Attachments

(700) Price Offerings including Voice Rate Data Data Collection Form

FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013

I

<010>	Study Area Code	391653
<015>	Study Area Name	CITY OF FAITH MUNIC
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Judy Christiansen
<035>	Contact Telephone Number - Number of person identified in data line <030>	4028181322 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	jchristiansen@consortiaconsulting.com

 <701>
 Residential Local Service Charge Effective Date
 1/1/2016

 <702>
 Single State-wide Residential Local Service Charge
 14.0

<703>

<a1></a1>	<a2></a2>	<a3></a3>	<b1></b1>	<b2></b2>	<b3></b3>	<b4></b4>	<b5></b5>	<0>
				Residential Local			Mandatory Extended Area	
State	Exchange (ILEC)	SAC (CETC)	Rate Type	Service Rate	State Subscriber Line Charge	State Universal Service Fee	Service Charge	Total per line Rates and Fee
SD	Faith		FR	14.0	0.0	0.0	0.0	14.0
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(710) Broadband Price Offerings	
Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819
Data Conection Form	July 2013
	201 2010

<010>	Study Area Code	391653
<015>	Study Area Name	CITY OF FAITH MUNIC
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Judy Christiansen
<035>	Contact Telephone Number - Number of person identified in data line <030>	4028181322 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	jchristiansen@consortiaconsulting.com

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State	Exchange (ILEC)	Residential Rate	State Regulated Fees	Total Rates and Fees	Broadband Service - Download Speed (Mbps)	Broadband Service -Upload Speed (Mbps)	Usage Allowance (GB)	Usage Allowance Action Taken When Limit Reached {select}
SD	Faith	64.95	0.0	64.95	10.0	1.0	999999	Other, No limit on usage allowand
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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.
 - o 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.

FCC Form 481 – Line 1210

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.

Household Size	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$16,038	\$20,034	\$18,455
2	\$21,627	\$27,027	\$24,881
3	\$27,216	\$34,020	\$31,307
4	\$32,805	\$41,013	\$37,733
5	\$38,394	\$48,006	\$44,159
6	\$43,983	\$54,972	\$50,585
7	\$49,586	\$61,992	\$57,010
8	\$55,202	\$69,012	\$63,464
For each additional person, add	\$5,616	\$7,020	\$6,453

2016 Federal	Poverty	Guidelines -	135%
--------------	---------	--------------	------

FCC Form 481 – Line 1210

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. 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 10 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 10 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.

Five – Year Plan Progress Report

City of Faith Municipal Telephone Company

<u>SAC 391653</u>

Year 2015 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:

		Actual
		2015
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	\$	1
Total Supported Expenditures, Before Return on Investment	\$	_
	provide the sector	

It is estimated that **one** of the **one** of universal service funding received in 2015 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 % of universal service funding received in 2015 will be used to ensure and improve service quality in 2016.

It is estimated that **and** of the **active** of universal service funding received in 2015 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, **beside** of households in our service area currently have access to our broadband capable network. 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 % of universal service funding received in 2015 will be used to improve service coverage in 2016.

It is estimated that **set of the set of universal service funding received in 2015** 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, **service** of households in our service area will have access to our broadband capable network at speeds that meet or exceed 10Mbps/1Mbps. 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 % of universal service funding received in 2015 will be used to improve service capacity in 2016.



Here for you.

June 24, 2016 VIA ECFS

Marlene H. Dortch, Secretary Federal Communications Commission 445 12th Street, SW Washington, DC 20554

Attention: Wireline Competition Bureau

Re: Petition for Limited Waiver of Section 54.313(j) Faith Municipal Telephone Co., SAC 391653 ETC Annual Reports and Certifications; WC Docket Nos. 14-58 et al.

Dear Ms. Dortch:

Pursuant to Section 1.3 of the rules of the Federal Communications Commission ("FCC" or "Commission"),¹ Faith Municipal Telephone Co. (the "Company"), SAC 391653, hereby requests a limited waiver of 47 C.F.R. Section 54.313(j).² As demonstrated in the following information, good cause exists for waiver. Specifically pursuant to 47 C.F.R Section 54.313(f)(2)(ii), all privately held rate-of-return carriers that are not recipients of loans from the RUS and whose financial statements are audited in the ordinary course of business must provide either: A copy of their audited financial statement; or a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers, accompanied by a copy of a management letter issued by the independent certified public accountant that performed the company's financial audit

At this time, an audit of the Company's 2015 financial statement is in process but is not finalized. The audit will be completed but not prior to that which is outlined in 47 C.F.R. Section 54.313(j). The Company estimates that completion of such financial statement will occur within 60 days of this waiver request. The Company will file unaudited financial statements with its original Form 481 filing and will revise such filing with USAC, the FCC, and the State Commission upon completion of the audit. In addition, once completed, all lines of Form 481 that are reliant on the financial statements will be revised if changes are made between the unaudited and audited financial statements.

Once the audited financial statements have been filed, the Company will be in full compliance with 47 C.F.R. Section 54.313(f)(2)(ii). Thus grant of this limited waiver is warranted. The "good

¹ 47 C.F.R. § 1.3

² 47 C.F.R. § 54.313(j)

cause" waiver standard has been satisfied, and grant of this waiver would be in the public interest.

Please address any correspondence regarding this transmittal to the attention of Dan Davis at the following address, e-mail, and telephone number:

/s/ Dan Davis Director Policy Analysis Consortia Consulting 233 South 13th Street Suite 1225 Lincoln, NE 68508

ddavis@consortiaconsulting.com 402-441-1672

CITY OF FAITH

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT DECEMBER 31, 2014



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

CITY OF FAITH

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Government-wide Financial Statements:	
Statement of Net Position – Modified Cash Basis	11
Statement of Activities – Modified Cash Basis	12
Fund Financial Statements:	
Balance Sheet – Governmental Fund – Modified Cash Basis	13
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position – Modified Cash Basis	14
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds - Modified Cash Basis	15-16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Government-wide Statement of Activities – Modified Cash Basis	17
Statement of Net Position - Proprietary Funds - Modified Cash Basis	18
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – Modified Cash Basis	19
Statement of Cash Flows – Proprietary Funds – Modified Cash Basis	20
Notes to Financial Statements	21-34
Supplementary Information:	
Budgetary Comparison Schedule – General Fund	35-36
Notes to Supplementary Information	37
Other Reports:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38-39
Auditor's Comments and Closing Conference	40-42

-1-



810 Quincy Street P.O. Box 3140, Rapid City, South Dakota 57709 Telephone (605) 342-5630 • e-mail: <u>ktllp@ktllp.com</u>

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, 2014, 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.

