	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$15,889	\$19,872	\$18,292
2	\$21,505	\$26,892	\$24,745
3	\$27,121	\$33,912	\$31,198
4	\$32,737	\$40,932	\$37,651
5	\$38,353	\$47,952	\$44,104
6	\$43,969	\$54,972	\$50,557
7	\$49,585	\$61,992	\$57,010
8	\$55,201	\$69,012	\$63,463
For each additional person, add	\$5,616	\$7,020	\$6,453

Acceptable documentation of income eligibility includes: prior year's state, federal or Tribal tax return; current income statement from an employer or paycheck stub; social security statement of benefits; Veterans Administration statement of benefits; retirement/pension statement of benefits; unemployment/workmen's compensation statement of benefits; federal or Tribal notice of letter participating in General Assistance; or a divorce decree or child support award or other official document containing income information.

Numbers of Minutes-of-Use Provided as Part of Lifeline Program Service

City of Faith's Voice Lifeline service includes unlimited local minutes-of-use within the toll-free calling area. City of Faith's Voice Lifeline Plan does not include any free minutes-of-use for toll. Toll is billed at the standard toll rate depending on which interexchange carrier the consumer subscribes to for toll service. As part of the Lifeline service, Toll blocking is available to eligible consumers at no cost.

Rates

Subscribers may receive the Lifeline credit on any type or grade of local service, including bundled services that are normally offered by City of Faith Municipal Telephone Company. Advertised rates do not include any applicable taxes or surcharges.

Recertification of Lifeline Eligibility

Lifeline recipients are required to recertify their eligibility annually. Failure to properly recertify a recipient's continued eligibility for the Lifeline program will result in termination of the Lifeline recipient's monthly Lifeline discount and de-enrollment from the Lifeline Program.

Additional Lifeline Program Information

The Lifeline program is limited to one benefit per household, consisting of either wireline or wireless service. A household is defined, for purposes of the Lifeline program, as an individual or group of individuals who live together at the same address and share income and expenses. Lifeline is a government benefit program, and consumers who willfully make false statements in order to obtain the benefit can be punished by fine or imprisonment or can be barred from the program.

City of Faith Municipal Telephone Company

Progress Report of 5 Year Plan – Milestone Certification

To be in compliance with the Milestone Certification of providing upon a reasonable request broadband service at actual speeds of 4 Mbps downstream/1 Mbps upstream:

- City of Faith Municipal Telephone Company certifies that it has taken reasonable steps to provide upon a reasonable request broadband service at actual speeds of 4 Mbps downstream/1 Mbps upstream with latency suitable for real-time applications, including Voice over Internet Protocol.
- The Company provides usage capacity that is reasonably comparable to comparable offerings in urban areas.
- The Company certifies that requests for such service are met within a reasonable amount of time.

City of Faith Municipal Telephone Company

Progress Report on 5 Year Plan – Community Anchor Institutions

City of Faith Municipal Telephone Company does not have any newly served community anchor institutions because all anchor institutions had broadband service available to them prior to 2014.

REDACTED - FOR PUBLIC INSPECTION

CITY OF FAITH

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2013**



Ketel Thorstenson, LLP
Certified Public Accountants/Business & Personal Consultants

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CITY OF FAITH

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Faith
Faith, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of **CITY OF FAITH** (the City), Meade County, South Dakota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

Basis for Qualified Opinions on Governmental Activities and General Fund

We did not observe physical chip inventory at December 31, 2012, stated at [REDACTED]. We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

City Council
Page Two

Qualified Opinions

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinions paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the changes in financial position of the governmental activities and the General Fund for the year ended December 31, 2013 in conformity with the modified cash basis of accounting described in Note 1(c).

Unmodified Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, of the City as of December 31, 2013, and the respective changes in financial position of the business-type activities and, where applicable, cash flows thereof for the year then ended in conformity with the modified cash basis of accounting described in Note 1(c).

Emphasis of Matter Regarding Basis of Accounting

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The management's discussion and analysis and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The management's discussion and budgetary comparison schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2014 on our consideration of the City's internal control over financial reporting and on 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* in considering the City's internal control over financial reporting and compliance.



KETEL THORSTENSON, LLP
Certified Public Accountants

July 16, 2014

CITY OF FAITH

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

This section of the City of Faith's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the year ended on December 31, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The total revenues for the City's governmental activities increased in 2013 from 2012 by [REDACTED]. The main reason for this change is due to an increase in sales tax and grant revenue by approximately [REDACTED] and [REDACTED] respectively, and a [REDACTED] increase in charges for goods by approximately [REDACTED].

The City's business-type activities charges for services [REDACTED] by [REDACTED] percent to [REDACTED] revenues [REDACTED] by approximately [REDACTED] due to more usage and rate increases and [REDACTED] revenue [REDACTED] approximately [REDACTED] due to rate [REDACTED]. This was offset by a [REDACTED] increase in [REDACTED] sales of [REDACTED] a [REDACTED] increase in [REDACTED] sales of [REDACTED] due to usage [REDACTED].

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements (including related notes), and supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide financial statements.
 - The governmental funds financial statements tell how general government services like public safety were financed in the short-term, as well as what remains for future spending.
 - Proprietary funds financial statements offer short-term and long-term financial information about the activities that the City operates like businesses. The City has six proprietary funds – the [REDACTED] Fund, [REDACTED] Fund, [REDACTED] Fund, [REDACTED] Fund, Telephone Fund, and [REDACTED] Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The basic financial statements are followed by a section of supplementary information that further explains and supports the information in the financial statements.

CITY OF FAITH

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Basis of Accounting

The City has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the City's modified cash basis of accounting, revenues and expenses and related assets are recorded when they result from cash transactions, except for the recording of investments.

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 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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Government-wide Statements

The two government-wide statements report the City's net position and how it has changed. Net position – the difference between the City's assets and liabilities – is one way to measure the City's financial health or position.

- Increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional non-financial factors such as changes in the City's property tax base and changes in the sales tax revenue base.

The government-wide financial statements of the City are reported in three categories:

- Governmental Activities – This category includes most of the City's basic services, such as [REDACTED] [REDACTED] [REDACTED] [REDACTED] and general administration. Sales taxes, charges for services, state and federal grants, and interest earnings finance the majority of these activities.
- Business-Type Activities – The City charges a fee to customers to help cover the costs of certain services it provides. The City's [REDACTED] [REDACTED] [REDACTED], [REDACTED], telephone, and [REDACTED] are included here.
- Component Units – The City does not have any component units.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. State law requires some of the funds. The City Council establishes other funds to control and manage money for particular purposes or to show that the City is properly using certain taxes and grants.

CITY OF FAITH

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Fund Financial Statements (Continued)

The City has two kinds of funds:

- **Governmental Funds** – Most of the City's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the year-end balances available for spending. Consequently, the governmental funds financial statements provide a detailed short-term view which helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds financial statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short-term and long-term financial information. The City's proprietary funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position [REDACTED] by [REDACTED] percent between the fiscal year 2012 and 2013 – increasing [REDACTED]. (See Table A-1)

The Statement of Net Position – Modified Cash Basis reports all financial and capital resources. This statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The only long-term liability of the City, a capital lease, has been reported in this manner on the Statement of Net Position – Modified Cash Basis. The difference between the City's assets and liabilities is its net position.

