

CITY OF FAULKTON
FAULKTON, SOUTH DAKOTA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDING DECEMBER 31, 2019
WITH ACCOUNTANT'S COMPILATION REPORT

INDEPENDENT AUDIT SERVICES, P.C.

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

CITY OF FAULKTON
FAULKTON, SOUTH DAKOTA

TABLE OF CONTENTS TO THE FINANCIAL REPORT
FOR THE YEAR ENDING DECEMBER 31, 2019

FINANCIAL SECTION

As of and for the year ending December 31, 2019

1 Independent Accountant's Compilation Report

Basic Financial Statements: (Modified Cash Basis of Accounting)

Government-Wide Financial Statements:

2 Statement of Net Position

3 Statement of Activities

Fund Financial Statements:

Governmental Funds:

4 Balance Sheet

5 Statement of Receipts, Disbursement, and Changes in Fund Balances

Enterprise Funds:

6 Statement of Net Position

7 Statement of Receipts, Disbursements, and Changes in Net Position

8 Statement of Cash Flows

SUPPLEMENTARY INFORMATION SECTION

Budgetary Comparison Schedule - Budgetary Basis:

9 General Fund

10 2nd Cent Fund

Pension Schedules:

11 Schedule of the City's Proportional Share of Net Pension (Asset)/Liability

11 Schedule of the City's Contributions

12 Schedule of Changes in Long-Term Debt

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

INDEPENDENT AUDIT SERVICES, PC

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042
605.270.3020

Governing Board
City of Faulkton
Faulkton, South Dakota

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Management is responsible for the accompanying financial statements of governmental activities, business-type activities, each major fund and a discretely presented component unit of the City of Faulkton, Faulk County, South Dakota, as of and for the one year ended December 31, 2019, which collectively comprise the City's basic financial statements as listed in the table of contents, in accordance with a modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. I do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with the modified cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the City's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The supplementary information contained in the budgetary comparison, proportional share of net pension (asset)/liability, pension contributions and changes in long-term debt schedules are not a required part of the basic financial statements. Such information is the responsibility of management. This supplementary information was subject to my compilation engagement. I have not audited or reviewed the supplementary information and I do not express an opinion, a conclusion, nor provide any assurance on such information.

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

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

May 4, 2020



CITY OF FAULKTON

ANNUAL REPORT
 STATEMENT OF NET POSITION
 MODIFIED CASH BASIS
 AS OF DECEMBER 31, 2019

	Primary Government			
	Governmental	Business-	Total	Component
	Activities	Type		Unit
	-----	-----	-----	-----
	Activities	Activities	Total	Unit
	-----	-----	-----	-----
ASSETS:				
Petty cash	100	50	150	
Checking	128,535	275,569	404,104	32,152
Money market savings	696,236	0	696,236	25,897
Certificates of deposit	108,223	131,634	239,857	
	-----	-----	-----	-----
Total assets	933,094	407,253	1,340,347	58,049
	=====	=====	=====	=====
 NET POSITION:				
Restricted for:				
Capital projects	138,585		138,585	
Debt service		155,845	155,845	
Deposits		42,264	42,264	9,368
Unrestricted	794,509	209,144	1,003,653	48,681
	-----	-----	-----	-----
Total net position	933,094	407,253	1,340,347	58,049
	=====	=====	=====	=====

See accountant's compilation report.

CITY OF FAULKTON
ANNUAL REPORT
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2019

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position			Component Unit
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
Primary government:								
Governmental activities:								
General government	127,178	12,371			(114,807)		(114,807)	
Public safety	55,707				(55,707)		(55,707)	
Public works	776,022	280		455,019	(320,723)		(320,723)	
Health and welfare	9,314		3,022		(6,292)		(6,292)	
Culture and recreation	126,478	16,179			(110,299)		(110,299)	
Economic development	66,739				(66,739)		(66,739)	
Total governmental activities	1,161,438	28,830	3,022	455,019	(674,567)	0	(674,567)	
Business-type activities:								
Water	299,143	236,325		9,637		(53,181)	(53,181)	
Sewer	215,327	184,863		15,899		(14,565)	(14,565)	
Total business-type activities	514,470	421,188	0	25,536	0	(67,746)	(67,746)	
Total primary government	1,675,908	450,018	3,022	480,555	(674,567)	(67,746)	(742,313)	
Component unit activity:								
Faulkton Housing & Redev Commission	161,656	119,584	37,840					(4,232)
General receipts:								
Taxes:								
Property taxes					225,151		225,151	
Sales taxes					355,852		355,852	
Gross receipts tax					8,432		8,432	
Amusement tax					72		72	
State shared receipts					65,431		65,431	
County shared receipts					2,422		2,422	
Interest received					5,151	1,682	6,833	
Rents and franchise fees					24,201		24,201	
Miscellaneous					2,712		2,712	
Transfers					0		0	
Total general receipts and transfers					689,424	1,682	691,106	0
Change in net position					14,857	(66,064)	(51,207)	(4,232)
Net position:								
January 1, 2019					918,237	473,317	1,391,554	62,281
December 31, 2019					933,094	407,253	1,340,347	58,049

See accountant's compilation report.

