

CITY OF FLANDREAU
FLANDREAU, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2014
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

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

CITY OF FLANDREAU
FLANDREAU, SOUTH DAKOTA

TABLE OF CONTENTS TO THE FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2014

FINANCIAL SECTION

1	Independent Auditor's Report
3	Management's Discussion and Analysis (MD&A) (Required Supplementary Information)
	Basic Financial Statements:
	Government-Wide Financial Statements:
11	Statement of Net Position as of December 31, 2014
	Statement of Activities
12	-- for the year ending December 31, 2014
13	-- for the year ending December 31, 2013
	Fund Financial Statements:
	Governmental Funds:
14	Balance Sheet as of December 31, 2014
	Statement of Revenues, Expenditures, and Changes in Fund Balance
15	-- for the year ending December 31, 2014
17	-- for the year ending December 31, 2013
	Enterprise Funds:
19	Statement of Net Position as of December 31, 2014
	Statement of Revenues, Expenses, and Changes in Fund Net Position
20	-- for the year ending December 31, 2014
21	-- for the year ending December 31, 2013
	Statement of Cash Flows
22	-- for the year ending December 31, 2014
23	-- for the year ending December 31, 2013
	Fiduciary Funds (agency):
24	Statement of Fiduciary Assets and Liabilities
	Component Units:
25	Combining Statement of Net Position as of December 31, 2014
25	Combining Statement of Net Position as of December 31, 2013
	Combining Statement of Revenues, Expenses, and Changes in Net Position
26	-- for the year ending December 31, 2014
26	-- for the year ending December 31, 2013
	Combining Statement of Cash Flows
27	-- for the year ending December 31, 2014
27	-- for the year ending December 31, 2013
28	Notes to the Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION SECTION OTHER THAN MD&A

	Budgetary Comparison Schedules - Budgetary Basis:
50	General Fund for the year ending December 31, 2014
51	General Fund for the year ending December 31, 2013
52	Notes to Budgetary Comparison Schedules

SUPPLEMENTARY INFORMATION SECTION

	Combining Nonmajor Fund Financial Statements:
	Governmental Funds:
53	Combining Balance Sheet
	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
54	-- for the year ending December 31, 2014
55	-- for the year ending December 31, 2013
56	Schedule of Expenditures of Federal Awards

GOVERNMENTAL SECTION

57	Report on Compliance and Other Matters and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
59	Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133
61	Schedule of Prior Audit Findings and Questioned Costs
61	Schedule of Current Audit Findings and Questioned Costs

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
605.483.3225

Governing Board
City of Flandreau
Flandreau, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Flandreau (City), Moody County, South Dakota as of December 31, 2014 and for each of the years in the biennial period then ended, 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

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America - this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk 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 City'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 City's internal control. Accordingly, I 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.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my unmodified audit opinions on governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Flandreau, South Dakota, as of December 31, 2014, and the respective changes in its financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Explanation

I draw attention to finding 2014-01 regarding the absence of fire department balances and activities in these financial statements. However, because of materiality, my opinion is not modified with respect to this matter.

Other Matters - Required Supplementary Information (no opinion)

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (page 3 to 10) and the budgetary comparison schedule (page 50 to 52) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the formation and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters - Supplementary Information (opinion)

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements.

The accompanying Combining Nonmajor Fund Financial Statements (page 53 to 55) are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, (page 56) which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

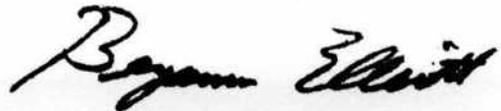
The Combining Nonmajor Fund Financial Statements and the Schedule of Expenditures of Federal Awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare these financial statements. This information has been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In my opinion, the Combining Nonmajor Fund Financial Statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statement as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report (page 57) dated December 29, 2015 on my tests of City of Flandreau's compliance with certain provisions of laws, regulations, contracts and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance and internal control over financial reporting.

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



December 29, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the City of Flandreau's (City) annual financial report presents our discussion and analysis of the City's financial performance for the two years ending December 31, 2014. Please read it in conjunction with the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

For the year ending:

	2014	2013
Revenue:		
Charges for goods and services	3,663,294	3,507,281
Operating grants	17,928	119,745
Capital grants	628,667	35,424
General receipts	1,526,799	1,507,873
	-----	-----
Total	5,836,688	5,170,323
	-----	-----
Expenses:		
Governmental	2,533,604	2,150,936
Business-type	2,775,624	2,933,441
	-----	-----
Total	5,309,228	5,084,377
	-----	-----
Increase (Decrease) in Net Position	527,460	85,946
Net Position:		
December 31, 2012		10,001,736

December 31, 2013	10,087,682	10,087,682
	-----	=====
December 31, 2014	10,615,142	
	=====	
Governmental Funds:		
General	1,137,302	1,264,511
Park Board (in general)	12,407	14,510
Airport (in general)	90,514	84,797
3rd Cent	27,755	32,822
BIA Crime Control	66,577	66,245
Aquatic GO Bond	(1,026)	(928)
TIF 2,4,5,7	(184,726)	(168,049)
Capital Assets	5,140,300	4,930,931
Long-term Debt	(1,391,473)	(1,458,020)
Business-Type Funds:		
Water	1,496,091	1,559,595
Electric	2,609,958	2,240,431
Sewer	1,539,675	1,457,681
Solid Waste	71,788	63,156
	-----	-----
Total	10,615,142	10,087,682
	=====	=====

During 2014:

The City:

- * Constructed a community safe room for \$169,374.
- * Purchased a Freightliner for \$124,210.
- * purchased a tractor for the airport for \$134,644.
- * Purchased a Ford Explorer for the police department for \$33,131.
- * Purchased a RAM 2500 for the electric department for \$27,000.
- * Purchased a Ditch Witch locator for the electric department for \$7,644.
- * Purchased a 72" mower for \$13,040.
- * Purchased a range/griddle for the Community Center for \$15,099.
- * Began construction on Japanese garden restroom and showers for \$15,544.
- * Began refurbishing Community Center and Armory lighting for \$15,544.
- * Paid engineering fees for an airport expansion of \$9,244.
- * Repaired sewer mains for \$16,443.
- * Purchased two pumps for the sewer department for \$17,369.
- * Began work on lagoon improvements for the sewer department for \$15,285.
- * Borrowed \$114,210 to purchase a Freightliner.
- * Paid down long-term debt by \$333,689.
- * Transferred \$100,000 from the electric fund to the general fund for operations.