CITY OF FAITH

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2013

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Table A-1 Summarized Statement of Net Position - Modified Cash Basis for 2013 and 2012						
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$					
Capital Assets						
Total Assets						
Current Liabilities	\$					
Long-Term Debt						
Total Liabilities	\$					
<i>Net Position:</i>						
Net Investment in						
Capital Assets	\$					
Unrestricted						
Total Net Assets						
Beginning Net Position						
Increase in Net Position	\$					
Percentage of Change in Net Position						

Changes in Net Position

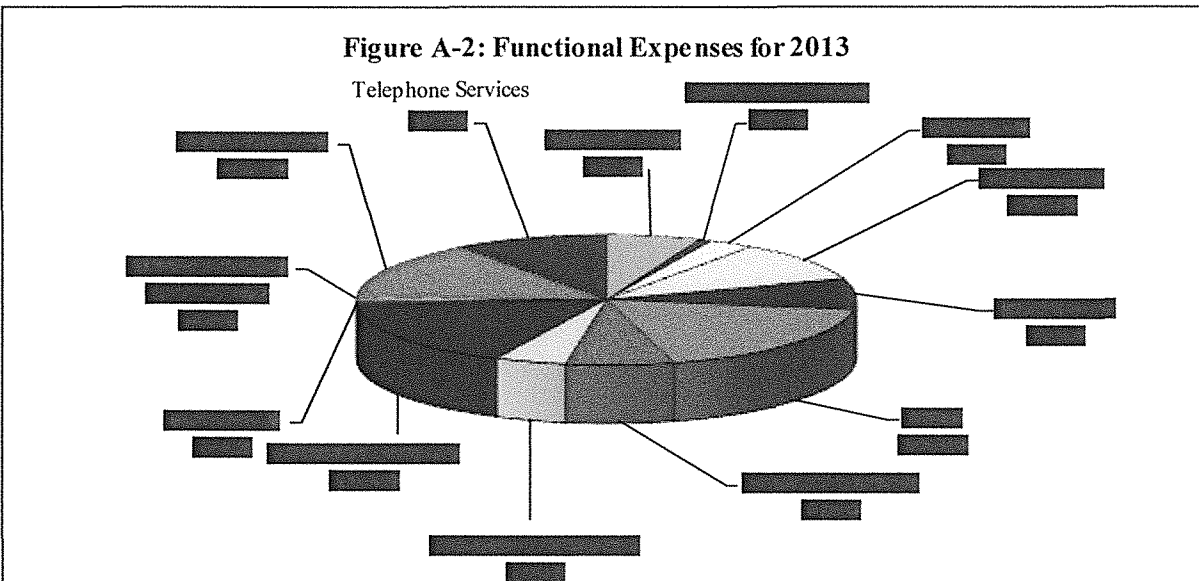
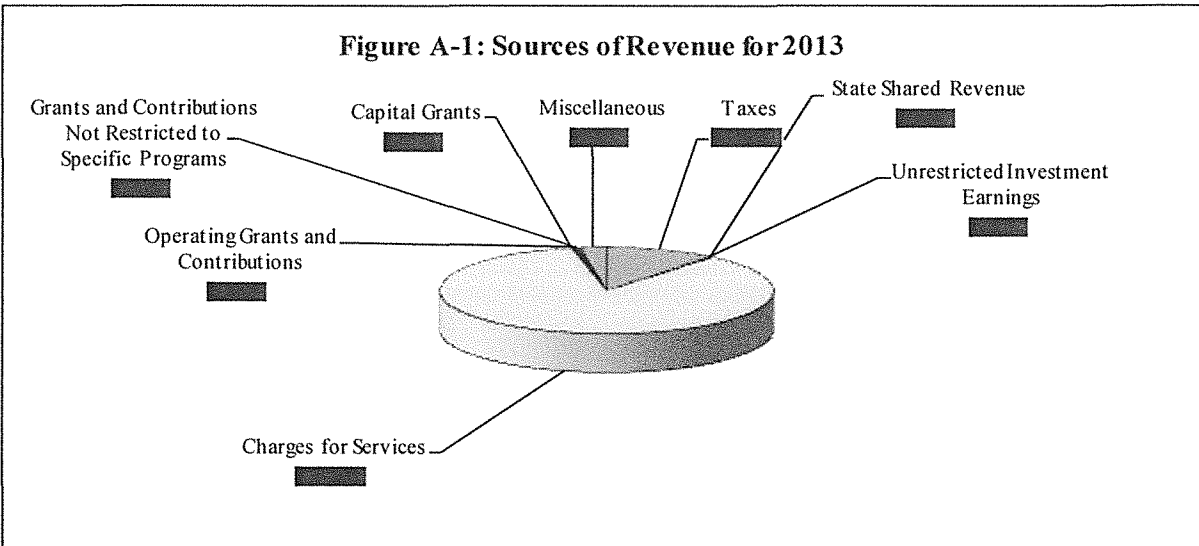
The City's revenues totaled [REDACTED], and the total cost of all programs and services was [REDACTED] for the year ended December 31, 2013. The City's expenses cover a range of services, including [REDACTED], [REDACTED] and [REDACTED] services, and [REDACTED] services. (See Table A-2).

CITY OF FAITH

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2013

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)



CITY OF FAITH

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2013

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Table A-2 and the narrative that follows consider the operations of the governmental and business-type activities.

	Table A-2 Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues						
Program Revenues						
Charges for Services	\$ ██████████	██████████	██████████	██████████	██████████	██████████
Operating Grants and Contributions	██████████	██████████			██████████	██████████
General Revenues						
Taxes	██████████	██████████			██████████	██████████
Revenue State Sources	██████████	██████████			██████████	██████████
Capital Grants	██████████			██████████	██████████	██████████
Grants and Contributions not Program Specific	██████████	██████████			██████████	██████████
Unrestricted Investment Earnings	██████████	██████████	██████████	██████████	██████████	██████████
Miscellaneous	██████████	██████████	██████████		██████████	██████████
Total Revenues	██████████	██████████	██████████	██████████	██████████	██████████
Expenses						
General Government	██████████	██████████			██████████	██████████
██████████	██████████	██████████			██████████	██████████
██████████	██████████	██████████			██████████	██████████
██████████	██████████	██████████			██████████	██████████
██████████	██████████	██████████			██████████	██████████
██████████	██████████	██████████			██████████	██████████
██████████			██████████	██████████	██████████	██████████
██████████			██████████	██████████	██████████	██████████
██████████			██████████	██████████	██████████	██████████
██████████			██████████	██████████	██████████	██████████
██████████			██████████	██████████	██████████	██████████
Telephone			██████████	██████████	██████████	██████████
██████████			██████████	██████████	██████████	██████████
Total Expenses	██████████	██████████	██████████	██████████	██████████	██████████
Excess (Deficiency) Before Transfers	██████████	██████████	██████████	██████████	██████████	██████████
Transfers	██████████	██████████	██████████	██████████		
Increase in Net Position	\$ ██████████	██████████	██████████	██████████	██████████	██████████
Ending Net Position	\$ ██████████	██████████	██████████	██████████	██████████	██████████

CITY OF FAITH

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2013

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONCLUDED)

Governmental Activities

The City experienced a [REDACTED] in expenses in 2013. General Government had a [REDACTED] of approximately [REDACTED] due to buildings being repaired in 2012 due to the hail storm. [REDACTED] [REDACTED] approximately [REDACTED] due to the purchase of a [REDACTED] [REDACTED] [REDACTED] approximately [REDACTED] due to 32 fewer [REDACTED] therefore less salaries, gas, supplies and there was [REDACTED] less in repairs. [REDACTED] and [REDACTED] [REDACTED] mainly due to a new [REDACTED] at th [REDACTED] for [REDACTED] and more [REDACTED] for [REDACTED] by [REDACTED] which included the [REDACTED]. [REDACTED] and [REDACTED] [REDACTED] [REDACTED] due to not having a carnival in 2013 and a smaller donation to the school in 2013.

Business-Type Activities

[REDACTED] expenses [REDACTED] approximately [REDACTED], mainly in cost of goods sold, as sales declined due to construction workers not being in the area as in the prior year. [REDACTED] expenses [REDACTED] due to a [REDACTED] repair for approximately [REDACTED]. [REDACTED] expenses [REDACTED] due to less supplies purchased and a [REDACTED] n labor because of the [REDACTED] in 2012. Telephone expenses [REDACTED] approximately [REDACTED] for equipment purchases and labor to connect the [REDACTED] and [REDACTED] in the fiber. [REDACTED] expenses [REDACTED] due to a [REDACTED] study. [REDACTED] wa [REDACTED] due to digging a new pit and disposing of tires.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The financial analysis of the City's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City's only governmental fund type is the General Fund. The City also maintains six business type funds – [REDACTED], [REDACTED], [REDACTED] [REDACTED] Telephone, and [REDACTED]

BUDGETARY HIGHLIGHTS

[REDACTED] expenses exceeded the budgeted amount due to the purchase of a [REDACTED] In addition, the City donated [REDACTED] for the purchase of a [REDACTED] These are the main changes to the budget.

CITY OF FAITH

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)
DECEMBER 31, 2013**

CAPITAL ASSET ADMINISTRATION

By the end of 2013, the City had invested [REDACTED] in a broad range of capital assets, including land, buildings, and various machinery and equipment. (See Table A-3).