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, 2014, 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).

-2-

City Council Page Two

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 analysis 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 August 4, 2015 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 Thorstonen LLP

KETEL THORSTENSON, LLP Certified Public Accountants

August 4, 2015

CITY OF FAITH

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2014

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, 2014. 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 **and the second secon**

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 Fund, Fund, Fund, Fund, Telephone Fund, and Fund, 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, 2014

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.

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 police, fire, public works, parks department, 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 **provides**, telephone, and **provides** 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, 2014

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 yearend 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 by percent between the fiscal year 2013 and 2014 – **Example 1** (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, 2014

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Table A-1 Sum	marized State	ement o	f Net Posi	tion - M	odified	Cash I	Basis fo	or 201	4 and 20	13	
	Governme	ental Ac	tivities	Busin	ess-Type	e Activ	ities		Total		
	<u>2014</u>		<u>2013</u>	<u>201</u>	4	<u>20</u>	<u>13</u>		<u>2014</u>		<u>2013</u>
Current and Other Assets	\$										
Capital Assets											
Total Assets	\$										
Current Liabilities	\$										
Long-Term Debt				104 10	I		Ĩ	1004			
Total Liabilities	\$										
Net Position:											
Net Investment in											
Capital Assets	\$				li na sena						
Unrestricted										-	
Total Net Position	\$										
Beginning Net Position		1 0									
Increase in Net Position	\$										
Percentage of Change in Net Position	2014/01/01	200	\$007(0)270T								20101203
in iner position											

Changes in Net Position

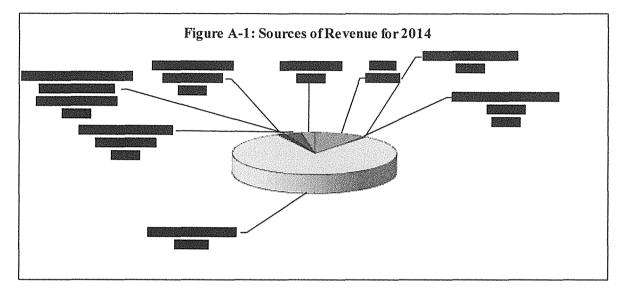
The City's revenues totaled **protocol**, and the total cost of all programs and services was **protocol** for the year ended December 31, 2014. The City's expenses cover a range of services, including road maintenance, parks and recreation services, and sewer system services. (See Table A-2).

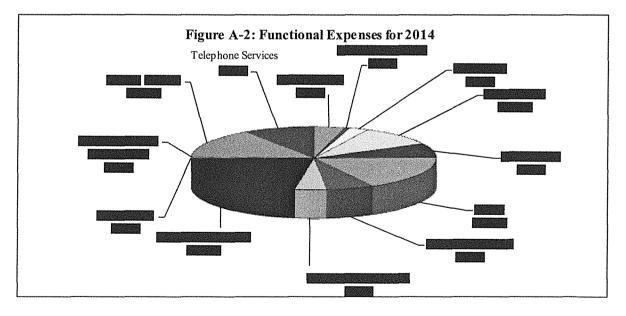
CITY OF FAITH

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2014

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)





-8-

CITY OF FAITH

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2014

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Concluded)

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

	Ch	Table A-2 anges in Net I				
	Government 2014	al Activities 2013	Business-Ty <u>2014</u>	pe Activities 2013	T <u>2014</u>	otal <u>2013</u>
Revenues Program Revenues Charges for Services	\$	2015	2014	2013	2014	2013
Operating Grants and Contributions Capital Grants and Contributions General Revenues				l		
Taxes Revenue State Sources Grants and Contributions						
not Program Specific Unrestricted Investment Earnings Miscellaneous						
Total Revenues						
Expenses						
Total Expenses						
Excess (Deficiency) Before Transfers Transfers						
Increase (Decrease) in Net Position	\$					
Ending Net Position	\$					

CITY OF FAITH

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2014

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONCLUDED)

Governmental Activities

The City experienced an time expenses in 2014. General Government had an time of approximately
due to for a multi-purpose room that didn't happen,
, and doing the second because we skipped doing it in 2013. Public Safety second by approximately
due to in 2013 we donated to the second second and didn't in 2014 and more second in 2013.
approximately due to runs therefore less salaries, gas,
and supplies. at the for in
2013 and less was done at the second area.
having a to the school in 2014.

Business-Type Activities

			approximately		, mainly in	cost of	f goods	sold, as	sales	d d	ue to no
			unity and		sales being						
			expenses								
approx	imately 🔤	· .	expenses	1	by d	ue to	in	cost of s	ales.		expenses
	due to	a stu	dy. Telephone	expenses	8	approxin	nately	fo	r equipmer	it purcl	ases and
labor to	o connect f	iber in son	ne businesses i	n 2013. 🗖	(expenses		📕 by ap	proximatel	у	due to
		and	in 2	013.							

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 – _______, Telephone, and _______, Telephone, and _______.

BUDGETARY HIGHLIGHTS

Highway and Streets expenses exceeded the budgeted amount by approximately due to due to use of inventory on hand.

Charges for goods and services for **services** was below the budgeted amount by approximately **due** to a significant **services** in the amount of runs that were performed in the current year in comparison to the prior year.

Federal Grant revenue exceeded the budgeted amount by approximately due to receiving additional funds that were not previously expected to be received for the **project**. Additionally, the City did not occur the amount of expenses with the **project** that was initially planned, resulting in a positive budgetary variance of approximately **project**.