During 2013:

The City:

- * Completed construction of the City Hall expansion for \$37,787.
- * Completed construction of the City Hall shop addition for \$368,747.
- * Made electrical distribution system improvements for \$1,349,620.
- * Made parking lot improvements for \$49,155.
- * Refurbished the east water tower for \$70,535.
- * Purchased a 2013 Ford Explorer-V6-4D for \$25,602.
- * Purchased a 2014 Ford police interceptor for \$23,499.
- * Purchased a police vehicle RAM mount for \$30,854.
- * Purchased a 3,000 gallon tanker/pumper for the fire department for \$282,232.
- * Purchased a 2012 Elgin Pelican street sweeper for \$160,015.
- * Purchased a 60DSFAD TPEM generator unit for the sewer department for \$43,481.
- * Purchased a 72" Hustler mower for \$13,461.
- * Purchased a 2004 backhoe 580SMs for \$40,950.
- * Began lagoon improvements for the sewer department for \$7,095.
- * Began constructed a community safe room for \$12,179.
- * Paid engineering fees for an airport expansion of \$16,599.
- * Borrowed \$109,465 to purchase a street sweeper.
- * Borrowed \$150,000 to purchase a fire truck.
- * Borrowed \$3,675,000 for electrical improvements.
- * Paid down long-term debt by \$1,063,482.
- * Transferred \$100,000 from the electric fund to the general fund for operations.

BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This financial report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement-34.

The financial report consists of three parts: (1) management's discussion and analysis (page 3 to 10), (2) the basic financial statements (page 11 to 49) and (3) supplementary information (page 50 to 56). The basic financial statements include two types of statements that present the City from two different financial points of view.

Government-wide financial statements (View #1):

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.

Fund financial statements (View #2):

The remaining financial statements are fund financial statements that focus on significant operations of the governmental, enterprise, and fiduciary activities of the City.

The Governmental Fund financial statements tell how general governmental services were financed in the short-term, as well as what remains for future spending. Governmental funds operated by the City at the end of 2014 are the General (including the Park Board and Airport), 3rd Cent Sales Tax, BIA Crime Control, Aquatic GO Bond Debt Service, and Tax Increment Financing Districts #2, #4, #5, and #7.

The Enterprise Fund financial statements offer short-term and long-term financial information about activities of the City that operate like a business. Enterprise funds operated by the City are the Water, Electric, Sewer, and Solid Waste funds.

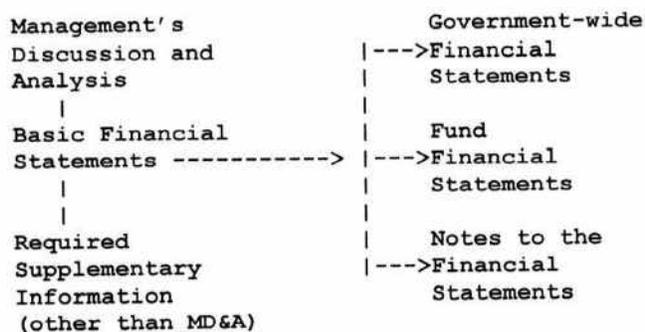
The Fiduciary Fund financial statements provide information about the financial status of activities in which the City acts solely as a trustee or agent for the benefit of those groups to whom these funds belong. In 2013 and 2014 the City maintained two fiduciary funds for the Flandreau Housing and Redevelopment Commission and Flandreau Development Corporation.

The financial statements include notes that explain in more detail some of the information found in the financial statements. The financial statements are also followed by a section of required supplementary information that presents a budgetary analysis for the general fund and major special revenue funds (if any).

Required Supplementary Information:

This Management's Discussion and Analysis (page 3 to 10) and Budgetary Comparison schedules (page 50 to 52) are financial information required to be presented by GASB. Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The Budgetary Comparison Schedule is presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure.

Here is an overview of the City's financial statements.



Here is a summary of the major features of these financial statement.

	Government-wide Statements	Governmental Funds	Enterprise Funds	Fiduciary Funds
Scope	Entire City (except fiduciary funds)	City Activities except Enterprise (ie: water) and Fiduciary	Activities operated like a private business	City's custody of money that belongs to others
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expen- ditures and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses and Changes in Fund Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position

	Government-wide Statements	Fund Statements		
		Governmental Funds	Enterprise Funds	Fiduciary Funds
Basis of Accounting	Accrual	Modified accrual	Accrual	Accrual
Measurement Focus	Economic resources	Current financial resources	Economic resources	Economic resources
Types of Assets & Liabilities	All - Financial and capital, short- and long-term	Only current financial assets and liabilities No capital assets	All - Financial and capital, short- and long-term	All - Financial and capital (if any), short- and long-term
Types of Revenue and Expenditures or Expense	All - Regardless of when cash is received	Revenues when cash is received during year or within 30 days of year-end Expenditures when goods or services are received and payment is due during the year or soon thereafter.	All - Regardless of when cash is received	All - Regardless of when cash is received

GOVERNMENT-WIDE STATEMENTS
(Reporting the City as a whole)

The government-wide statements (page 11 to 13) report information about the City as a whole using accounting methods similar to those used for private companies. There are two government-wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position includes all of the government's assets and liabilities. Net position is the difference between assets and liabilities. Changes in these accounts is one way to measure the City's financial health. Increases or decreases in net position measures improvements or declines in the City's financial health. To assess the City's overall financial health you also need to consider other factors such as changes in the, property tax base and sales tax revenue, sales tax revenue and/or grant activity.