**Table A-3
Capital Assets
(net of depreciation)**

	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
Land	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Construction Work in Progress	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Improvements Other Than Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Machinery and Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Capital Assets	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

LONG-TERM DEBT

As of December 31, 2013, the City had [REDACTED] in long-term debt (See Table A-4 below):

	Governmental Activities	
	2013	2012
Capital Acquisition Lease	\$ [REDACTED]	\$ [REDACTED]
Total Outstanding Debt and Obligations	\$ [REDACTED]	\$ [REDACTED]

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The City expects business-type activities for 2014 to increase due to rate increases.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Faith's Finance Office, P.O. Box 368, Faith, SD 57626.

CITY OF FAITH

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

DECEMBER 31, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Investments	\$ [REDACTED]	[REDACTED]	[REDACTED]
Other Current Assets	[REDACTED]	[REDACTED]	[REDACTED]
Joint Venture Investment	[REDACTED]	[REDACTED]	[REDACTED]
Capital Assets:			
Land and Construction Work in Progress	[REDACTED]	[REDACTED]	[REDACTED]
Other Capital Assets, Net of Depreciation	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL ASSETS	\$ [REDACTED]	[REDACTED]	[REDACTED]
LIABILITIES:			
Other Current Liabilities	\$ [REDACTED]	[REDACTED]	[REDACTED]
Non-Current Liability:			
Due Within One Year	[REDACTED]	[REDACTED]	[REDACTED]
Due in More Than One Year	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL LIABILITIES	[REDACTED]	[REDACTED]	[REDACTED]
NET POSITION:			
Net Investment in Capital Assets	[REDACTED]	[REDACTED]	[REDACTED]
Unrestricted	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL NET POSITION	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL LIABILITIES AND NET POSITION	\$ [REDACTED]	[REDACTED]	[REDACTED]

The accompanying notes are an integral part of this statement.

CITY OF FAITH

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	
Primary Government:						
Governmental Activities:						
	\$					
Interest on Long-Term Debt						
Total Governmental Activities						
Business-Type Activities:						
Telephone						
Total Business-Type Activities						
Total Primary Government	\$					
General Revenues and Transfers:						
General Revenues:						
Taxes:						
Sales Taxes						
Gross Receipt Taxes						
State Shared Revenues						
Grants and Contributions not Restricted to Specific Programs						
Unrestricted Investment Earnings						
Miscellaneous Revenue						
Transfers						
Total General Revenues and Transfers						
Change in Net Position						
Net Position - December 31, 2012						
Net Position - December 31, 2013	\$					

The accompanying notes are an integral part of this statement.

CITY OF FAITH

BALANCE SHEET
GOVERNMENTAL FUND - MODIFIED CASH BASIS
DECEMBER 31, 2013

	General Fund
ASSETS:	
101 Cash and Investments	\$ [REDACTED]
115 Other Current Assets	[REDACTED]
TOTAL ASSETS	\$ [REDACTED]
LIABILITIES AND FUND BALANCE:	
Liabilities:	
216 Other Current Liabilities	[REDACTED]
Total Liabilities	[REDACTED]
Fund Balance:	
263.01 Nonspendable - Inventory	[REDACTED]
265 Committed - Capital Replacement	[REDACTED]
Total Fund Balance	[REDACTED]
TOTAL LIABILITIES AND FUND BALANCE	\$ [REDACTED]

The accompanying notes are an integral part of this statement.

CITY OF FAITH

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2013

Total Fund Balances - Governmental Funds	\$	██████████
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		██████████
Long-term liabilities are not due and payable in the current period and therefore are not included in the funds.		██████████
<hr/> Total Net Position - Governmental Activities	\$	██████████

The accompanying notes are an integral part of this statement.

CITY OF FAITH

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

		General Fund
		<hr/>
Revenue:		
	<i>Taxes:</i>	
313	Sales Taxes	\$ █
314	Gross Receipts Business Taxes	█
315	Amusement Taxes	█
320	Licenses and Permits	█
	<i>Intergovernmental Revenue:</i>	
331	Federal Grant	█
334	State Grant	█
335.02	Motor Vehicle Commercial ProRate	█
335.03	█ Tax Reversion	█
335.04	█	█
335.08	Local Government █ Fund	█
338.01	County Road Tax	█
338.99	Other	█
	<i>Charges for Goods and Services:</i>	
341	General Government	█
342	█	█
343	█	█
346	█	█
347	█	█
348	█	█
349	Other	█
	<i>Miscellaneous Revenue:</i>	
361	Investment Earnings	█
362	Rentals	█
367	Contributions and Donations From Private Sources	█
369	Other	█
Total Revenue		<hr/> █

CITY OF FAITH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
 GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2013

		General Fund
Expenditures:		
<i>General Government:</i>		
411	Legislative	
412	Executive	
413	Elections	
414	Financial Administration	
419	Other	
██████████ :		
421	██████████	
422	██████████	
██████████		
431	██████████	
435	██████████	
437	██████████	
██████████		
441	██████████	
446	██████████	
██████████		
451	██████████	
452	██████████	
454	██████████	
455	██████████	
██████████		
465	██████████	
465.3	Promoting the City	
466	Economic Opportunity	
470	Debt Service	
485	Capital Outlay	
Total Expenditures		
Other Financing Sources:		
391.01	Transfers In	
391.04	Compensation for Loss or Damage To Capital Assets	
Total Other Financing Sources		
Net Change in Fund Balance		
Fund Balance, December 31, 2012		
Fund Balance, December 31, 2013		\$

The accompanying notes are an integral part of this statement.

CITY OF FAITH

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2013

Net Change in Fund Balance - Government Funds \$ [REDACTED]

Amounts reported for governmental activities in the Statement of Activities are different because:

Government funds report capital outlays as expenditures. However, in the Statement of Activities the cost of the assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Asset Purchases Capitalized	[REDACTED]
Depreciation Expense	[REDACTED]
	[REDACTED]

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

[REDACTED]

Change in Net Position - Governmental Activities \$ [REDACTED]

The accompanying notes are an integral part of this statement.

CITY OF FAITH

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS - MODIFIED CASH BASIS
 DECEMBER 31, 2013

	Fund	Fund	Fund
ASSETS:			
Current Assets:			
101 Cash and Cash Equivalents	\$		
115 Accounts Receivable			
142 Inventory of Supplies Purchased for Resale			
Total Current Assets			
Noncurrent Assets:			
151 Joint Venture Investment (Note 8)			
Capital Assets:			
160 Land			
162 Buildings			
164 Improvements Other Than Buildings			
166 Machinery and Equipment			
Less: Accumulated Depreciation			
Total Noncurrent Assets			
TOTAL ASSETS	\$		
LIABILITIES:			
Current Liabilities:			
216 Other Current Liabilities	\$		
220 Customer Deposits			
Total Current Liabilities			
NET POSITION:			
253.1 Invested in Capital Assets			
253.9 Unrestricted Net Position			
Total Net Position			
TOTAL LIABILITIES AND NET POSITION	\$		

The accompanying notes are an integral part of this statement.

CITY OF FAITH

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2013**

	Fund	Fund	Fund
Operating Revenue:			
380 Charges for Goods and Services	\$		
380.5 Sales			
Total Operating Revenue			
Operating Expenses:			
410 Personal Services			
420 Other Current Expense			
426.2 Materials (Cost of Goods Sold)			
457 Depreciation			
Total Operating Expenses			
Operating Income (Loss)			
Nonoperating Revenue:			
361 Investment Earnings			
Income (Loss) Before Transfers			
391 Compensation for Loss or Damage to Capital Assets			
511 Transfers Out			
Change in Net Position			
Net Position - December 31, 2012			
NET POSITION - DECEMBER 31, 2013	\$		

The accompanying notes are an integral part of this statement.