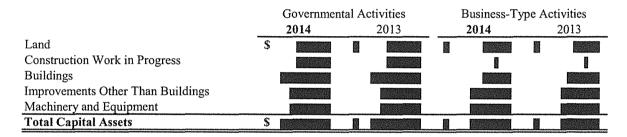
CITY OF FAITH

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED) DECEMBER 31, 2014

CAPITAL ASSET ADMINISTRATION

By the end of 2014, the City had invested **and the set of the set**

Table A-3 Capital Assets (net of depreciation)



LONG-TERM DEBT

As of December 31, 2014, the City had in long-term debt (See Table A-4 below):

Table A-	4			
Outstanding Debt an	d Obliga	tions		
	Governmental Act			
		2014		2013
Capital Acquisition Lease	\$			
Total Outstanding Debt and Obligations	\$			

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The City expects business-type activities for 2015 to the due to rate the second secon

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, 2014

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

CITY OF FAITH

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2014

		Charges for	Program Revenues Capital Grants and	Operating Grants and	Char Governmental	Expense) Revent nges in Net Positi Primary Governn Business-Type	on nent
	Expenses	Services	Contributions	Contributions	Activities	Activities	Total
Functions/Programs							
Primary Government:							
Governmental Activities:	0						
General Government	\$						
Public Safety							
Public Works							
Health and Welfare			U _			li a	
Culture and Recreation							
Conservation and Development							
Interest on Long-Term Debt		I		I		<u>l</u>	
Total Governmental Activities						I	
Destance Trans Astrophysics							
Business-Type Activities:	Management of the local division of the				17		
				l	1		
			l	8			
			1		8		
Telephone					8		
			I	<u>I</u>	<u>I</u>		
Total Business-Type Activities			I				
Total Primary Government							
General Revenues and Transfers:							
General Revenues:							
Taxes:							
Sales Taxes						8	
Gross Receipt Taxes						8 11	
State Shared Revenues						9 2	
Grants and Contributions not Restrie	cted to Specific	Programs				u II	
Unrestricted Investment Earnings	F	6	ţ.				
Miscellaneous Revenue							
Transfers							R
Total General Revenues and Transfers							
	-			•	Personal and a second se		
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

ASSETS: 101 Cash and Investments \$ 115 Other Current Assets TOTAL ASSETS \$	
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 \$	

-14-

CITY OF FAITH

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

Total Fund Balances - Governmental Funds	Ś	
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.		
Total Net Position - Governmental Activities	\$	

CITY OF FAITH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS - MODIFIED CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2014

		(General Fund
Revenue:			
	Taxes:		
313	Sales Taxes	\$	
314	Gross Receipts Business Taxes		
315	Amusement Taxes		
320	Licenses and Permits		
	Intergovernmental Revenue:		
331	Federal Grant		
334	State Grant		
335.02			
335.03	Tax Reversion		
335.04			
335.08	Local Government		
338.01			
338.99	Other		
	Charges for Goods and Services:		
341	General Government		100
342			
343			
346			
347			
348			
349	Other -		
	Miscellaneous Revenue:		
361	Investment Earnings		
362	Rentals		
367	Contributions and Donations From Private Sources		
369	Other		
Total Reve	nue		

-16-

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

		General Fund
Expendit	1166.	runa
Dapenuit	General Government:	
411	Legislative	
412	Executive	
413	Elections	
414	Financial Administration	
419	Other	
421		
422		
431		
435		
437		
441		
446		
451		
Summary .		
465	Economic Development and Assistance	
466	Economic Opportunity	
467	Economic Development - Exhibit Area	
470	Debt Service	
485	Capital Outlay	
Total Exp	enditures	
	ancing Sources:	
391.01	Transfers In	
391.03	Sale of Municipal Property	
391.04	Compensation for Loss or Damage To Capital Assets	
Total Oth	er Financing Sources	
Net Chan	ge in Fund Balance	
Engl Dat	December 21, 2012	500000000
rund Bala	nce, 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

Net Change in Fund Balance - Government Funds	\$
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 Depreciation Expense	
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.	
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Change in Net Position - Governmental Activities	\$

.

CITY OF FAITH

STATEMENT OF NET POSITION PROPRIETARY FUNDS - MODIFIED CASH BASIS DECEMBER 31, 2014

	l	Fund	Fund	Fund
ASSETS:				
Current Assets:				
101 Cash and Cash Equivalents	\$			
115 Accounts Receivable			8	n
142 Inventory of Supplies Purchased for Resale				Ī
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		1		
Total Current Liabilities				
NET POSITION:				
253.1 Invested in Capital Assets				
253.9 Unrestricted Net Position				
Total Net Position				
TOTAL LIABILITIES AND NET POSITION	\$	Provincia and a		
I VIAL LIADILITIES AND NET POSITION	<u>ې</u>			

Fund	Telephone Fund	Fund	Totals
\$			
\$			
JEB		E	

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

	Fund		Fund	Fund
On another a Demonstration				
Operating Revenue: 380 Charges for Goods and Services	¢			
380 Charges for Goods and Services	\$			
T. (10)			<u> </u>	<u>I</u>
Total Operating Revenue				
Operating Expenses:				
410 Personal Services				
420 Other Current Expense				
426.2 Materials (Cost of Goods Sold)				
457 Depreciation				
Total Operating Expenses				
Total Operating Expenses	****			
Operating Income				
Nonoperating Revenue:				
330 Operating Grants		I	R	
361 Investment Earnings				<u>-</u>
Total Nonoperating Revenue				
Income before Transfers				
391 Compensation for Loss or Damage to				
Capital Assets				I
511 Transfers Out				
			# ##############################	
Change in Net Position				
Net Position - December 31, 2013				
1401 1 03(10)1 - December 51, 2015				
NET POSITION - DECEMBER 31, 2014	\$			

The accompanying notes are an integral part of this statement.

Fund	Telephone Fund	Fund	Totals
\$	<u> </u>		
		<u>I</u>	
		<u>I</u>	
Examples and the second second			

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CITY OF FAITH

STATEMENT OF CASH FLOWS **PROPRIETARY FUNDS - MODIFIED CASH BASIS** FOR THE YEAR ENDED DECEMBER 31, 2014

		Fund		Fund		Fund	
Cash Flows from Operating Activities:							
Receipts from Customers	\$						
Payments to Suppliers							
Payments to Employees							
Net Cash Flows Provided by Operating Activities							
Cash Flows from Noncapital Financing Activities:							
Transfers to Other Funds							
Operating Subsidies						<u> </u>	
Net Cash Provided by (Used in) Noncaptial Financing Activitie	:						
Cash Flows from Capital and Related Financing Activities:							
Purchases of Capital Assets							
Compensation for Loss or Damage							
to Capital Assets		1					
Net Cash Used in Capital and Related							
Financing Activities		I					
Cash Flows Provided by Investing Activities:							
Interest Earnings							
Not In average in Cash and Investments							
Net Increase in Cash and Investments			••••••••				
Cash and Investments, December 31, 2013							
Cash and investments, December 51, 2015							
Cash and Investments, December 31, 2014	\$		8				
Cash Flows From Operating Activities:							
Operating Income	\$						
Adjustments to Reconcile Operating Income to		<u>622(029)000000000000000000000000000000000</u>	123	(Coloradoradoradoradoradoradoradoradoradorad	<u>sa</u>	BOLTOWICS	
Net Cash Provided by Operating Activities:							
Depreciation Expense							
Change in Assets and Liabilities:						2000	
Inventories				Ē		璧	
Customer Deposits							
Other Current Liabilities							
Net Cash Flows Provided by Operating Activities	S		 Ø				
The cash rions rional by Operating Activities	ф —				- 193		

The accompanying notes are an integral part of this statement.