The Statement of Activities includes all of the year's revenues and expenses. You will notice that expenses are listed in the first column by program. Revenues related each program are reported to the right of the expense. The result is a net revenue/expense for each program. After listing program activity, general receipts of the City are listed, which include all taxes and interest earned.

The government-wide financial statements have three broad categories of information: governmental activity, business-type activity and discretely presented component unit activity.

The governmental activities include operation of the government such and City Council, public safety, streets and highway, snow removal, debt service, and recreational programs. Property taxes, sales taxes, revenue from the state, grants, user fees and interest earnings finance most of these activities.

Business-type activities account for the City's water, electric, sewer, and solid waste operations. These operations are financed mostly by user fees.

Component unit activity accounts for the Flandreau Housing and Redevelopment Commission and the Flandreau Development Corporation. Although legally separate, these organizations are "component units" of the City of Flandreau because of significant financial relationships. For example, by statute the Flandreau Housing and Redevelopment Commission is required to get the City's approval before it can start any specific project or issue debt. (SDCL 11-7-24, 11-7-49, and 11-7-53)

Complete financial statements of all component units are available at Flandreau City Hall.

FUND FINANCIAL STATEMENTS

(Reporting the City's most significant funds)

The fund financial statements (page 14 to 27) provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting tools used to keep track of the receipt and disbursement of City's resources. State law requires the use of some funds and the City Council establishes other funds to manage money for a specific purpose, like a capital project fund for infrastructure improvements.

The fund financial statements show information in three broad categories: governmental, enterprise and fiduciary.

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 which can readily be converted into cash, flow in and out of that fund, and (2) the balances left at year-end that are available for spending in the next year. Consequently, governmental funds statements provide you a detailed short-term view to help you determine whether there are more or fewer financial resources available for spending 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 information at the bottom of the governmental funds statements to reconcile the differences between the governmental fund statements and the government-wide statements.

Enterprise fund: Services for which the City charges the customer a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both short-term and a long-term financial information. The water, electric, sewer, and solid waste funds are the only enterprise fund maintained by the City.

Fiduciary funds: The City is the agent (or fiduciary) for various internal and external parties. As such, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. Fiduciary funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance City's operations. In 2013 and 2014 the City had two fiduciary funds for the Flandreau Housing and Redevelopment Commission and the Flandreau Development Corporation.

These two fiduciary funds are both fiduciary funds because the City keeps their books and component units because they are legally separate organizations.

MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

(Material changes for governmental activities = changes greater than \$150,000)
 (Material changes for business-type activities = changes greater than \$200,000)

	Increase (Decrease)	Principal Reason
<u>Year Ending December 31, 2014</u>		
Governmental Activities:		
Current assets	(155,000)	Off-set by an increase in capital assets.
Capital assets	209,000	Off-set by a decrease in current assets.
Capital grants	594,000	Grants for a Boys and Girls Club project and airport improvements.
Culture & recreation	388,000	Boys and Girls Club grant project.
Economic development	(230,000)	Donation of medical facilities in 2013.
Business-type Activities:		
Current liabilities	(229,000)	Reduction in electric fund construction related payables.
Electric expenses	(280,000)	Reduction of \$139,000 in electric power costs and bond issue costs of \$144,000.

	Increase (Decrease)	Principal Reason
<u>Year Ending December 31, 2013</u>		
Governmental Activities:		
Current assets	(285,000)	Released hospital restricted cash of \$230,000.
Capital assets	353,000	City Hall expansion and shop addition.
Economic development	210,000	Donation of medical facilities.
Business-type Activities:		
Current assets	1,310,000	Increase in electrical fund restricted cash of \$1,580,000.
Capital assets	1,707,000	Electrical improvement project.
Long-term debt	2,709,000	Net increase in electric fund long-term debt.

SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

The City's 2014 general fund budget of \$2,450,008 is an increase of \$326,168 or 15.36% from 2013. There was one supplemental appropriation to the general fund budget of \$545,350 for various departments. See page 50 for more information.

The City's 2013 general fund budget of \$2,123,840 is a decrease of \$115,637 or 5.16% from 2012. There was one supplemental appropriation to the general fund budget of \$425,474 for police, fire, airport, parks and economic development. See page 51 for more information.

SIGNIFICANT CAPITAL ASSET ACTIVITY

At December 31, 2014, the City had invested \$10,025,732 in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net increase (including additions and deductions) of \$122,428 or 1.24% from December 31, 2013.

At December 31, 2013, the City had invested \$9,903,304 in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net increase (including additions and deductions) of \$2,060,477 or 26.27% from December 31, 2012.

Significant capital asset activity is reported above. See page 45 and 46 for more information.

SIGNIFICANT LONG-TERM DEBT ACTIVITY

At December 31, 2014 the City had \$203,390 in general obligation aquatic center bonds, \$535,000 in sales tax revenue bonds, \$293,748 Tax Increment Financing loans, \$324,228 in street sweeper, fire truck, and Freightliner loans, \$587,191 in water utility revenue bonds, and \$3,535,000 in electric utility bonds.

The city's long-term debt is summarized below. See page 47 to 49 for more information.