CITY OF FAULKTON

ANNUAL REPORT
 BALANCE SHEET -- MODIFIED CASH BASIS
 ALL GOVERNMENTAL FUNDS
 AS OF DECEMBER 31, 2019

	General Fund	2nd cent Fund	Total
	-----	-----	-----
ASSETS:			
103.00 Petty cash	100		100
101.00 Checking	128,535		128,535
104.00 Money market savings	557,651	138,585	696,236
105.00 Certificates of deposit	108,223		108,223
	-----	-----	-----
Total assets	794,509	138,585	933,094
	=====	=====	=====
FUND BALANCES:			
263.00 Nonspendable			0
264.00 Restricted			0
265.00 Committed		138,585	138,585
266.00 Assigned - Key deposit	2,150		2,150
266.00 Assigned - Capital projects	33,061		33,061
267.00 Unassigned	759,298		759,298
	-----	-----	-----
Total fund balances	794,509	138,585	933,094 *
	=====	=====	=====

* Equals net position on
 statement of net position

See accountant's compilation report.

CITY OF FAULKTON

ANNUAL REPORT

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2019

	General Fund	2nd Cent Fund	Total
Receipts:			
Local sources:			
Taxes:			
311.00	Ad valorem taxes	225,151	225,151
313.00	General sales and use taxes	177,926	355,852
314.00	Gross receipts tax	8,432	8,432
315.00	Amusement tax	72	72
320.00	Licenses and permits:	11,796	11,796
Intergovernmental:			
Federal shared receipts:			
	Grant - airport	0	431,071
State shared receipts:			
334.99	State grants	3,022	26,970
335.01	Bank franchise tax	768	768
335.03	Liquor tax reversion	4,797	4,797
335.04	Motor vehicle licenses (5%)	13,626	13,626
335.08	Highway and bridge	35,115	35,115
335.20	Other	1,950	11,125
338.02	County shared receipts: road tax	2,422	2,422
Charges for goods and services:			
343.00	Highways and streets	280	280
344.00	Solid waste		0
346.02	Swimming pool	14,030	14,030
346.03	Ball park		0
346.99	Carousel	874	874
346.99	Camper hook-ups	1,275	1,275
350.00	Fines and forfeits	575	575
Miscellaneous:			
361.00	Interest received	1,527	5,151
362.00	Rents and franchise fees	24,201	24,201
369.00	Other	2,712	2,712
	Total receipts	530,551	1,176,295
Disbursements:			
Current:			
General government:			
411.00	Mayor and Council	20,847	20,847
413.00	Elections	26	26
414.00	Financial administration	79,028	79,028
419.00	Other	27,277	27,277
Public safety:			
421.00	Police	46,229	46,229
422.00	Fire	9,478	9,478
Public works:			
431.00	Highways and streets	150,033	150,033
432.00	Solid waste	12,856	12,856
435.00	Airport	7,761	7,761
437.00	Cemetery	4,000	4,000
Health and welfare:			
441.00	West Nile	9,314	9,314
Culture and recreation:			
451.20	Swimming pool	40,387	40,387
451.20	Ball parks	14,405	14,405
451.40	Senior citizens	750	750
452.00	Area parks	6,129	6,129
452.00	Carousel	4,307	4,307
456.00	Community center	16,303	16,303
Conservation and development:			
465.00	Economic development	5,312	66,739
	Capital outlay	4,337	641,232
	Total disbursements	458,779	1,161,438
	Excess of receipts over (under) disbursements	71,772	14,857
Other financing sources (uses):			
391.01	Transfer in	79,905	79,905
511.00	Transfer (out)		(79,905)
	Net change in fund balance	151,677	14,857 *
262.00	Fund balance:		
	January 1, 2019	642,832	918,237
	December 31, 2019	794,509	933,094

* Equals change in net position on
statement of activities

See accountant's compilation report.

CITY OF FAULKTON

ANNUAL REPORT
 STATEMENT OF NET POSITION
 MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 AS OF DECEMBER 31, 2019

	Water Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----
ASSETS			
Current assets:			
103.00 Petty cash	50		50
101.00 Checking	106,939	168,630	275,569
104.00 Money market savings			0
105.00 Certificates of deposit	22,476	109,158	131,634
	-----	-----	-----
Total assets	129,465	277,788	407,253
	=====	=====	=====
NET POSITION			
253.21 Restricted - debt service	48,517	107,328	155,845
253.29 Restricted - deposits	42,264		42,264
253.90 Unrestricted	38,684	170,460	209,144
	-----	-----	-----
Total net position	129,465	277,788	407,253
	=====	=====	=====

See accountant's compilation report.