CITY OF FAITH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Fund	Fund	Fund
Cash Flows from Operating Activities:			
Receipts from Customers	\$ [REDACTED]	[REDACTED]	[REDACTED]
Payments to Suppliers	[REDACTED]	[REDACTED]	[REDACTED]
Payments to Employees	[REDACTED]	[REDACTED]	[REDACTED]
Net Cash Flows Provided by (Used In) Operating Activities	[REDACTED]	[REDACTED]	[REDACTED]
Cash Flows From Noncapital Financing Activities:			
Transfers to Other Funds	[REDACTED]	[REDACTED]	[REDACTED]
Net Cash Used in Noncapital Financing Activities:	[REDACTED]	[REDACTED]	[REDACTED]
Cash Flows From Capital and Related Financing Activities:			
Purchases of Capital Assets	[REDACTED]	[REDACTED]	[REDACTED]
Compensation for Loss or Damage to Capital Assets	[REDACTED]	[REDACTED]	[REDACTED]
Net Cash Used In Capital and Related Financing Activities	[REDACTED]	[REDACTED]	[REDACTED]
Cash Flows From Investing Activities:			
Interest Earnings	[REDACTED]	[REDACTED]	[REDACTED]
Net Cash Provided by Investing Activities	[REDACTED]	[REDACTED]	[REDACTED]
Net Increase (Decrease) in Cash and Investments	[REDACTED]	[REDACTED]	[REDACTED]
Cash and Investments, December 31, 2012	[REDACTED]	[REDACTED]	[REDACTED]
Cash and Investments, December 31, 2013	[REDACTED]	[REDACTED]	[REDACTED]
Cash Flows From Operating Activities:			
Operating Income (Loss)	\$ [REDACTED]	[REDACTED]	[REDACTED]
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used In) Operating Activities:			
Depreciation Expense	[REDACTED]	[REDACTED]	[REDACTED]
Change in Assets and Liabilities:			
Inventories	[REDACTED]	[REDACTED]	[REDACTED]
Customer Deposits	[REDACTED]	[REDACTED]	[REDACTED]
Other Current Liabilities	[REDACTED]	[REDACTED]	[REDACTED]
Net Cash Flows Provided by (Used In) Operating Activities	\$ [REDACTED]	[REDACTED]	[REDACTED]

The accompanying notes are an integral part of this statement.

CITY OF FAITH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

(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). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. Reporting Entity

The reporting entity of the City of Faith (the City) 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.

b. Basis of Presentation

Government-wide Financial Statements:

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into 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 City or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least ten 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 five 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.

CITY OF FAITH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013**

(1) Summary of Significant Accounting Policies (Continued)

b. Basis of Presentation (Continued)

Fund Financial Statements: (Continued)

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

Governmental Funds:

General Fund – the general fund is the general operating fund of the City. 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.

Proprietary Funds:

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

Proprietary Funds include:

██████████ Fund – financed primarily by the sale of ██████████ this fund accounts for construction and operation of the ██████████ store. This is a major fund.

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

██████████ Fund – financed primarily by user charges; this fund accounts for the construction and operation of the ██████████ system and related facilities. This is a major fund.

██████████ und – financed primarily by user charges; this fund accounts for the construction and operation of the ██████████ system and related facilities (SDCL 9-48-2). This is a major fund.

Telephone Fund – financed primarily by user charges; this fund accounts for the construction and operation of the City telephone system and related facilities. This is a major fund.

██████████ Fund – financed primarily by user charges; this fund accounts for the construction and operation of the ██████████ and ██████████ and ██████████ 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.

CITY OF FAITH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

(1) Summary of Significant Accounting Policies (Continued)

c. Measurement Focus and Basis of Accounting (Continued)

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

All financial statements are presented using the 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 cash basis of accounting, the statement of financial position reports only cash and cash equivalents. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed.

Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements are:

1. Recording of capital assets arising from cash transactions and depreciating those assets where appropriate.
2. Recording of long-term debt arising from cash transactions.
3. Recording both capital assets and related long-term debt used to finance the capital asset acquisition.
4. Recording inventory resulting from payment of cash to vendors.
5. Recording of investments arising from cash transactions.
6. Recording of customer's deposits arising from cash transactions.
7. Recording checks returned as non-sufficient funds as accounts receivable.

As a result of the use of the 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 City applied GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the government-wide financial statements and fund financial statements for proprietary fund types would use the accrual basis of accounting.

CITY OF FAITH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

(1) Summary of Significant Accounting Policies (Continued)

d. Interfund Transfers

The City transfers unrestricted revenues collected in the enterprise funds to the General Fund and other enterprise funds to balance the budgets in those funds.

e. Capital Assets

Under the modified cash basis of accounting, capital assets are recorded when they result from cash transactions, and are depreciated, when appropriate. The accounting treatment for property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and 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.

Allocations between programs are made, where necessary, to match the cost with the program that benefits from the use of the capital assets.

All capital assets are valued at cost or estimated historical cost, if actual historical cost is not available.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 2004, are recorded at cost, and classified as "Improvements Other than Buildings."

Under the modified cash basis, depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities – Modified Cash Basis, with accumulated depreciation reflected in the Statement of Net Position – Modified Cash Basis. Depreciation has been provided over the estimated useful lives using the straight-line method.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ █	█	█
Construction Work in Progress	\$ █	█	█
Buildings	\$ █	█	█
Improvements Other Than Buildings	\$ █	█	█
Machinery and Equipment	\$ █	█	█

Land is an inexhaustible capital asset and is not depreciated.

CITY OF FAITH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013**

(1) Summary of Significant Accounting Policies (Continued)

e. Capital Assets (Continued)

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

f. Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities, arising from cash transactions, to be repaid from governmental and business-type resources are reported as liabilities in the respective columns on the government-wide financial statements. The long-term liability consists of a capital acquisition lease.

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

g. Revenue Received in Advance

Under the modified cash basis of accounting, cash may have been received in advance of the City's providing a good or service to a customer, resulting in unearned revenue. There was no unearned revenue at December 31, 2013.

h. Program Revenues

Program revenues derive directly from the program itself or from parties other than the City'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.

CITY OF FAITH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

(1) Summary of Significant Accounting Policies (Continued)

i. Proprietary Funds Revenue and Expense Classification

In the proprietary fund's Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows – Modified Cash Basis. 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. Inventory

Inventory in the enterprise fund, acquired for resale, is valued at the lower of cost or market on the weighted average cost basis. Inventory in the general fund for chip inventory is valued at the lower of cost or market on the weighted average cost basis.

k. Cash and Cash Equivalents

For the purpose of financial reporting, cash and cash equivalents includes all unrestricted and restricted demand and savings accounts and certificates of deposit with a term to maturity at date of acquisition of three months or less.

The City 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 – Modified Cash Basis.

l. Equity Classifications

Government-wide Financial Statements:

Equity is classified as net position and is displayed in three components, as follows:

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. 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.
3. Unrestricted Net Position – All other net position that do not meet the definition of restricted or invested in capital assets, net of related debt.

Fund Financial Statements:

The City classifies governmental fund balance as follows:

1. Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

CITY OF FAITH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

(1) Summary of Significant Accounting Policies (Concluded)

I. Equity Classifications (Continued)

Fund Financial Statements (Continued):

2. 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.
3. Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the City Council and does not lapse at year-end.
4. 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 City Council, Mayor, or Finance Officer.
5. Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

Proprietary fund equity is classified the same as in the government-wide financial statements.

The City uses restricted amounts first when both restricted and unrestricted net position or 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 City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

(2) Deposits and Investments

The City 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.

CITY OF FAITH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013**

(2) Deposits and Investments (Continued)

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

As of December 31, 2013, the City’s cash and investments consisted of checking and savings accounts, and certificates of deposit. All of these accounts are insured or collateralized in the City’s name.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City’s policy is to credit all income from deposits and investments to the General Fund. GAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income except where legal or contractual requirements require investment income to be credited to a fund other than the one associated with the assets. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities.

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

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

Custodial Credit Risk: This is the risk that in the event of a deposit failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2013, none of the City’s deposits were exposed to custodial credit risk.

Concentration of Credit Risk: The City’s places no limits on the amount that may be invested in any one issuer.

(3) Property Taxes

The City does not levy property taxes.

CITY OF FAITH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

(4) Changes in Capital Assets

A summary of changes in governmental activities capital assets for the year ending December 31, 2013, is as follows:

	Balance 12/31/2012	Additions	Transfers/ Deletions	Balance 12/31/2013
<i>Governmental Activities:</i>				
Capital Assets, not being Depreciated:				
Land	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Construction Work in Progress*	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Capital Assets, not being Depreciated	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Capital Assets, being Depreciated:				
Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Improvements Other Than Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Machinery and Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Capital Assets Being Depreciated	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Less Accumulated Depreciation for:				
Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Improvements Other Than Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Machinery and Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Accumulated Depreciation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Governmental Activities Capital Assets, being Depreciated, Net	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Governmental Capital Assets, Net	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

* Construction in Progress at December 31, 2013 is composed of engineering costs for a land acquisition, wild land fence, and runway safety area grading project for the Faith Airport, which upon completion will total approximately [REDACTED]. The City was granted a [REDACTED] federal grant for this project, to be received in 2014. Expenditures in excess of the Federal grant will be paid with the General Fund's balance.