	12-31-2012	Additions (Deletions)	12-31-2013	Additions (Deletions)	12-31-2014
Governmental:					
GO Bonds	244,305	(19,977)	224,328	(20,938)	203,390
Revenue Bonds	650,000	(55,000)	595,000	(60,000)	535,000
Tax Increment	388,891	(52,819)	336,072	(42,324)	293,748
Lease/purchase	0	259,465	259,465	(34,829)	224,636
Bank loan	0		0	114,210	
				(14,618)	99,592
Accrued Vacation	45,894	(2,739)	43,155	(8,048)	35,107
	-----	-----	-----	-----	-----
	1,329,090	128,930	1,458,020	(66,547)	1,391,473
	=====	=====	=====	=====	=====
Business-Type:					
Revenue Bonds	1,538,491	3,675,000			
		(940,384)	4,273,107	(150,916)	4,122,191
Accrued Vacation	20,137	7,437	27,574	(2,016)	25,558
	-----	-----	-----	-----	-----
	1,558,628	2,742,053	4,300,681	(152,932)	4,147,749
	=====	=====	=====	=====	=====

CURRENTLY KNOWN FACTS

In February 2015 the Council awarded a lagoon upgrade project to Loiseau Construction, Inc. for \$260,200.

In March 2015 the Council awarded Phase II of the Electrical Improvement Project to Midwest Utility Services, Inc. for \$947,947.

In April 2015 the Council awarded a base bid of \$524,222 and alternate #2 option of \$169,851 to Prunty Construction Co., Inc. for the infrastructure project at Southview Heights Addition. This addition is being developed by Flandreau Development Corporation.

In June 2015 the Council awarded a Meter Cutover, electrical Phase II, project to Bob's Electric for \$158,402.

In June 2015 the Council approved building a restroom/shower facility at a city park for \$223,374.

In June 2015 the Council adopted Resolution No. 2015-08 to issue \$3,082,000 Water Project Revenue Bonds.

In June 2015 the Council adopted Resolution No. 2015-10 to issue \$3,620,000 Sewer Project Revenue Bonds.

In July 2015 the Council approved an agreement with Clark Engineering Corporation for an estimate of \$1,000,872 to provide engineering services for Phases 1, 2, and 3 of the Water and Wastewater Replacement project.

In August 2015 the Electric Fund advanced \$50,000 to the General Fund and the Sewer Fund advanced \$40,000 to the General Fund to be paid back over 3 years starting in 2017.

In September 2015 the Council awarded a Snow Removal Equipment Building base bid of \$203,500 to Lehtola Builders, Inc.

The City has entered into a joint powers agreement with the Flandreau Santee Sioux Tribe (FSST) to provide for joint law enforcement services to the City and

In September 2015 the Joint Powers Law Enforcement Agreement with Flandreau Santee Sioux Tribe ended and a Law Enforcement Assist Agreement with the Flandreau Santee Sioux Tribal Police was approved.

CONTACTING THE MUNICIPALITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 Flandreau's business office at 1005 West Elm Avenue, Flandreau, SD 57028-0343.

Complete financial statements of the component units is available at the Flandreau City Hall.

CITY OF FLANDREAU
 TABLE 1 - NET POSITION (condensed and in thousands)
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2014, 2013 AND 2012

	Governmental Activities			Business-Type Activities			Total Government		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Assets:									
Current assets	1,268	1,423	1,708	5,048	4,938	3,628	6,316	6,361	5,336
Capital assets	5,140	4,931	4,578	4,885	4,972	3,265	10,025	9,903	7,843
Other assets	(39)	(35)	(44)	96	93	106	57	58	62
Total assets	6,369	6,319	6,242	10,029	10,003	6,999	16,398	16,322	13,241
Liabilities:									
Current liabilities	286	295	222	331	560	441	617	855	663
Long-term debt	1,185	1,257	1,164	3,981	4,122	1,413	5,166	5,379	2,577
Total liabilities	1,471	1,552	1,386	4,312	4,682	1,854	5,783	6,234	3,240
Net Position:									
Capital assets, net of debt	3,784	3,516	3,294	743	678	1,719	4,527	4,194	5,013
Restricted	250	255	474	2,403	2,648	1,232	2,653	2,903	1,706
Unrestricted	864	996	1,088	2,571	1,995	2,194	3,435	2,991	3,282
Total net position	4,898	4,767	4,856	5,717	5,321	5,145	10,615	10,088	10,001

TABLE 2 - CHANGES IN NET POSITION (condensed and in thousands)
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
 FOR THE THREE YEARS ENDING DECEMBER 31, 2014

	Governmental Activities			Business-Type Activities			Total Government		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Revenues:									
Program revenues:									
Charges for services	413	396	463	3,250	3,112	2,925	3,663	3,508	3,388
Operating grants and contri.	18	67	9		53		18	120	9
Capital grants and contri.	629	35	42				629	35	42
General revenues:									
Revenue from taxes	1,296	1,257	1,180				1,296	1,257	1,180
Revenue from state sources	84	83	78				84	83	78
Revenue from county sources	19	12	11				19	12	11
Interest earnings	7	7	8	13	13	13	20	20	21
Rents and franchise fees	75	60	58	14	15	10	89	75	68
Other general revenue	16	11	19				16	11	19
Total revenues	2,557	1,928	1,868	3,277	3,193	2,948	5,834	5,121	4,816
Expenses:									
General government	163	170	174				163	170	174
Public safety	818	698	670				818	698	670
Public works	531	427	476				531	427	476
Health and welfare	11	12	15				11	12	15
Culture and recreation	861	473	476				861	473	476
Economic development	60	290	80				60	290	80
Interest and fees	89	81	99				89	81	99
Water				503	431	478	503	431	478
Electric				1,891	2,171	2,014	1,891	2,171	2,014
Sewer				210	159	202	210	159	202
Solid waste				172	172	176	172	172	176
Total expenses	2,533	2,151	1,990	2,776	2,933	2,870	5,309	5,084	4,860
Excess of revenues over (under) expenses	24	(223)	(122)	501	260	78	525	37	(44)
Transfers	107	100	100	(107)	(100)	(100)	0	0	0
Sale of assets		29	1	2		12	2	29	13
Compensation for property damage		5	56		16	49	0	21	105
Change in net position	131	(89)	35	396	176	39	527	87	74
Net position:									
December 31, 2011			4,821			5,106			9,927
December 31, 2012		4,856	4,856		5,145	5,145		10,001	10,001
December 31, 2013	4,767	4,767		5,321	5,321		10,088	10,088	
December 31, 2014	4,898			5,717			10,615		