CITY OF FAULKTON

ANNUAL REPORT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN NET POSITION -- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2019

	Water Fund -----	Sewer Fund -----	Total -----	
Operating receipts:				
381.00	Charges for goods and services	236,325	184,863	421,188
	Total operating receipts	236,325	184,863	421,188
Operating disbursements:				
411.00	Personal services	49,608	48,311	97,919
420.00	Other current services	56,814	10,799	67,613
426.29	Cost of goods sold	135,932		135,932
	Total operating disbursements	242,354	59,110	301,464
	Excess operating receipts (disbursements)	(6,029)	125,753	119,724
Nonoperating receipts (disbursements):				
361.00	Interest received	434	1,248	1,682
441.00	Debt service - principal	(21,663)	(73,239)	(94,902)
442.00	Debt service - interest	(35,126)	(75,457)	(110,583)
	Total nonoperating receipts (disbursements)	(56,355)	(147,448)	(203,803)
	Excess receipts (disbursements) before other financing sources and (uses):	(62,384)	(21,695)	(84,079)
Other financing sources (uses):				
331.99	Capital grants - federal		15,131	15,131
334.99	Capital grants - state	9,637	768	10,405
433.00	Capital improvements		(7,521)	(7,521)
	Change in net position	(52,747)	(13,317)	(66,064)
253.90	Net position:			
	January 1, 2019	182,212	291,105	473,317
	December 31, 2019	129,465	277,788	407,253

See accountant's compilation report.

CITY OF FAULKTON

ANNUAL REPORT

STATEMENT OF CASH FLOWS-- MODIFIED CASH BASIS

ENTERPRISE FUNDS

FOR THE YEAR ENDING DECEMBER 31, 2019

	Water Fund -----	Sewer Fund -----	Total -----
Cash flows from:			
Operating activities:			
Receipts from customers	236,325	184,863	421,188
Cost of employees	(49,608)	(48,311)	(97,919)
Payments to suppliers	(192,746)	(10,799)	(203,545)
Net cash provided (used) by operating activities	----- (6,029)	----- 125,753	----- 119,724
Noncapital financing activities:			
Operating grant			0
Capital financing activities:			
Capital grants - federal		15,131	15,131
Capital grants - state	9,637	768	10,405
Cash paid for capital improvements		(7,521)	(7,521)
Debt service - principal	(21,663)	(73,239)	(94,902)
Debt service - interest	(35,126)	(75,457)	(110,583)
Investing activities:			
Interest received	434	1,248	1,682
Purchase cert. of deposit	(233)	(1,134)	(1,367)
Net increase (decrease) in cash and cash equivalents	----- (52,980)	----- (14,451)	----- (67,431)
Cash and cash equivalents:			
January 1, 2019	159,969	183,081	343,050
December 31, 2019	----- 106,989 =====	----- 168,630 =====	----- 275,619 =====
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Excess operating receipts (disbursements)	(6,029)	125,753	119,724
Net cash provided (used) by operating activities	----- (6,029) =====	----- 125,753 =====	----- 119,724 =====
Noncash investing, capital and financing activities:			
None			

See accountant's compilation report.

CITY OF FAULKTON

ANNUAL REPORT
 SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2019

GENERAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental: Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Ad valorem taxes	213,567		213,567	225,151	11,584
Sales and use taxes	170,000		170,000	177,926	7,926
Gross receipts tax			0	8,432	8,432
Amusement tax			0	72	72
Licenses and permits:	10,850		10,850	11,796	946
Intergovernmental receipts:	47,400		47,400	61,700	14,300
Charges for goods and services	15,150		15,150	16,459	1,309
Fines and forfeits			0	575	575
Miscellaneous receipts:	11,900		11,900	28,440	16,540
Total receipts	468,867	0	0	530,551	61,684
Disbursements:					
General government:					
Mayor and Council	24,062		24,062	20,847	3,215
Contingency	20,000		20,000		20,000
Amount transferred		(15,814)	(15,814)		(15,814)
Elections	1,500		1,500	26	1,474
Financial administration	74,312	8,000	82,312	79,028	3,284
Other	32,850		32,850	27,277	5,573
Public safety:					
Police	46,229		46,229	46,229	0
Fire	11,500		11,500	9,478	2,022
Public works:					
Highways and streets	161,149	4,057	165,206	150,033	15,173
Solid waste	15,464		15,464	12,856	2,608
Airport	7,800		7,800	7,761	39
Cemetery	4,000		4,000	4,000	0
Capital outlay	5,000		5,000		5,000
Health and welfare:					
West Nile	6,400		6,400	9,314	(2,914)
Culture and recreation:					
Recreation, Parks, Community	87,063	2,311	89,374	86,618	2,756
Conservation and development:					
Economic devel. - assistance	8,000	1,446	9,446	5,312	4,134
Total disbursements	505,329	0	0	458,779	46,550
Excess of receipts over (under) disbursements	(36,462)	0	0	(36,462)	108,234
Other financing sources (uses):					
Transfer in	0		0	79,905	79,905
Net change in fund balance	(36,462)	0	0	151,677	188,139
Fund balance:					
January 1, 2019	642,832		642,832	642,832	0
December 31, 2019	606,370	0	606,370	794,509	188,139