Depreciation expense for governmental activities was charged to functions as follows:

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Total Depreciation Expense - Governmental	\$ [REDACTED]

CITY OF FAITH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

(4) Changes in Capital Assets (Continued)

A summary of changes in business-type activities capital assets for the year ended December 31, 2013 is as follows:

	Balance 12/31/2012	Additions	Transfers/ Deletions	Balance 12/31/2013
<i>Business-Type Activities:</i>				
Capital Assets, not being Depreciated:				
Land	\$			
Total Capital Assets, not being Depreciated				
Capital Assets, being Depreciated:				
Buildings				
Improvements Other Than Buildings				
Machinery and Equipment				
Total Capital Assets Being Depreciated				
Less Accumulated Depreciation for:				
Buildings				
Improvements Other Than Buildings				
Machinery and Equipment				
Total Accumulated Depreciation				
Total Business-Type Activities Capital Assets, being Depreciated, Net				
Total Business-Type Capital Assets, Net	\$			

Depreciation expense for business-type activities was charged to functions as follows:

<i>Business-Type Activities:</i>	
Telephone	\$
Total Depreciation Expense - Business-Type	\$

CITY OF FAITH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

(5) Long-Term Debt

A summary of the changes in long-term debt for the years ending December 31, 2013, is as follows:

	Balance 12/31/2012	Additions	Deletions	Balance 12/31/2013	Due Within One Year
Primary Government:					
Governmental Activities:					
Capital Acquisition Leases	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Governmental Activities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Primary Government	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The principal amount, above, was included in the appropriate classification of capital assets, and is being depreciated over the estimated useful-life of the asset. The asset as of December 31, 2013 is [REDACTED] with [REDACTED] in accumulated depreciation for a net book value of [REDACTED].

Debt payable at December 31, 2013, is comprised of the following:

Capital Acquisition Lease

Capital Lease for recreation center that bears interest at [REDACTED] percent with semi-annual payments of [REDACTED] matures January 2017 at which time the full balance is due. Financed through the General Fund.

\$ [REDACTED]

The annual requirements to amortize long-term debt outstanding as of December 31, 2013, are as follows:

	Capital Acquisition Lease	
	Interest	Principal
2014	\$ [REDACTED]	[REDACTED]
2015	[REDACTED]	[REDACTED]
2016	[REDACTED]	[REDACTED]
2017	[REDACTED]	[REDACTED]
Total	\$ [REDACTED]	[REDACTED]

Interest cost paid and charged to interest expense in the current period totaled [REDACTED]

CITY OF FAITH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

(6) Operating Leases

During the year ended December 31, 2013, the City began subleasing a portion of the community center to the Faith School District. This is a fifteen year operating lease that requires annual lease payments of [REDACTED]. Sublease rental income was [REDACTED] for the year ended December 31, 2013. Future rental revenues expected under this lease are as follows as of December 31, 2013:

2014	\$	[REDACTED]
2015		[REDACTED]
2016		[REDACTED]
2017		[REDACTED]
2018		[REDACTED]

The City has a lease agreement with [REDACTED] for host and remote switching services, through 2015. The lease requires minimum monthly charges of [REDACTED] plus variable fees based on service levels. Lease payments were [REDACTED] for the year ended December 31, 2013. Future minimum lease payments are as follows as of December 31, 2013:

2014	\$	[REDACTED]
2015		[REDACTED]

(7) Retirement Plan – South Dakota Retirement System

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 survivors' 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 [REDACTED] percent of their salary to the plan, while public safety and judicial employees contribute [REDACTED] and [REDACTED] percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of [REDACTED] percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2013, 2012, and 2011 were [REDACTED], [REDACTED], and [REDACTED] respectively, equal to the required contributions each year.

CITY OF FAITH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

(8) Joint Ventures

The City participates in the South Dakota Network, Inc. (the Network), a network formed for the purpose of receiving and delivering phone traffic for its members. For the year ended December 31, 2013, the City's interest in the voting and non-voting common stock is [REDACTED] which is recorded as an investment (using the cost method) within the telephone fund. The stock will be maintained by the City as long as it participates in the Network.

Ownership in the Network consists of [REDACTED] entities, none of which have significant ownership percentages. The City has less than [REDACTED] percent ownership. Separate financial statements for this joint venture are available from South Dakota Network, Inc., Sioux Falls, South Dakota.

At December 31, 2013, this joint venture had total equity of [REDACTED] (unaudited), total liabilities of [REDACTED] (unaudited), and total assets of [REDACTED] (unaudited).

(9) Risk Management

The City 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 year ended December 31, 2013, the City managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

The City purchases property and liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund (the 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 City'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 City pays an annual premium to the Fund to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The Fund pays the first [REDACTED] of any claim per individual. The Fund has reinsurance, which covers up to statutory limits in addition to a separate combined employer liability limit of [REDACTED] per incident. The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

The City has elected to be a noncontributing member of the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. As a result, the City retains all risks for liabilities resulting from claims for unemployment benefits. Claims filed and paid for unemployment benefits were [REDACTED] the year ended December 31, 2013. It is not anticipated that any additional claims for unemployment benefits will be filed in the next year.

CITY OF FAITH

**NOTES TO FINANCIAL STATEMENTS (CONCLUDED)
DECEMBER 31, 2013**

(10) Emerging Accounting Standards

In June 2012, GASB issued Statement Nos. 67 and 68. Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Reporting for Pensions*, replace the requirements of Statement No. 50, *Pension Disclosures* and will require additional note disclosures for the City's cost-sharing multiple employer, defined benefit pension plan. These statements relate to accounting and financial reporting issues and how pension costs and obligations are measured and reported in audited financial statements. The standards describe the change from the funding-based approach to an accounting-based approach in order to improve pension information and increase the transparency, consistency, and comparability of pension information across governments.

The City will recognize its share of a collective net position liability, as well as pension expense and deferred outflows or inflows of resources for its proportionate share. Within the governmental fund financial statements, pension expenditures should be recognized equal to the total of (1) amounts paid by the City to a pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. Note disclosures will include descriptive information about the plan and its terms, contribution rates and how they are determined, and amounts attributed to employee service and forfeitures in the current period.

The guidance related to the new standards is effective for the City's year ending December 31, 2014 for GASB 67 and December 31, 2015 for GASB 68. The City will be evaluating the impact the standards will have on the financial statements.

REDACTED - FOR PUBLIC INSPECTION

SUPPLEMENTARY INFORMATION

CITY OF FAITH

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - BUDGETARY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance
Revenue:				
<i>Taxes:</i>				
313 Sales Taxes	\$ ██████████	██████████	██████████	██████████
314 Gross Receipts Business Taxes	██████████	██████████	██████████	██████████
315 Amusement Taxes	██████████	██████████	██████████	██████████
320 Licenses and Permits	██████████	██████████	██████████	██████████
<i>Intergovernmental Revenue:</i>				
331 Federal Grant	██████████	██████████	██████████	██████████
334 State Grant	██████████	██████████	██████████	██████████
335 Port of Entry	██████████	██████████	██████████	██████████
335.02 Motor Vehicle Commercial Prorate	██████████	██████████	██████████	██████████
335.03 ██████████ Tax Reversion	██████████	██████████	██████████	██████████
335.04 ██████████	██████████	██████████	██████████	██████████
335.08 Local Government Highway and Bridge Fund	██████████	██████████	██████████	██████████
338.01 ██████████	██████████	██████████	██████████	██████████
338.99 Other	██████████	██████████	██████████	██████████
<i>Charges for Goods and Services:</i>				
341 General Government	██████████	██████████	██████████	██████████
342 ██████████	██████████	██████████	██████████	██████████
343 ██████████	██████████	██████████	██████████	██████████
346 ██████████	██████████	██████████	██████████	██████████
347 ██████████	██████████	██████████	██████████	██████████
348 ██████████	██████████	██████████	██████████	██████████
349 Other	██████████	██████████	██████████	██████████
<i>Miscellaneous Revenue:</i>				
361 Investment Earnings	██████████	██████████	██████████	██████████
362 Rentals	██████████	██████████	██████████	██████████
367 Contributions and Donations From Private Sources	██████████	██████████	██████████	██████████
369 Other	██████████	██████████	██████████	██████████
Total Revenue	██████████	██████████	██████████	██████████

CITY OF FAITH

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
 GENERAL FUND - BUDGETARY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance
Expenditures:				
<i>General Government:</i>				
411				
411.5				
412				
413				
414				
419				
421				
422				
431				
435				
437				
441				
446				
451				
452				
454				
455				
465				
465.3				
466				
470				
Total Expenditures				
391.1				
391.4				
Total Other Financing Sources				
Net Change in Fund Balance				
Fund Balance, December 31, 2012				
Fund Balance, December 31, 2013	\$			

The accompanying notes are an integral part of this statement.