CITY OF FLANDREAU

GOVERNMENT-WIDE - STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2014

	Primary Government			
	Governmental	Business-	Total	Component
	Activities	Type		Units
	-----	-----	-----	-----
ASSETS				
Current assets:				
Cash and cash equivalents	847,255	2,015,668	2,862,923	281,725
Cash and cash equivalents, restricted	169,383	2,403,227	2,572,610	50,000
Receivables:				
Property taxes - current	32,764		32,764	
Property taxes - delinquent	25,092		25,092	
Due from other governments	95,067		95,067	
Accounts	18,742	479,717	498,459	200
Special assessments	34,858		34,858	
Inventory of supplies	41,881	143,491	185,372	
Prepaid expenses	2,515	5,931	8,446	
	-----	-----	-----	-----
Total current assets	1,267,557	5,048,034	6,315,591	331,925
	-----	-----	-----	-----
Capital assets:				
Land	388,043	127,153	515,196	294,708
Buildings	2,837,547	1,181,783	4,019,330	
Improvements	3,883,670	7,144,011	11,027,681	
Equipment	2,049,483	828,883	2,878,366	28,824
Construction-in-progress	61,441	103,004	164,445	28,632
Less: accumulated depreciation	(4,079,884)	(4,499,402)	(8,579,286)	(19,054)
	-----	-----	-----	-----
Total capital assets	5,140,300	4,885,432	10,025,732	333,110
	-----	-----	-----	-----
Other assets:				
Internal balances	(96,427)	96,427	0	
Insurance deposit	57,673		57,673	
Lots held for sale			0	139,350
	-----	-----	-----	-----
Total assets	6,369,103	10,029,893	16,398,996	804,385
	=====	=====	=====	=====
LIABILITIES				
Current liabilities:				
Accounts payable	62,039	91,968	154,007	875
Accrued wages	17,336	10,437	27,773	
Leave liability	35,107	25,558	60,665	
Customer/contractor deposits	625	41,520	42,145	
Current portion of:				
Long-term debt	170,823	141,490	312,313	
Accrued interest payable		20,707	20,707	
	-----	-----	-----	-----
Total current liabilities	285,930	331,680	617,610	875
	-----	-----	-----	-----
Noncurrent liabilities:				
Noncurrent portion of:				
Long-term debt	1,185,543	3,980,701	5,166,244	
	-----	-----	-----	-----
Total liabilities	1,471,473	4,312,381	5,783,854	875
	=====	=====	=====	=====
NET POSITION				
Net invested in capital assets	3,783,934	742,534	4,526,468	333,110
Restricted for:				
Construction		2,099,789	2,099,789	
BIA crime control	66,577		66,577	
3rd cent uses	27,755		27,755	
Insurance deposit	57,673		57,673	
Debt service	97,947	303,438	401,385	50,000
Unrestricted	863,744	2,571,751	3,435,495	420,400
	-----	-----	-----	-----
Total net position	4,897,630	5,717,512	10,615,142	803,510
	=====	=====	=====	=====

See accompanying notes.

CITY OF FLANDREAU

GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31, 2014

Functions/Programs:	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Units
	Expenses	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	162,746	14,193			(148,553)		(148,553)	
Public safety	818,165	320,328	17,928	85,878	(394,031)		(394,031)	
Public works	531,130	25,434		154,963	(350,733)		(350,733)	
Health and welfare	11,151	125			(11,026)		(11,026)	
Culture and recreation	861,514	52,744		387,826	(420,944)		(420,944)	
Economic development	60,000				(60,000)		(60,000)	
Interest and fees (all)	88,898				(88,898)		(88,898)	
Total governmental activities	2,533,604	412,824	17,928	628,667	(1,474,185)	0	(1,474,185)	
Business-type activities:								
Water	502,640	422,930				(79,710)	(79,710)	
Electric	1,891,237	2,358,001				466,764	466,764	
Sewer	210,373	289,548				79,175	79,175	
Solid waste	171,374	179,991				8,617	8,617	
Total business-type activities	2,775,624	3,250,470	0	0	0	474,846	474,846	
Total primary government	5,309,228	3,663,294	17,928	628,667	(1,474,185)	474,846	(999,339)	
Component units	65,147	8,865	60,000					3,718
General revenues:								
Taxes:								
Property taxes					635,496		635,496	
Sales taxes					660,313		660,313	
Amusement taxes					468		468	
State shared revenue					84,184		84,184	
County shared revenue					18,732		18,732	
Interest earnings					7,507	13,253	20,760	356
Rents and franchise fees					74,921	14,017	88,938	2,815
Donations					5,558		5,558	
Miscellaneous revenue					10,465		10,465	
Sale of assets					235	1,650	1,885	12,511
Transfers in (out)					107,117	(107,117)	0	
Total general revenue and transfers					1,604,996	(78,197)	1,526,799	15,682
Change in net position					130,811	396,649	527,460	19,400
Net position, January 1, 2014					4,766,819	5,320,863	10,087,682	784,110
Net position, December 31, 2014					4,897,630	5,717,512	10,615,142	803,510

See accompanying notes.