Fund	Telephone Fund	Fund	Totals
\$			
	<u> </u>	<u> </u>	
K asakan		Kerd	
<u> </u>	I	<u> </u>	
<u> </u>	<u> </u>	<u> </u>	
\$			

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

(1) Summary of Significant Accounting Policies

As discussed further in Note (1)c, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). 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, 2014

(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 **Example 1**; this fund accounts for construction and operation of the **Example 2**. This is a major fund.

Fund – Financed primarily by **Example 1**; this fund accounts for the construction and operation of the **Example 2** and related facilities (SDCL 9-47-1). This is a major fund.

of the **provide state of the second state of t**

operation of the **second second secon**

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.

operation of the primarily by and the primarily by

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, 2014

(1) Summary of Significant Accounting Policies (Continued)

c. Measurement Focus and Basis of Accounting (Continued)

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

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.

-24

CITY OF FAITH

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2014

(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. Also, as part of the City's policy, any interest earnings on deposits and investments are transferred to the General Fund (Note 2).

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	Depreciation	Estimated
	Threshold	Method	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, 2014

(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, 2014.

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.
- Program-specific operating grants and contributions These arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
- Program-specific capital grants and contributions These arise from mandatory and voluntary nonexchange 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, 2014

(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 **second second** 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 **second second** 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.

I. 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.
- 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, 2014

(1) Summary of Significant Accounting Policies (Concluded)

I. Equity Classifications (Continued)

Fund Financial Statements (Continued):

- 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, 2014

(2) Deposits and Investments (Continued)

The actual bank balances at December 31, 2014 were as follows:

Primary Government	Ban	k Balance
Insured - FDIC Uninsured, collateral jointly held by State's/City agent in the name of the State	\$	
and the pledging financial institution		
Total Deposits	\$	

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, 2014, the City's cash and investments consisted of checking and savings accounts, and certificates of deposit.

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, 2014, 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.

-29-

CITY OF FAITH

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2014

(4) Changes in Capital Assets

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

		Balance 2/31/2013	Additions	Transfers/ Deletions	Balance 12/31/201	
Governmental Activities:	****		 	 		
Capital Assets, not being Depreciated:						
Land	\$					
Construction Work in Progress*				 I		
Total Capital Assets, not being Depreciated				 <u> </u>		
Capital Assets, being Depreciated:						
Buildings						
Improvements Other Than Buildings				l		
Machinery and Equipment						
Total Capital Assets Being Depreciated						
Less Accumulated Depreciation for:						
Buildings						
Improvements Other Than Buildings						
Machinery and Equipment						
Total Accumulated Depreciation						
Total Governmental Activities Capital						
Assets, being Depreciated, Net						
			 			
Total Governmental Capital Assets, Net	\$					

*Construction Work in Progress at December 31, 2014 is composed of engineering costs for a land acquisition, wild land fence, and runway safety area grading project for the **second second**. The City received **second** of federal grant funds for this project 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:



\$

Total Depreciation Expense - Governmental

CITY OF FAITH

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2014

(4) Changes in Capital Assets (Continued)

A summary of changes in business-type activities capital assets for the year ended December 31, 2014 is as follows:

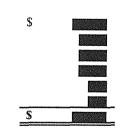
		alance 31/2013	Additions		unsfers/ letions	-	Balance /31/2014
Business-Type Activities:					10110110		
Capital Assets, not being Depreciated:							
Land	\$		II			<u>II</u>	
Total Capital Assets, not being Depreciated	·····		I			·····	
Capital Assets, being Depreciated:							
Buildings					8		
Improvements Other Than Buildings			Ī				
Machinery and Equipment			_		l		
Total Capital Assets Being Depreciated							
Less Accumulated Depreciation for:							
Buildings					8		
Improvements Other Than Buildings				8	18 19		
Machinery and Equipment				3	U B		
Total Accumulated Depreciation				I I	R		
				2	8		
Total Business-Type Activities Capital							
Assets, being Depreciated, Net				1			
Total Business-Type Capital Assets, Net	\$				Ĩ		

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

Business-Type Activities:

Telephone





Total Depreciation Expense - Business-Type

CITY OF FAITH

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2014

(5) Long-Term Debt

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

	Balance 2/31/2013	Add	litions	D	eletions	Balance 2/31/2014	 ne Within ne Year
Primary Government:	 						
Governmental Activities:							
Capital Acquisition Leases	\$		I				
Total Governmental Activities			I				
Total Primary Government	\$		1				

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 cost as of December 31, 2014 is **precision** with **in accumulated depreciation for a net book value of Constant**.

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

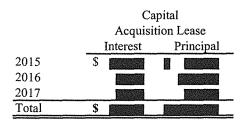
Capital Acquisition Lease

Capital Lease for recreation center that bears interest at percent with

semi-annual payments of matures January 2017 at which time the full

balance is due. Financed through the General Fund.

The annual requirements to amortize long-term debt outstanding as of December 31, 2014, are as follows:



\$

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2014

(6) Operating Leases

During the year ended December 31, 2003, the City began subleasing a portion of the community center to the **second second secon**



The City has a lease agreement with the second seco

(7) Retirement Plan – South Dakota Retirement System

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a costsharing 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 percent of their salary to the plan, while public safety and judicial employees contribute and 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 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, 2014, 2013, and 2012 were provide the provide the provided of the required contributions each year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2014

(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, 2014, the City's interest in the voting and non-voting common stock is **present**, 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 entities, none of which have significant ownership percentages. The City has less than percent ownership. Separate financial statements for this joint venture are available from South Dakota Network, Inc., Sioux Falls, South Dakota.

At December 31, 2014, this joint venture had total equity of the second (unaudited), total liabilities of (unaudited), and total assets of (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, 2014, 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 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 per 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 during the year ended December 31, 2014. It is not anticipated that any additional claims for unemployment benefits will be filed in the next year.

NOTES TO FINANCIAL STATEMENTS (CONCLUDED) DECEMBER 31, 2014

(10) Emerging Accounting Standards

In June 2012, GASB issued Statement No. 68. 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.