CITY OF FAITH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2013

(1) Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year, or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual disbursements for each purpose cannot exceed the amounts budgeted, except as indicated in item number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed [REDACTED] 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.
6. The City did not encumber any amounts at December 31, 2013.
7. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, capital projects funds, and debt service funds.

(2) GAAP Budgetary Accounting Basis Differences

The financial statements prepared in conformity with the modified cash basis of accounting present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a [REDACTED] [REDACTED] would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis, however in the Budgetary Required Supplementary Information Schedule, the purchase of a [REDACTED] would be reported as an expenditure of the [REDACTED] [REDACTED] function of government, along with all other current [REDACTED] related expenditures.

REDACTED - FOR PUBLIC INSPECTION

OTHER REPORTS



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

City Council
City of Faith
Faith, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the **CITY OF FAITH** (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 16, 2014. Our report was modified for the physical chip inventory at December 31, 2012.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Auditor's Comments and Closing Conference, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Auditor's Comments and Closing Conference as 2013-001 and 2013-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Auditor's Comments and Closing Conference as 2013-003 to be a significant deficiency.

In addition, we have another comment and suggestion for your consideration that is described in the accompanying Auditor's Comments and Closing Conference as 2013-004. This matter is offered as a constructive suggestion for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures.

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City Council
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Auditor's Comments and Closing Conference as 2013-003.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Auditor's Comments and Closing Conference. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



KETEL THORSTENSON, LLP
Certified Public Accountants

July 16, 2014

CITY OF FAITH

AUDITOR'S COMMENTS AND CLOSING CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2013

A. Status of Prior Audit Findings and Recommendations

<u>Prior Year</u>	<u>Description</u>	<u>Current Year</u>
2012-1	Financial Statement Preparation	Substantially Repeated as 2013-001
2012-2	Segregation of Duties	Substantially Repeated as 2013-002
2012-3	Approval of Disbursements	Resolved and Not Repeated

CITY OF FAITH

AUDITOR'S COMMENTS AND CLOSING CONFERENCE (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013

B. Current Year Audit Findings and Recommendations

MATERIAL WEAKNESSES

2013-001 FINDING: Financial Statement Preparation and Year End Adjustments

Condition and Cause: As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. During this process, we proposed a material audit adjustment to record construction in progress and reclassify an expense between funds. Ultimately, it is management's responsibility to provide for the preparation of the City's statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint, we do both for the City at the same time in connection with our audit. This is not unusual for us to do with municipalities of your size.

Criteria and Effect: Adjustments noted above would not have been identified as a result of the City's existing internal controls. These deficiencies could result in material misstatements to the financial statements that would not have been prevented or detected by the City's management.

Recommendation: We recommend management review expense accounts to ensure transactions are recorded within the appropriate fund and construction in progress is recorded. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in the City's statements. We are satisfied that the appropriate steps have been taken to provide the City with the completed financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response/Corrective Action Plan: The City will review expenses for proper fund recording and for construction transactions. The City evaluates its risk associated with this condition on an annual basis. The Finance Officer, Debbie Brown, is responsible for this corrective action plan.

2013-002 FINDING: Segregation of Duties

Condition and Cause: The City has a general lack of segregation of duties in the finance office, more specifically:

- a. All finance personnel have access to the general ledger, open mail, receive unopened bank statements, and mail the signed checks.
- b. The Finance Officer and Deputy Finance Officer receive customer payments, have access to write-off and adjust customer accounts, and the customer adjustments or write-off reports are not reviewed. In addition, the Finance Officer prepares the revenue portion of the financial statements given to the City Council for review. The Finance Officer is preparing a listing of adjustments, but the listing is not currently being reviewed by someone other than herself.
- c. There is lack of controls at the [REDACTED]. The [REDACTED] orders inventory, receives inventory, and performs quarterly spot-check inventory counts. During the current year, the count documentation was reviewed by the Finance Officer for reasonableness and accuracy. Margin analysis on the [REDACTED] inventory, [REDACTED] sales and operating agreements was not performed periodically throughout the year.
- d. The [REDACTED] maintains signed checks (with one signature) on hand for larger [REDACTED]. The risk of misappropriation is mitigated by the Finance Officer's review of the bank statement, including images of cancelled checks.

CITY OF FAITH

AUDITOR'S COMMENTS AND CLOSING CONFERENCE (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013

B. Current Year Audit Findings and Recommendations (Continued)

MATERIAL WEAKNESSES (Continued)

2013-002 FINDING: Segregation of Duties (Continued)

Criteria and Effect: Internal controls should be in place to provide reasonable assurance that all financial transactions are reviewed and approved before payments are made and reports are generated. Controls also need to be in place to ensure all revenue is processed and recorded correctly. Proper segregation of duties and functions assures adequate control over safeguarding of assets and the reliability of financial records and reporting. The effectiveness of the internal control system relies on enforcement by management.

Recommendations:

- a. The overall lack of segregation of duties over the disbursement process is due to the limited number of accounting personnel, which is typical in a city of this size. However, the risk of misappropriation is mitigated by the Mayor reviewing the unopened bank statement.
- b. The listing of account adjustments and write-offs from the accounting software should be reviewed monthly by a City Council Member.
- c. The Finance Officer should continue to review the periodic inventory count paperwork and perform random count checks. Additionally, margin analysis (direct cost of sales as a percentage of sales) should be performed at least monthly by the Finance Officer and reviewed for reasonableness based on gross margin percentages of [REDACTED], [REDACTED] and operating agreements. The results should be reviewed with a City Council member.
- d. Signed checks should not be maintained on hand, as it creates the potential for misappropriation of cash. As noted above, the risk is mitigated by the Finance Officer's review of the bank statement, including images of cancelled checks.

Response/Corrective Action Plan: The City attempts to maintain proper segregation of duties with the staff available. The Finance Officer, Debbie Brown, is responsible for this corrective action plan.

SIGNIFICANT DEFICIENCY

2013-003 FINDING: Budgetary Overdrafts

Condition: The City had budgetary overdrafts of [REDACTED] in the [REDACTED] and [REDACTED] in [REDACTED] and [REDACTED], of the General Fund during the year ended December 31, 2013.

Criteria and Effect: Budgetary overdrafts are a violation of South Dakota Codified Law 9-21-9.

Recommendation: The City in the future should complete supplemental appropriations for unbudgeted expenditures, and complete transfers to cover each fund's expenses.

Response/Corrective Action Plan: The City makes every effort to supplement the budget when needed and will continue to be more diligent in this process. The Finance Officer, Debbie Brown, is responsible for this corrective action plan.

CITY OF FAITH

**AUDITOR'S COMMENTS AND CLOSING CONFERENCE (CONCLUDED)
FOR THE YEAR ENDED DECEMBER 31, 2013**

B. Current Year Audit Findings and Recommendations (Concluded)

BUSINESS ADVISORY

2013-004 FINDING: Payroll Processes

Condition and Cause: Through discussions with management we noted a [REDACTED] was issued a 1099 for [REDACTED] in addition to wages reported on a W-2. During our payroll testing we noted one [REDACTED] tested did not have tips reported and payroll taxes deducted for the tips.

Criteria and Effect: All wages and tips for employees should be processed through payroll, and the related payroll taxes calculated and deducted from the earnings, otherwise the City is not in compliance Department of Labor guidance.

Recommendations: All earnings, including tips, should be processed through payroll with the related payroll taxes deducted.