CITY OF FLANDREAU

GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31, 2013

Functions/Programs:	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Units
	Expenses	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	169,621	16,192	8,120		(145,309)		(145,309)	
Public safety	697,859	321,331	58,018		(318,510)		(318,510)	
Public works	427,008	19,210	764	13,750	(393,284)		(393,284)	
Health and welfare	12,290	222			(12,068)		(12,068)	
Culture and recreation	472,837	38,566		21,674	(412,597)		(412,597)	
Economic development	289,715				(289,715)		(289,715)	
Interest and fees (all)	81,606				(81,606)		(81,606)	
Total governmental activities	2,150,936	395,521	66,902	35,424	(1,653,089)	0	(1,653,089)	
Business-type activities:								
Water	431,569	410,700	8,492			(12,377)	(12,377)	
Electric	2,170,740	2,284,265				113,525	113,525	
Sewer	158,888	239,648	44,351			125,111	125,111	
Solid waste	172,244	177,147				4,903	4,903	
Total business-type activities	2,933,441	3,111,760	52,843	0	0	231,162	231,162	
Total primary government	5,084,377	3,507,281	119,745	35,424	(1,653,089)	231,162	(1,421,927)	
Component units	46,044	12,091	60,272					26,319
General revenues:								
Taxes:								
Property taxes					627,321		627,321	
Sales taxes					628,883		628,883	
Amusement taxes					552		552	
State shared revenue					82,883		82,883	
County shared revenue					11,820		11,820	
Interest earnings					6,525	12,912	19,437	402
Rents and franchise fees					59,659	14,544	74,203	2,860
Donations					1,026		1,026	360
Miscellaneous revenue					10,305		10,305	
Sale of assets					29,173	290	29,463	500
Compensation for property damage					5,495	16,485	21,980	
Transfers in (out)					100,000	(100,000)	0	
Total general revenue and transfers					1,563,642	(55,769)	1,507,873	4,122
Change in net position					(89,447)	175,393	85,946	30,441
Net position, January 1, 2013					4,856,266	5,145,470	10,001,736	753,669
Net position, December 31, 2013					4,766,819	5,320,863	10,087,682	784,110

See accompanying notes

CITY OF FLANDREAU

BALANCE SHEET -- GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2014

	General Fund -----	Other Governmental Funds -----	Total Governmental Funds -----
ASSETS			
Current assets:			
Cash and cash equivalents	820,040	27,215	847,255
Receivables:			
Property taxes - current	19,971	12,793	32,764
Property taxes - delinquent	23,686	1,406	25,092
Due from other governments	93,886	1,181	95,067
Accounts	18,742		18,742
Special assessments	34,858		34,858
Inventory of supplies	41,881		41,881
Due from other funds	103,524		103,524
Prepaid expenses	2,515		2,515
Restricted assets:			
Cash and cash equivalents	97,947	71,436	169,383
Other assets:			
Insurance deposit	57,673		57,673
Total assets	1,314,723 =====	114,031 =====	1,428,754 =====
LIABILITIES			
Accounts payable	60,624	1,415	62,039
Accrued payroll	13,251	4,085	17,336
Due to other funds		103,524	103,524
Customer deposits	625		625
Advance from water fund		74,516	74,516
Advance from sewer fund		21,911	21,911
Total liabilities	74,500 -----	205,451 -----	279,951 -----
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	23,686	1,406	25,092
Unavailable revenue - special assessm	34,858	0	34,858
Total deferred inflows of resources	58,544 -----	1,406 -----	59,950 -----
FUND BALANCES			
Nonspendable	99,554		99,554
Restricted		94,332	94,332
Committed			0
Assigned	200,868		200,868
Unassigned	881,257	(187,158)	694,099
Total fund balance	1,181,679 -----	(92,826) -----	1,088,853 -----
Total liabilities, deferred inflows of and fund balances	1,314,723 =====	114,031 =====	1,428,754 =====
Reconciliation of the above balance sheet - governmental funds to the government-wide statement of net position			
Total fund balance - governmental funds (above)			1,088,853
Amounts reported in the government-wide statement of net position are different because:			
Capital assets and other assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
Capital assets:			9,220,184
Less: accumulated depreciation			(4,079,884)
Delinquent property taxes received more than 30 days after year end will not be collected soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds statement.			25,092
Special assessment receivable are not available to pay for current period expenditures and therefore are deferred in the governmental funds balance sheet.			34,858
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
Long term liabilities at year end consist of:			
2002 GO aquatic center bond			(203,390)
2006 sales tax revenue bond			(535,000)
2005 bank loan (TIF #4)			(32,630)
2005 bank loan (TIF #5)			(72,280)
2007 bank loan (TIF #5)			(36,660)
2007 bank loan (TIF #7)			(152,178)
2013 bank loan for street sweeper			(88,748)
2013 bank loan for fire truck			(135,888)
2013 bank loan for Freightliner			(99,592)
Accrued leave payable			(35,107)
Total net position on government-wide statement of net position			4,897,630 =====

See accompanying notes.