As the City is under the modified cash basis of accounting (Note 2), the City will not record the net position liability or assets.

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

SUPPLEMENTARY INFORMATION

-

BUDGETARY COMPARISON SCHEDULE GENERAL FUND - BUDGETARY BASIS FOR THE YEAR ENDED DECEMBER 31, 2014

	Original	Final	Actual - Budgetary	
_	Budget	Budget	Basis	Variance
Revenue:				
Taxes:				
313 Sales Taxes	\$			
314 Gross Receipts Business Taxes				
315 Amusement Taxes				
320 Licenses and Permits				
Intergovernmental Revenue:				
331 Federal Grant				
334 State Grant				
335 Port of Entry				
335.02 Motor Vehicle Commercial Prorate		I		
335.03 Tax Reversion				
335.04				
335.08 Local Government Fund				
338.01				
338.99 Other				
Charges for Goods and Services:	Restauration of	And a second second		Excercipion (1) 23
341 General Government				
342				
343	l	1		
346				
347				
348	1			
349 -			English and a	
Miscellaneous Revenue:				
361 Investment Earnings				
362 Rentals				
367 Contributions and Donations From Private Sources				
369 Other				
Total Revenue	<u></u>			

BUDGETARY COMPARISON SCHEDULE (CONTINUED) GENERAL FUND - BUDGETARY BASIS FOR THE YEAR ENDED DECEMBER 31, 2014

		Original	Final	Actual - Budgetary	
		Budget	Budget	Basis	Variance
Expend	itures:		Daugot		
	General Government:				
411	Legislative				
411.5	Contingency				1
	Amount Transferred	1			
412	Executive			-	
413	Elections				
414	Financial Administration				
419	Other				
		CARGO CONTRACTOR	ELECTION OF A CALL OF A C		
	Conservation and Development:				
465	Economic Development and Assistance				
466	Economic Opportunity				I
467	Economic Development - Exhibit Area				
	Debt Service				I
Total Ex	penditures				
	Transfers In				
	Sale of Municipal Property				
	Compensation for Loss or Damage to Capital Assets				
The second se	Transfers Out			I	
Total Of	her Financing Sources				
Net Cha	nge in Fund Balance				
Fund Bal	ance, December 31, 2013				
Fund Ba	lance, December 31, 2014	\$	8	\$	\$

The accompanying notes are an integral part of this statement.

NOTES TO SUPPLEMENTARY INFORMATION DECEMBER 31, 2014

(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 five 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, 2014 or 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 new fire truck 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 Supplementary Information Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

OTHER REPORTS

4

-38-



810 Quincy Street P.O. Box 3140, Rapid City, South Dakota 57709 Telephone (605) 342-5630 • c-mail: <u>ktllp@ktllp.com</u>

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 4, 2015.

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.

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 2014-001 and 2014-002 to be material weaknesses.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

City Council Page Two

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.

Katal Thoratomen, LLP

KETEL THORSTENSON, LLP Certified Public Accountants

August 4, 2015

CITY OF FAITH

AUDITOR'S COMMENTS AND CLOSING CONFERENCE FOR THE YEAR ENDED DECEMBER 31, 2014

A. Status of Prior Audit Findings and Recommendations

Prior Year	Description	Current Year
2013-001	Financial Statement Preparation	Substantially Repeated as 2014-001
2013-002	Segregation of Duties	Substantially Repeated as 2014-002
2013-003	Budgetary Overdrafts	Not Repeated in the Current Year

CITY OF FAITH

AUDITOR'S COMMENTS AND CLOSING CONFERENCE (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014

B. Current Year Audit Findings and Recommendations

MATERIAL WEAKNESSES

2014-001 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 roll forward equity. 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 equity accounts to ensure transactions are recorded correctly and properly roll forward. 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 equity for proper recording and that it properly rolls forward. The City evaluates its risk associated with this condition on an annual basis. The Finance Officer, **property**, is responsible for this corrective action plan.

2014-002 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 writeoff 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 **set**. The **set** 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 **set** inventory, **set** sales and operating agreements was not performed periodically throughout the year.
- d. The maintains signed checks (with one signature) on hand for larger **maintains**. 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 (CONCLUDED) FOR THE YEAR ENDED DECEMBER 31, 2014

B. Current Year Audit Findings and Recommendations (Continued)

MATERIAL WEAKNESSES (Continued)

2014-002 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 **sales**, **based on gross** 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, **segregation**, is responsible for this corrective action plan.

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2015



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CITY OF FAITH

TABLE OF CONTENTS

	PAGE
Accountant's Disclaimer Report	1
Government-wide Financial Statements – Modified Cash Basis:	
Statement of Net Position	2
Statement of Activities.	3
Fund Financial Statements – Modified Cash Basis:	
Balance Sheet – Governmental Fund.	4
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	5
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund	6-7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-wide Statement of Activities	8
Statement of Net Position – Proprietary Funds	9
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	10
Statement of Cash Flows – Proprietary Funds.	11
Supplementary Information:	
Budgetary Comparison Schedule – General Fund – Budgetary Basis.	12-13
Schedule of Changes in Capital Assets	14-15
Schedule of Changes in Long-Term Debt.	16
Depository Disclosure.	17

-1-



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ACCOUNTANT'S DISCLAIMER REPORT

City Council City of Faith Faith, South Dakota

The accompanying modified cash basis annual report of the **City of Faith** (the City) as of and for the year ended December 31, 2015, was not subjected to an audit, review, or compilation engagement by us and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on.

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.

Katel Mosteren LLP

KETEL THORSTENSON, LLP Certified Public Accountants

April 1, 2016

STATEMENT OF NET POSITION - MODIFIED CASH BASIS DECEMBER 31, 2015

		Governmental Business-Type Activities Activities			Total	
ASSETS:						
Cash and Investments	\$					
Other Current Assets						
Joint Venture Investment		1				
Capital Assets:		-				
Land and Construction Work in Progress						
Other Capital Assets, Net of Depreciation						
TOTAL ASSETS	\$					
LIABILITIES:						
Other Current Liabilities	\$		\$		s	
Non-Current Liability - Capital Lease Obligation:	Φ		φ		Φ	Base of the second
Due Within One Year				周		Contractor and Contractor
Due in More Than One Year				ii ii		
TOTAL LIABILITIES						
NET POSITION:						
Net Investment in Capital Assets						
Unrestricted						
TOTAL NET POSITION						
TOTAL LIABILITIES AND NET POSITION	S				\$	