Response/Corrective Action Plan: All payments to employees and [REDACTED] tips will be processed through payroll. The Finance Officer, Debbie Brown, is responsible for this corrective action plan.



CITY OF FAITH

COMPILED FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

FOR THE YEAR ENDED DECEMBER 31, 2014



Ketel Thorstenson, LLP
Certified Public Accountants/Business & Personal Consultants

810 Quincy Street • Rapid City, SD 57701 • www.ktllp.com

CITY OF FAITH

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Ketel Thorstenson, LLP

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

City Council
City of Faith
Faith, South Dakota

We have compiled the accompanying modified cash basis annual report of the **CITY OF FAITH** (the City), as of and for the year ended December 31, 2014. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the annual report is in accordance with forms prescribed by the South Dakota Department of Legislative Audit.

Management is responsible for the preparation and fair presentation of the annual report in accordance with South Dakota Department of Legislative Audit and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the annual report.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist the management of the City in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The financial statements included in the accompanying annual report are presented in accordance with the requirements of the South Dakota Department of Legislative Audit, and are not intended to be a presentation in accordance with the modified cash basis of accounting.

This report is intended solely for the information and use of the management of the City and the South Dakota Department of Legislative Audit and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Ketel Thorstenson, LLP". The signature is written in a cursive, flowing style.

KETEL THORSTENSON, LLP
Certified Public Accountants

March 2, 2015

CITY OF FAITH

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

DECEMBER 31, 2014

(See Independent Accountant's Compilation Report)

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Investments	\$ [REDACTED]	[REDACTED]	[REDACTED]
Other Current Assets	[REDACTED]	[REDACTED]	[REDACTED]
Joint Venture Investment	[REDACTED]	[REDACTED]	[REDACTED]
Capital Assets:			
Land and Construction Work in Progress	[REDACTED]	[REDACTED]	[REDACTED]
Other Capital Assets, Net of Depreciation	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL ASSETS	\$ [REDACTED]	[REDACTED]	[REDACTED]
LIABILITIES:			
Other Current Liabilities	\$ [REDACTED]	[REDACTED]	[REDACTED]
Non-Current Liability - Capital Lease Obligation:			
Due Within One Year	[REDACTED]	[REDACTED]	[REDACTED]
Due in More Than One Year	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL LIABILITIES	[REDACTED]	[REDACTED]	[REDACTED]
NET POSITION:			
Net Investment in Capital Assets	[REDACTED]	[REDACTED]	[REDACTED]
Unrestricted	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL NET POSITION	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL LIABILITIES AND NET POSITION	\$ [REDACTED]	[REDACTED]	[REDACTED]

CITY OF FAITH

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (See Independent Accountant's Compilation Report)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	
Primary Government:						
Governmental Activities:						
General Government	\$					
Interest on Long-Term Debt						
Total Governmental Activities						
Business-Type Activities:						
Telephone						
Total Business-Type Activities						
Total Primary Government	\$					
General Revenues and Transfers:						
General Revenues:						
Taxes:						
Sales Taxes						
Gross Receipt Taxes						
State Shared Revenues						
Grants and Contributions not Restricted to Specific Programs						
Unrestricted Investment Earnings						
Miscellaneous Revenue						
Transfers						
Total General Revenues and Transfers						
Change in Net Position						
Net Position - December 31, 2013						
Net Position - December 31, 2014	\$					

CITY OF FAITH

BALANCE SHEET
GOVERNMENTAL FUND - MODIFIED CASH BASIS
DECEMBER 31, 2014
(See Independent Accountant's Compilation Report)

	<u>General Fund</u>
ASSETS:	
101 Cash and Investments	\$ █
115 Other Current Assets	█
TOTAL ASSETS	\$ █
LIABILITIES AND FUND BALANCE:	
Liabilities:	
216 Other Current Liabilities	█
Total Liabilities	█
Fund Balance:	
263.01 Nonspendable - Inventory	█
265 Committed - Capital Replacement	█
267 Unassigned	█
Total Fund Balance	█
TOTAL LIABILITIES AND FUND BALANCE	\$ █

The accompanying notes are an integral part of this statement.

CITY OF FAITH

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2014

(See Independent Accountant's Compilation Report)

Total Fund Balances - Governmental Funds	\$	██████████
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		██████████
Long-term liabilities are not due and payable in the current period and therefore are not included in the funds.		██████████
<u>Total Net Position - Governmental Activities</u>	<u>\$</u>	<u>██████████</u>

CITY OF FAITH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (See Independent Accountant's Compilation Report)

		General Fund
Revenue:		
<i>Taxes:</i>		
313	Sales Taxes	\$ [REDACTED]
314	Gross Receipts Business Taxes	[REDACTED]
315	Amusement Taxes	[REDACTED]
320	Licenses and Permits	[REDACTED]
<i>Intergovernmental Revenue:</i>		
331	Federal Grant	[REDACTED]
334	State Grant	[REDACTED]
335.02	Motor Vehicle Commercial ProRate	[REDACTED]
335.03	[REDACTED] Tax Reversion	[REDACTED]
335.04	Motor Vehicle Licenses [REDACTED]	[REDACTED]
335.08	Local Government Highway and Bridge Fund	[REDACTED]
338.01	County Road Tax [REDACTED]	[REDACTED]
338.99	Other	[REDACTED]
<i>Charges for Goods and Services:</i>		
341	General Government	[REDACTED]
342	[REDACTED]	[REDACTED]
343	[REDACTED]	[REDACTED]
346	[REDACTED]	[REDACTED]
347	[REDACTED]	[REDACTED]
348	[REDACTED]	[REDACTED]
349	Other - [REDACTED]	[REDACTED]
<i>Miscellaneous Revenue:</i>		
361	Investment Earnings	[REDACTED]
362	Rentals	[REDACTED]
367	Contributions and Donations From Private Sources	[REDACTED]
369	Other	[REDACTED]
Total Revenue		[REDACTED]

CITY OF FAITH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
 GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (See Independent Accountant's Compilation Report)

		General Fund
Expenditures:		
<i>General Government:</i>		
411	Legislative	
412	Executive	
413	Elections	
414	Financial Administration	
419	Other	
421		
422		
431		
435		
437		
441		
446		
451		
452		
454		
455		
<i>Conservation and Development:</i>		
465	Economic Development and Assistance	
466	Economic Opportunity	
467	Economic Development - Exhibit Area	
470	Debt Service	
485	Capital Outlay	
Total Expenditures		
Other Financing Sources:		
391.01	Transfers In	
391.03	Sale of Municipal Property	
391.04	Compensation for Loss or Damage To Capital Assets	
Total Other Financing Sources		
Net Change in Fund Balance		
Fund Balance, December 31, 2013		
Fund Balance, December 31, 2014		\$

CITY OF FAITH

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2014

(See Independent Accountant's Compilation Report)

Net Change in Fund Balance - Government Funds \$ [REDACTED]

Amounts reported for governmental activities in the Statement of Activities are different because:

Government funds report capital outlays as expenditures. However, in the Statement of Activities the cost of the assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Asset Purchases Capitalized [REDACTED]

Depreciation Expense [REDACTED]

The governmental funds reflect proceeds from capital asset sales, if any, while the Statement of Activities reports a gain on sale or disposal of capital assets. [REDACTED]

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. [REDACTED]

Change in Net Position - Governmental Activities \$ [REDACTED]

CITY OF FAITH

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS - MODIFIED CASH BASIS
 DECEMBER 31, 2014
 (See Independent Accountant's Compilation Report)

		Fund	Fund	Fund
ASSETS:				
Current Assets:				
101	Cash and Cash Equivalents	\$		
115	Accounts Receivable			
142	Inventory of Supplies Purchased for Resale			
Total Current Assets				
Noncurrent Assets:				
151	Joint Venture Investment			
Capital Assets:				
160	Land			
162	Buildings			
164	Improvements Other Than Buildings			
166	Machinery and Equipment			
	Less: Accumulated Depreciation			
Total Noncurrent Assets				
TOTAL ASSETS		\$		
LIABILITIES:				
Current Liabilities:				
216	Other Current Liabilities	\$		
220	Customer Deposits			
Total Current Liabilities				
NET POSITION:				
253.1	Invested in Capital Assets			
253.9	Unrestricted Net Position			
Total Net Position				
TOTAL LIABILITIES AND NET POSITION		\$		

CITY OF FAITH

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (See Independent Accountant's Compilation Report)