CITY OF FLANDREAU
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2014

	General Fund -----	Other Governmental Funds -----	Total Governmental Funds -----
Revenue:			
Revenue from local sources:			
Taxes:			
Ad valorem taxes	549,975	82,862	632,837
General sales and use taxes	629,834	30,479	660,313
Amusement taxes	468		468
Penalties and interest	3,419		3,419
Licenses and permits:	14,684		14,684
Intergovernmental revenue:			
Federal grants	620,148		620,148
State shared revenue:			
Grants	26,447		26,447
Bank franchise tax	1,698		1,698
Liquor tax reversion	16,427		16,427
Motor vehicle licenses (5%)	19,365		19,365
Highway and bridge	46,694		46,694
County shared revenue:			
Road taxes	18,732		18,732
Charges for goods and services:			
Public safety	45,942		45,942
Public safety - Flandreau Santee Sioux Tri	143,722	128,000	271,722
Highway and streets	3,301		3,301
Health and welfare	125		125
Recreation	37,668	1,988	39,656
Airport	6,015		6,015
Cemetery	6,150		6,150
Fines and forfeits:			
Miscellaneous revenue:			
Interest earned	7,475	32	7,507
Rental and franchise	74,921		74,921
Donations	5,558		5,558
Special assessment	4,471		4,471
Reimbursements	25,229		25,229
Other	10,465		10,465
Total revenues	2,318,933 -----	243,361 -----	2,562,294 -----
Expenditures:			
General government:			
Mayor and Council	26,506		26,506
Elections	0		0
Financial administration	94,580		94,580
General government	34,402		34,402
Public safety:			
Police	563,691	127,700	691,391
Fire	56,134		56,134
Civil defense	768		768
Public works:			
Highways and streets	356,283		356,283
Airport	26,842		26,842
Cemetery	15,661		15,661
Health and welfare:			
Animal control	3,551		3,551
Community counseling	7,600		7,600
Culture and recreation:			
Aquatic Center	106,589		106,589
Recreation	9,899		9,899
Parks	94,533		94,533
Armory	24,608		24,608
Community Center	50,587	22,435	73,022
Other civic organizations	41,100		41,100
Boys and Girls Club federal grant project	387,826		387,826
Conservation and development:			
Economic development	60,000		60,000
Debt service: principal			
interest and fees	109,447	63,262	172,709
interest and fees	52,669	36,230	88,899
Capital outlays	528,612	15,099	543,711
Total expenditures	2,651,888 -----	264,726 -----	2,916,614 -----

CITY OF FLANDREAU

STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS (continued)
 FOR THE YEAR ENDING DECEMBER 31, 2014

	General Fund -----	Other Governmental Funds -----	Total Governmental Funds -----
Excess of revenues over (under) expenditures	(332,955)	(21,365)	(354,320)
Other financing sources (uses):			
Proceeds from:			
Bank loan for Freightliner	114,210		114,210
Sale of assets	235		235
Transfers in (from electric fund)	100,000		100,000
	-----	-----	-----
Net change in fund balance	(118,510)	(21,365)	(139,875)
Fund balance:			
January 1, 2014	1,300,189	(71,461)	1,228,728
	-----	-----	-----
December 31, 2014	1,181,679	(92,826)	1,088,853
	=====	=====	=====

Reconciliation of the above statement of revenues,
 expenditures, and changes in fund balances to
 the government-wide statement of activities.

Amounts reported in the government-wide statement
 of activities are different because:

Net change in fund balances - total governmental funds (above) (139,875)

Governmental funds report capitalized cost as expenditures.
 However, in the statement of activities the cost of these
 assets is allocated over their estimated useful lives and
 reported as depreciation.

 2014 capitalized cost 543,711
 2014 depreciation (333,959)

Some property taxes will not be collected for several months after the
 City's year-end. Therefore, they are not considered "available"
 revenues and are deferred in the governmental funds statement. (1,142)

Governmental funds report special assessments as revenue when "available",
 but the statement of activities includes the full amount of special
 assessments as revenue upon completion of the project at the point
 when an enforceable legal claim arises. (4,471)

Governmental funds do not reflect the change in "accrued leave", but the statement
 of activities reflects the change in "accrued leave" through expenditures. 8,048

Current debt principal (increase) reduction is not reported
 in the government-wide statement of activities:

2002 GO aquatic center bond	20,938
2006 sales tax revenue bond	60,000
2005 bank loan for TIF #4	4,511
2006 bank loan for TIF #5	16,001
2007 bank loan for TIF #7	21,812
2013 bank loan for street sweeper	20,717
2013 bank loan for fire truck	14,112
2014 bank loan for Freightliner	(114,210)
2014 bank loan for Freightliner	14,618

Change in net position on government-wide statement of activities 130,811

See accompanying notes.

CITY OF FLANDREAU
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2013

	General Fund -----	Other Governmental Funds -----	Total Governmental Funds -----
Revenue:			
Revenue from local sources:			
Taxes:			
Ad valorem taxes	514,341	108,062	622,403
General sales and use taxes	598,773	30,110	628,883
Amusement taxes	552		552
Penalties and interest	3,264		3,264
Licenses and permits:	15,988		15,988
Intergovernmental revenue:			
Federal grants	44,435		44,435
State shared revenue:			
Grants	57,891		57,891
Bank franchise tax	1,475		1,475
Liquor tax reversion	15,296		15,296
Motor vehicle licenses (5%)	23,616		23,616
Highway and bridge	42,496		42,496
County shared revenue:			
Road taxes	11,820		11,820
Charges for goods and services:			
Public safety	48,110		48,110
Public safety - Flandreau Santee Sioux Tri	143,749	128,000	271,749
Highway and streets	1,620		1,620
Health and welfare	200		200
Recreation	31,604		31,604
Airport	10,479		10,479
Cemetery	6,350		6,350
Fines and forfeits:			
Miscellaneous revenue:			
Interest earned	6,498	27	6,525
Rental and franchise	59,659		59,659
Donations	1,026		1,026
Special assessment	4,082		4,082
Reimbursements	9,420		9,420
Other	10,306		10,306
Total revenues	1,663,050	266,199	1,929,249
Expenditures:			
General government:			
Mayor and Council	29,581		29,581
Elections	0		0
Financial administration	92,298		92,298
General government	41,483		41,483
Public safety:			
Police	454,111	126,627	580,738
Fire	60,821		60,821
Civil defense	412		412
Public works:			
Highways and streets	274,102		274,102
Airport	27,895		27,895
Cemetery	14,570		14,570
Health and welfare:			
Animal control	4,690		4,690
Community counseling	7,600		7,600
Culture and recreation:			
Aquatic Center	107,337		107,337
Recreation	8,827		8,827
Parks	86,502		86,502
Armory	22,326		22,326
Community Center	43,392	21,085	64,477
Other civic organizations	39,900		39,900
Boys and Girls Club federal grant project	21,674		21,674
Conservation and development:			
Economic development	289,715		289,715
Debt service: principal			
interest and fees	55,000	72,796	127,796
	42,250	39,356	81,606
Capital outlays	650,188		650,188
Total expenditures	2,374,674	259,864	2,634,538