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2015

			Program		Net (Expense) Revenue and		
			Revenues		Changes in Net Position		
			Capital	Operating	Primary Government		
		Charges for	Grants and	Grants and		Business-Type	
	Expenses	Services	Contributions	Contributions	Activities	Activities	Total
Functions/Programs							
Primary Government:							
Governmental Activities:	¢						
General Government	\$						
						l l	
			_				
Conservation and Development							
Interest on Long-Term Debt				<u> </u>		l	
Total Governmental Activities						<u>I</u>	
Destance (The state							
Business-Type Activities:				-		forskare interneted	#Discourse in the second
			ll				
				l		C	
				1	1		
Talankana					li a		
Telephone			U _	1			
			<u> </u>	<u>_</u>	<u>_</u>		
Total Business-Type Activities							
Total Primary Government	\$						
Your Primary Covernment						Entration of the second	
General Revenues and Transfers:							
General Revenues:							
Taxes:							
Sales Taxes						8	
Gross Receipt Taxes						20日本 1日本 1日本 1日本 1日本 1日本 1日本 1日本 1日本 1日本 1	
State Shared Revenues						11 12	
Grants and Contributions not Rest	ricted to Specific	Programs				2 2	
Unrestricted Investment Earnings	Specific Specific	Branne					
Miscellaneous Revenue							
Transfers							B
Total General Revenues and Transfer	rs						
Total Concentration of the statistic							
Change in Net Position							
Net Position - December 31, 2014							
Net Position - December 31, 2015					<u>\$</u>		

CITY OF FAITH

BALANCE SHEET GOVERNMENTAL FUND - MODIFIED CASH BASIS DECEMBER 31, 2015

		 General Fund	
ASSETS	:		
101	Cash and Investments	\$	
115	Other Current Assets		
TOTAL	ASSETS	\$	
LIABILI Liabilitie	TIES AND FUND BALANCE: s:		
216	Other Current Liabilities	\$	
Total Lia	bilities	 	
Fund Bal	lance:		
263.01	Nonspendable - Inventory		
265	Committed - Capital Replacement		
Total Fu	nd Balance	 	
TOTAL	LIABILITIES AND FUND BALANCE	\$	

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS DECEMBER 31, 2015

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.	
Total Net Position - Governmental Activities	\$

CITY OF FAITH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND - MODIFIED CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2014

		 General Fund
Revenue:		
	Taxes:	
313	Sales Taxes	\$
314	Gross Receipts Business Taxes	
315	Amusement Taxes	
320	Licenses and Permits	
	Intergovernmental Revenue:	
331	Federal Grant	
334	State Grant	
335.02	Motor Vehicle Commercial ProRate	
335.03	Tax Reversion	
335.04		
335.08	Local Government	
338.01		
338.99	Other	
	Charges for Goods and Services:	
341	General Government	34
342		
Facebook	Miscellaneous Revenue:	E Sector Sector
361	Investment Earnings	
362	Rentals	
367	Contributions and Donations From Private Sources	
369	Other	
Total Reve		

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED) **GOVERNMENTAL FUND - MODIFIED CASH BASIS** FOR THE YEAR ENDED DECEMBER 31, 2015

		General Fund
Expendit	ures:	
	General Government:	
411	Legislative	
412	Executive	
413	Elections	
414	Financial Administration	
419	Other	
	Conservation and Development:	
465	Economic Development and Assistance	
466	Economic Opportunity	
467	Economic Development - Exhibit Area	
470	Debt Service	
485	Capital Outlay	
Total Exp	enditures	
	ancing Sources:	
391.01	Transfers In	
391.03	Sale of Municipal Property	
391.04	Compensation for Loss or Damage To Capital Assets	
Total Oth	er Financing Sources	
Net Chan	ge in Fund Balance	
Fund Bala	nce, December 31, 2014	
Fund Bala	ance, December 31, 2015	\$

-8-

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, 2015

Net Change in Fund Balance - Government Funds	\$
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 Depreciation Expense	
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Change in Net Position - Governmental Activities	\$