	Fund	Fund	Fund
Operating Revenue:			
380 Charges for Goods and Services	\$		
380.5 Sales			
Total Operating Revenue			
Operating Expenses:			
410 Personal Services			
420 Other Current Expense			
426.2 Materials (Cost of Goods Sold)			
457 Depreciation			
Total Operating Expenses			
Operating Income			
Nonoperating Revenue:			
330 Operating Grants			
361 Investment Earnings			
Total Nonoperating Revenue			
Income before Transfers			
391 Compensation for Loss or Damage to Capital Assets			
511 Transfers Out			
Change in Net Position			
Net Position - December 31, 2013			
NET POSITION - DECEMBER 31, 2014	\$		

CITY OF FAITH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (See Independent Accountant's Compilation Report)

	Fund	Fund	Fund
Cash Flows from Operating Activities:			
Receipts from Customers	\$ [REDACTED]	[REDACTED]	[REDACTED]
Payments to Suppliers	[REDACTED]	[REDACTED]	[REDACTED]
Payments to Employees	[REDACTED]	[REDACTED]	[REDACTED]
Net Cash Flows Provided by Operating Activities	[REDACTED]	[REDACTED]	[REDACTED]
Cash Flows from Noncapital Financing Activities:			
Transfers to Other Funds	[REDACTED]	[REDACTED]	[REDACTED]
Operating Subsidies	[REDACTED]	[REDACTED]	[REDACTED]
Net Cash Provided by (Used in) Noncapital Financing Activities	[REDACTED]	[REDACTED]	[REDACTED]
Cash Flows from Capital and Related Financing Activities:			
Purchases of Capital Assets	[REDACTED]	[REDACTED]	[REDACTED]
Compensation for Loss or Damage to Capital Assets	[REDACTED]	[REDACTED]	[REDACTED]
Net Cash Used in Capital and Related Financing Activities	[REDACTED]	[REDACTED]	[REDACTED]
Cash Flows Provided by Investing Activities:			
Interest Earnings	[REDACTED]	[REDACTED]	[REDACTED]
Net Increase in Cash and Investments	[REDACTED]	[REDACTED]	[REDACTED]
Cash and Investments, December 31, 2013	[REDACTED]	[REDACTED]	[REDACTED]
Cash and Investments, December 31, 2014	[REDACTED]	[REDACTED]	[REDACTED]
Cash Flows From Operating Activities:			
Operating Income	\$ [REDACTED]	[REDACTED]	[REDACTED]
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	[REDACTED]	[REDACTED]	[REDACTED]
Change in Assets and Liabilities:			
Accounts Receivable	[REDACTED]	[REDACTED]	[REDACTED]
Inventories	[REDACTED]	[REDACTED]	[REDACTED]
Customer Deposits	[REDACTED]	[REDACTED]	[REDACTED]
Other Current Liabilities	[REDACTED]	[REDACTED]	[REDACTED]
Net Cash Flows Provided by Operating Activities	\$ [REDACTED]	[REDACTED]	[REDACTED]

REDACTED - FOR PUBLIC INSPECTION

SUPPLEMENTARY INFORMATION

CITY OF FAITH

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014**
(See Independent Accountant's Compilation Report)

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance
Revenue:				
<i>Taxes:</i>				
313	Sales Taxes	\$		
314	Gross Receipts Business Taxes			
315	Amusement Taxes			
320	Licenses and Permits			
<i>Intergovernmental Revenue:</i>				
331	Federal Grant			
334	State Grant			
335	Port of Entry			
335.02	Motor Vehicle Commercial Prorate			
335.03	██████████ Tax Reversion			
335.04	Motor Vehicle Licenses ██████████			
335.08	Local Government Highway and Bridge Fund			
338.01	County Road Tax ██████████			
338.99	Other			
<i>Charges for Goods and Services:</i>				
341	General Government			
342	██████████			
343	████████████████████			
346	████████████████████			
347	██████████			
348	██████████			
349	Other - ██████████			
<i>Miscellaneous Revenue:</i>				
361	Investment Earnings			
362	Rentals			
367	Contributions and Donations From Private Sources			
369	Other			
Total Revenue				

CITY OF FAITH

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014
 (See Independent Accountant's Compilation Report)

		Original Budget	Final Budget	Actual - Budgetary Basis	Variance
Expenditures:					
<i>General Government:</i>					
411	Legislative				
411.5	Contingency				
	Amount Transferred				
412	Executive				
413	Elections				
414	Financial Administration				
419	Other				
	██████████ :				
421	██████████				
422	██████████				
	██████████ :				
431	██████████ s				
435	██████████				
437	██████████				
	██████████ :				
441	██████████				
446	██████████				
	██████████				
451	██████████				
452	██████████				
454	██████████				
455	██████████				
	██████████ :				
465	██████████				
466	██████████				
467	██████████				
470	Debt Service				
Total Expenditures					
<hr/>					
391.01	Transfers In				
391.03	Sale of Municipal Property				
391.04	Compensation for Loss or Damage to Capital Assets				
511	Transfers Out				
Total Other Financing Sources					
<hr/>					
Net Change in Fund Balance					
<hr/>					
Fund Balance, December 31, 2013					
<hr/>					
Fund Balance, December 31, 2014		\$			

CITY OF FAITH

SCHEDULE OF CHANGES IN CAPITAL ASSETS

DECEMBER 31, 2014

(See Independent Accountant's Compilation Report)

A summary of changes in governmental activities capital assets for the year ending December 31, 2014, is as follows:

	Balance 12/31/2013	Additions	Transfers/ Deletions	Balance 12/31/2014
<i>Governmental Activities:</i>				
Capital Assets, not being Depreciated:				
Land	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Construction Work in Progress	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Capital Assets, not being Depreciated	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Capital Assets, being Depreciated:				
Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Improvements Other Than Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Machinery and Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Capital Assets Being Depreciated	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Less Accumulated Depreciation for:				
Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Improvements Other Than Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Machinery and Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Accumulated Depreciation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Governmental Activities Capital Assets, being Depreciated, Net	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Governmental Capital Assets, Net	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Depreciation expense for governmental activities was charged to functions as follows:

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Total Depreciation Expense - Governmental	\$ [REDACTED]

CITY OF FAITH

SCHEDULE OF CHANGES IN CAPITAL ASSETS (CONTINUED)
DECEMBER 31, 2014
 (See Independent Accountant's Compilation Report)

	Balance 12/31/2013	Additions	Transfers/ Deletions	Balance 12/31/2014
<i>Business-Type Activities:</i>				
Capital Assets, not being Depreciated:				
Land	\$			
Total Capital Assets, not being Depreciated				
Capital Assets, being Depreciated:				
Buildings				
Improvements Other Than Buildings				
Machinery and Equipment				
Total Capital Assets Being Depreciated				
Less Accumulated Depreciation for:				
Buildings				
Improvements Other Than Buildings				
Machinery and Equipment				
Total Accumulated Depreciation				
Total Business-Type Activities Capital Assets, being Depreciated, Net				
Total Business-Type Capital Assets, Net	\$			

Depreciation expense for business-type activities was charged to functions as follows:

<i>Business-Type Activities:</i>	
Telephone	\$
Total Depreciation Expense - Business-Type	\$

CITY OF FAITH

**SCHEDULE OF CHANGES IN LONG-TERM DEBT
DECEMBER 31, 2014**

(See Independent Accountant's Compilation Report)

A summary of changes in long-term debt for the year ending December 31, 2014 is as follows:

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014	Due Within One Year
Primary Government:					
Governmental Activities:					
Capital Acquisition Leases	\$				
Total Governmental Activities					
Total Primary Government	\$				

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

Cost	\$	
Accumulated Depreciation		
Total	\$	

Capital Acquisition Lease

Capital Lease for recreation center that bears interest at [REDACTED] percent with semi-annual payments of [REDACTED] matures January 2017 at which time the full balance is due. Financed through the General Fund.

\$ [REDACTED]

	Capital Acquisition Lease	
	Interest	Principal
2015	\$	
2016		
2017		
Total	\$	

Interest paid and charged to expense for 2014 was [REDACTED].

CITY OF FAITH

DEPOSITORY DISCLOSURE

AT DECEMBER 31, 2014

(See Independent Accountant's Compilation Report)

Depository	Deposit Amount
████████████████████	\$ ██████████
████████████████████	██████████