CITY OF FAULKTON

ANNUAL REPORT
 SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2019

2ND CENT SALES TAX FUND (Reserved for capital improvements)	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	170,000		170,000	177,926	7,926
Intergovernmental receipts:					
Federal grants			0	431,071	431,071
State grants			0	23,948	23,948
State other receipts			0	9,175	9,175
Miscellaneous receipts:					
Interest received			0	3,624	3,624
Total receipts	170,000	0	170,000	645,744	475,744
Disbursements:					
Public works - streets and h:	140,000		140,000	102,200	37,800
Public works - airport	38,000	6,153	44,153	499,172	(455,019)
Parks and recreation		17,921	17,921	39,860	(21,939)
Economic development	79,274		79,274	61,427	17,847
Total disbursements	257,274	24,074	281,348	702,659	(421,311)
Excess of receipts over (under) disbursements	(87,274)	(24,074)	(111,348)	(56,915)	54,433
Other financing sources (uses):					
Transfer (out)			0	(79,905)	(79,905)
Net change in fund balance	(87,274)	(24,074)	(111,348)	(136,820)	(25,472)
Fund balance:					
January 1, 2019	275,405		275,405	275,405	0
December 31, 2019	188,131	(24,074)	164,057	138,585	(25,472)

CITY OF FAULKTON
FOR THE SIX YEARS ENDING DECEMBER 31, 2019

SUPPLEMENTARY INFORMATION

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

SDRS Measurement Date Year Ended (1)	City's Pension Allocation Percentage	City's Proportionate Share of Net Pension (Asset) Liability	City's Covered Employee Payroll for its 6-30 Year End	City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2019	0.0075304%	(798)	160,117	(00.50%)	100.09%
June 30, 2018	0.0071544%	(167)	148,733	(00.11%)	100.02%
June 30, 2017	0.0071956%	(653)	146,200	(00.45%)	100.10%
June 30, 2016	0.0076667%	25,897	145,783	17.76%	96.89%
June 30, 2015	0.0074546%	(31,617)	136,100	(23.23%)	104.10%
June 30, 2014	0.0081172%	(58,481)	141,950	(41.20%)	107.30%

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

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

CITY OF FAULKTON
FOR THE SIX YEARS ENDING DECEMBER 31, 2019

SUPPLEMENTARY INFORMATION

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

City's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
December 31, 2019	9,482	9,482	0	158,033	6.00%
December 31, 2018	9,179	9,179	0	152,983	6.00%
December 31, 2017	8,783	8,783	0	146,383	6.00%
December 31, 2016	8,819	8,819	0	146,983	6.00%
December 31, 2015	8,237	8,237	0	137,283	6.00%
December 31, 2014	8,679	8,679	0	144,650	6.00%

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

CITY OF FAULKTON

ANNUAL REPORT
 SCHEDULE OF CHANGES IN LONG-TERM DEBT
 FOR THE YEAR ENDING DECEMBER 31, 2019

For: Department of Legislative Audit

	Beginning 12-31-18	Additions	(Deletions)	Governmental Ending 12-31-19	Business-Type Ending 12-31-19
GOVERNMENTAL LONG-TERM DEBT					
231.01 General Obligation Bonds					
231.02 Revenue Bonds					
231.03 Special Assessment Bonds					
236.00 Advance from Other Funds					
237.00 Other Long-Term Liabilities					
233.00 Leave liability					
ENTERPRISE LONG-TERM DEBT					
231.01 General Obligation Bonds					
231.02 Revenue Bonds	4,781,209		(94,902)		4,686,307
231.03 Special Assessment Bonds					
235.00 Accrued Landfill Closure and post closure care costs					
236.00 Advance from Other Funds					
237.00 Other Long-Term Liabilities					
233.00 Leave liability					
Totals	<u>4,781,209</u>	<u>0</u>	<u>(94,902)</u>	<u>0</u>	<u>4,686,307</u>