CITY OF FAITH

STATEMENT OF NET POSITION PROPRIETARY FUNDS - MODIFIED CASH BASIS DECEMBER 31, 2015

	Fund			Fund	Fund		Fund
ASSETS:		runu		r unu	I'unu		Funu
Current Assets:							
101 Cash and Cash Equivalents	\$		鄮				
115 Accounts Receivable	-						li
142 Inventory of Supplies Purchased for Resale				E R			n n
Total Current Assets							
			~~~~		<u></u>		
Noncurrent Assets:							
151 Joint Venture Investment							
Capital Assets:							
160 Land					I		
162 Buildings							
164 Improvements Other Than Buildings		8					
166 Machinery and Equipment							
Less: Accumulated Depreciation							
Total Noncurrent Assets							
TOTAL ASSETS	\$						
LIABILITIES:							
Current Liabilities:							
216 Other Current Liabilities	\$						
220 Customer Deposits	Ŷ		题				U I
Total Current Liabilities							R
NET POSITION:							
253.1 Invested in Capital Assets							
253.9 Unrestricted Net Position							
Total Net Position							
TOTAL LIABILITIES AND NET POSITION	\$					8	

Telephone Fund	Fund	Totals
\$		
\$		
	1	
20100000000000000000000000000000000000	200 C 10 C	2012 Average 1010 Average 201

•

### **CITY OF FAITH**

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS - MODIFIED CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2015

	Fund	Fund	Fund		Fund
Operating Revenue:					
380 Charges for Goods and Services	\$				
		I	8	2228	I
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:					
361 Investment Earnings					
391 Compensation for Loss or Damage to					
Capital Assets					
Total Nonoperating Revenue					
Income Before Transfers					
511 Transfers Out					
Change in Net Position					
Net Position - December 31, 2014					
NET POSITION - DECEMBER 31, 2015	\$				

Telephone Fund	Fund	Totals	
() providence of the second	1041 - EU/1000000000000	6941 4000-000-000-000-000-000-000-000-00	
\$ 			X
<u> </u>	<u> </u>		
	<b>I</b>		

### **CITY OF FAITH**

### STATEMENT OF CASH FLOWS PROPRIETARY FUNDS - MODIFIED CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2015

	Liquor Water		Electric	Wastewater			
	-	Fund		Fund	Fund		Fund
Contraction from One on the statistics							
Cash Flows from Operating Activities: Receipts from Customers	\$	MC Second and an and an	1273			171	Etcaso and a second second
Payments to Suppliers	ф						
Payments to Suppliers							
Net Cash Flows Provided by Operating Activities							
Net Cash Flows Frovided by Operating Activities							
Cash Flows from Noncapital Financing Activities:							
Transfers to Other Funds							
Net Cash Provided by (Used in) Noncaptial							
Financing Activities:							
Cash Flows from Capital and Related Financing Activities:							
Purchases of Capital Assets				I			
Compensation for Loss or Damage				-			-
to Capital Assets		R.					
Net Cash Provided by (Used in) Capital and Related				Particular			
Financing Activities							
Cash Flows Provided by Investing Activities:							
Interest Earnings							
				Municipality			-
Net Increase in Cash and Investments							
Cash and Investments, December 31, 2014							
Cash and investments, December 51, 2014							
Cash and Investments, December 31, 2015	\$						
Cash Flows From Operating Activities:							
Operating Income	\$						
Adjustments to Reconcile Operating Income to							
Net Cash Provided by Operating Activities:							
Depreciation Expense			1				
Change in Assets and Liabilities:							
Accounts Receivable							I
Inventories					-		
Customer Deposits		1					Ĩ
Other Current Liabilities							
Net Cash Flows Provided by Operating Activities	\$						

Telephone Fund	Fund	Totals
\$		
<u> </u>	<u> </u>	
	1	
	<b>n</b>	
\$		

10

SUPPLEMENTARY INFORMATION

### **CITY OF FAITH**

### BUDGETARY COMPARISON SCHEDULE GENERAL FUND - BUDGETARY BASIS FOR THE YEAR ENDED DECEMBER 31, 2015

		Original	Final	Actual - Budgetary		
		Budget	Budget	Basis	V	'ariance
<b>Revenue:</b>						
	xes:					
	Sales Taxes	\$				
314 0	Gross Receipts Business Taxes					
	Amusement Taxes					
320	Licenses and Permits					
	tergovernmental Revenue:					
331 1	Federal Grant					
	State Grant					
	Port of Entry			I		
	Motor Vehicle Commercial Prorate		1			
335.03	Tax Reversion					
335.04						
335.08 I	Local Government					
338.01						
	Other					
	arges for Goods and Services:					
341 0	General Government					
		li i				
	scellaneous Revenue:					
	nvestment Earnings					
	Rentals					
	Contributions and Donations From Private Sources					
	Dther					
Total Reve	nue					

-13-

## **CITY OF FAITH**

### BUDGETARY COMPARISON SCHEDULE (CONTINUED) GENERAL FUND - BUDGETARY BASIS FOR THE YEAR ENDED DECEMBER 31, 2015

411.5     Contingency     Image: Contingency     Image: Contingency       Amount Transferred     Image: Contingency     Image: Contingency       412     Executive     Image: Contingency     Image: Contingency       413     Elections     Image: Contingency     Image: Contingency       414     Financial Administration     Image: Contingency     Image: Contingency       419     Other     Image: Contingency     Image: Contingency       Image: Contingency     Image: Contingency     Image: Contingency	Ernondi	tu voor	Original Budget	Final Budget	Actual - Budgetary Basis	Variance
411.5       Contingency       Image: Section and Development:       Image: Section and Development:         413.5       Elections       Image: Section and Development:       Image: Section and Development:         413.5       Election and Development:       Image: Section and Development:       Image: Section and Development:         414.5       Election and Development:       Image: Section and Development:       Image: Section and Development:         415.5       Economic Development and Assistance       Image: Section and Development:       Image: Section and Development:         417.5       Economic Development and Assistance       Image: Section and Development:       Image: Section and Development:         417.5       Economic Development and Assistance       Image: Section and Development:       Image: Section and Development:         417.5       Economic Development and Assistance       Image: Section and Development:       Image: Section and Development:         417.5       Economic Development and Assistance       Image: Section and Development:       Image: Section and Development:         418.5       Image: Section and Development and Assistance       Image: Section and Development:       Image: Section and Development:         417.5       Economic Development - Exhibit Area       Image: Section and Development:       Image: Section and Development:       Image: Section and Bevelopment:	Expend					
411.5       Contingency       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I       I	411					
412       Executive       Image: Conservation and Development:         413       Elections       Image: Conservation and Development:         414       Financial Administration       Image: Conservation and Development:         415       Economic Development:       Image: Conservation and Development:         416       Economic Development:       Image: Conservation and Development:         417       Economic Development:       Image: Conservation and Development:         418       Image: Conservation and Development:       Image: Conservation and Development:         419       Debt Service       Image: Conservation and Development - Exhibit Area       Image: Conservation and Development - Exhibit Area         391.01       Transfers In       Image: Conservation for Loss or Damage to Capital Assets       Image: Conservation for Loss or Damage to Capital Assets       Image: Conservation for Loss or Damage to Capital Assets       Image: Conservation for Loss or Damage to Capital Assets       Image: Conservation for Loss or Damage to Capital Assets       Image: Conservation for Loss or Damage to Capital Assets       Image: Conservation for Loss or Damage to Capital Assets       Image: Conservation for Loss or Damage to Capital Assets       Image: Conservation for Loss or Damage to Capital Assets       Image: Conservation for Loss or Damage to Capital Assets       Image: Conservation for Loss or Damage to Capital Assets       Image: Conservation for Loss or Damage: Capital Assets       Image: Capital Assets<		Contingency				
413       Elections       Image: Section Sectin Sectin Section Secting Sectin Section Section Sectin	412		Electrony were presented and			1
414       Financial Administration       Image: Conservation and Development:         415       Image: Conservation and Development:         416       Image: Conservation and Development:         417       Debt Service         418       Image: Conservation and Development:         419       Image: Conservation and Development:         410       Image: Conservation and Development:         411       Image: Conservation and Development:         412       Image: Conservation and Development:         413       Image: Conservation and Development:         414       Image: Conservation and Development:         415       Economic Development:         416       Image: Conservation and Development:         417       Economic Development:         418       Image: Conservation and Assistance         419       Image: Conservation and Assistance         410       Image: Conservation and Assistance         411       Image: Conservation and Assistance         311       Image: Conservation and Assistance </td <td></td> <td></td> <td>Constantine and a second</td> <td></td> <td></td> <td></td>			Constantine and a second			
419       Other         410       Other         411       Other         412       Other         413       Other         414       Other         415       Other         416       Other         417       Other         418       Other         419       Other         410       Other         411       Other         412       Other         413       Other         414       Other         415       Other         416       Other         417       Other         410       Other         411       Other         412       Other         413       Other         414       Other         415						
Image: Second		Other				
Image: Second control of the second						
Image: Second						
Conservation and Development:         465       Economic Development and Assistance         466       Economic Development - Exhibit Area         470       Debt Service <b>Total Expenditures</b> 391.01       Transfers In         391.03       Sale of Municipal Property         391.04       Compensation for Loss or Damage to Capital Assets         511       Transfers Out <b>Total Other Financing Sources</b> Net Change in Fund Balance         Fund Balance, December 31, 2014						
Conservation and Development:         465       Economic Development and Assistance         466       Economic Development - Exhibit Area         470       Debt Service <b>Total Expenditures</b> 391.01       Transfers In         391.03       Sale of Municipal Property         391.04       Compensation for Loss or Damage to Capital Assets         511       Transfers Out <b>Total Other Financing Sources</b> Net Change in Fund Balance         Fund Balance, December 31, 2014						
Conservation and Development:         465       Economic Development and Assistance         466       Economic Opportunity         467       Economic Development - Exhibit Area         470       Debt Service         Total Expenditures       Image: Comparison of the service of the						
465       Economic Development and Assistance         466       Economic Opportunity         467       Economic Development - Exhibit Area         470       Debt Service         Total Expenditures         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         Net Change in Fund Balance         Fund Balance, December 31, 2014						
466       Economic Opportunity         467       Economic Development - Exhibit Area         470       Debt Service <b>Total Expenditures</b> 391.01       Transfers In         391.03       Sale of Municipal Property         391.04       Compensation for Loss or Damage to Capital Assets         511       Transfers Out <b>Total Other Financing Sources</b> Net Change in Fund Balance         Fund Balance, December 31, 2014						
467       Economic Development - Exhibit Area         470       Debt Service         Total Expenditures         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         Net Change in Fund Balance         Fund Balance, December 31, 2014						R
470       Debt Service         Total Expenditures         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         Net Change in Fund Balance         Fund Balance, December 31, 2014						
Total Expenditures         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         Net Change in Fund Balance         Fund Balance, December 31, 2014						
391.03     Sale of Municipal Property       391.04     Compensation for Loss or Damage to Capital Assets       511     Transfers Out       Total Other Financing Sources       Net Change in Fund Balance       Fund Balance, December 31, 2014						
391.04       Compensation for Loss or Damage to Capital Assets         511       Transfers Out         Total Other Financing Sources         Net Change in Fund Balance         Fund Balance, December 31, 2014			Sector Contraction of	_		
511     Transfers Out       Total Other Financing Sources       Net Change in Fund Balance       Fund Balance, December 31, 2014				-		
Net Change in Fund Balance     Image: Change in Fund Balance       Fund Balance, December 31, 2014     Image: Change in Fund Balance					_	
Net Change in Fund Balance     Image: Image in Fund Balance       Fund Balance, December 31, 2014     Image: Image in Fund Balance					I	
Fund Balance, December 31, 2014	Total Ot	her Financing Sources				
	Net Cha	nge in Fund Balance				
Fund Balance, December 31, 2015 \$ Participation of the second sec	Fund Bal	ance, December 31, 2014				
	Fund Ba	lance, December 31, 2015	\$			

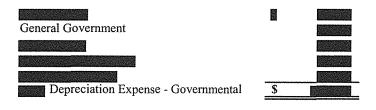
#### **CITY OF FAITH**

# SCHEDULE OF CHANGES IN CAPITAL ASSETS DECEMBER 31, 2015

A summary of changes in governmental activities capital assets for the year ending December 31, 2015, is as follows:

	1	Balance 2/31/2014	Additions	Transfers/ Deletions		]	Balance 12/31/2015
Governmental Activities:			 				
Capital Assets, not being Depreciated:							
Land	\$		۵				
Construction Work in Progress			I				
Total Capital Assets, not being Depreciated			 1				
Capital Assets, being Depreciated:							
Buildings							
Improvements Other Than Buildings					I		
Machinery and Equipment							
Total Capital Assets Being Depreciated							
Less Accumulated Depreciation for:							
Buildings							
Improvements Other Than Buildings							
Machinery and Equipment					Į.		
Total Accumulated Depreciation					1		
••••••••••••••••••••••••••••••••••••••			 				
Total Governmental Activities Capital							
Assets, being Depreciated, Net					<u>I</u> I		
······			 				
Total Governmental Capital Assets, Net	\$				<u> </u>	<u> </u>	

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



### **CITY OF FAITH**

# SCHEDULE OF CHANGES IN CAPITAL ASSETS (CONTINUED) DECEMBER 31, 2015

A summary of changes in business-type activities capital assets for the year ending December 31, 2015, is as follows:

	Balance /31/2014	Add	itions	Transfer Deletion			ance /2015
Business-Type Activities:	 						
Capital Assets, not being Depreciated:							
Land	\$ E State			Π			
Total Capital Assets, not being Depreciated							
Capital Assets, being Depreciated:							
Buildings			1			1	
Improvements Other Than Buildings					Ī		
Machinery and Equipment					Ī		
Total Capital Assets Being Depreciated					1	I	
Less Accumulated Depreciation for:							
Buildings					I	I	
Improvements Other Than Buildings						-	
Machinery and Equipment					Ĩ	Ī	
Total Accumulated Depreciation							
Total Business-Type Activities Capital	 					<u></u>	
Assets, being Depreciated, Net							
Total Business-Type Capital Assets, Net	\$			<u> </u>	1		

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

Business-Type Activities:

Telephone S Total Depreciation Expense - Business-Type S

### **CITY OF FAITH**

# SCHEDULE OF CHANGES IN LONG-TERM DEBT DECEMBER 31, 2015

A summary of changes in long-term debt for the year ending December 31, 2015 is as follows:

	Balance 12/31/2014		Additions		eletions	Balance 12/31/2015		Due Within One Year	
Primary Government:									
Governmental Activities:									
Capital Acquisition Leases	\$								
Total Governmental Activities									
Total Primary Government	\$	8	I					I	

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

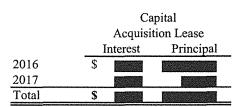
Cost Accumulated Depreciation Total



Capital Acquisition Lease

Capital Lease for recreation center that bears interest at percent with semi-annual payments of the semi-annual pa

\$



Interest paid and charged to expense for 2015 was and the second second

-17-

**CITY OF FAITH** 

### DEPOSITORY DISCLOSURE AT DECEMBER 31, 2015

	Deposit Amount
Depository	Amount