CITY OF FLANDREAU

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS (continued)
FOR THE YEAR ENDING DECEMBER 31, 2013

	General Fund -----	Other Governmental Funds -----	Total Governmental Funds -----
Excess of revenues over (under) expenditures	(711,624)	6,335	(705,289)
Other financing sources (uses):			
Proceeds from:			
Bank loan for street sweeper	109,465		109,465
Bank loan for fire truck	150,000		150,000
Sale of assets	29,173		29,173
Compensation for property damage	5,495		5,495
Transfers in (from electric fund)	100,000		100,000
	-----	-----	-----
Net change in fund balance	(317,491)	6,335	(311,156)
Fund balance:			
January 1, 2013	1,542,180	(2,296)	1,539,884
Blend airport fund into general fund	75,500	(75,500)	0
	-----	-----	-----
January 1, 2013, adjusted	1,617,680	(77,796)	1,539,884
	-----	-----	-----
December 31, 2013	1,300,189	(71,461)	1,228,728
	=====	=====	=====

Reconciliation of the above statement of revenues,
expenditures, and changes in fund balances to
the government-wide statement of activities.

Amounts reported in the government-wide statement
of activities are different because:

Net change in fund balances - total governmental funds (above) (311,156)

Governmental funds report capitalized cost as expenditures.
However, in the statement of activities the cost of these
assets is allocated over their estimated useful lives and
reported as depreciation.

2013 capitalized cost 650,188
2013 depreciation (297,122)

Some property taxes will not be collected for several months after the
City's year-end. Therefore, they are not considered "available"
revenues and are deferred in the governmental funds statement. 1,655

Governmental funds report special assessments as revenue when "available",
but the statement of activities includes the full amount of special
assessments as revenue upon completion of the project at the point
when an enforceable legal claim arises. (4,082)

Governmental funds do not reflect the change in "accrued leave", but the statement
of activities reflects the change in "accrued leave" through expenditures. 2,739

Current debt principal (increase) reduction is not reported
in the government-wide statement of activities:

2002 GO aquatic center bond 19,977
2006 sales tax revenue bond 55,000
2005 bank loan for TIF #4 3,828
2006 bank loan for TIF #5 14,541
2006 bank loan for TIF #6 13,491
2007 bank loan for TIF #7 20,959
2013 bank loan proceeds for street sweeper (109,465)
2013 bank loan proceeds for fire truck (150,000)

Change in net position on government-wide statement of activities (89,447)

See accompanying notes.

CITY OF FLANDREAU

STATEMENT OF NET POSITION - ENTERPRISE FUNDS
AS OF DECEMBER 31, 2014

	Water Fund	Electric Fund	Sewer Fund	Solid Waste Fund	Total Enterprise Funds
ASSETS					
Current assets:					
Cash and cash equivalents	604,132	851,763	526,948	32,825	2,015,668
Cash and cash equivalents, restricted	124,229	2,278,998			2,403,227
Accounts receivable	50,085	354,729	48,579	26,324	479,717
Inventory of supplies	44,561	83,784	15,146		143,491
Prepaid expenses	1,300	4,331	300		5,931
Total current assets	824,307	3,573,605	590,973	59,149	5,048,034
Capital assets:					
Land	1,928	22,028	75,941	27,256	127,153
Buildings	248,234	643,702	289,847		1,181,783
Improvements	2,697,784	3,058,474	1,387,753		7,144,011
Equipment	157,101	451,681	220,101		828,883
Construction-in-progress	0	80,624	22,380		103,004
Accumulated depreciation	(1,880,037)	(1,576,088)	(1,043,277)		(4,499,402)
Total capital assets	1,225,010	2,680,421	952,745	27,256	4,885,432
Other assets:					
Advance to TIF #2 fund	74,516		21,911		96,427
Total assets	2,123,833	6,254,026	1,565,629	86,405	10,029,893
LIABILITIES					
Current liabilities:					
Accounts payable	22,948	34,969	20,183	13,868	91,968
Accrued payroll	2,662	5,576	2,009	190	10,437
Leave liability	4,801	16,436	3,762	559	25,558
Customer deposits	10,140	31,380			41,520
Current portion of:					
Long-term debt	11,490	130,000			141,490
Accrued interest		20,707			20,707
Total current liabilities	52,041	239,068	25,954	14,617	331,680
Noncurrent liabilities:					
Noncurrent portion of:					
Long-term debt	575,701	3,405,000			3,980,701
Total liabilities	627,742	3,644,068	25,954	14,617	4,312,381
NET POSITION					
Net invested in capital assets	637,819	(875,286)	952,745	27,256	742,534
Restricted:					
Electric construction		2,448,998			2,448,998
Water revenue bond	311,516				311,516
Unrestricted	546,756	1,036,246	586,930	44,532	2,214,464
Total net position	1,496,091	2,609,958	1,539,675	71,788	5,717,512

See accompanying notes.

CITY OF FLANDREAU

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2014

	Water Fund	Electric Fund	Sewer Fund	Solid Waste Fund	Total Enterprise Funds
	-----	-----	-----	-----	-----
Operating revenue:					
Charges for goods and services	422,930	2,358,001	289,548	179,991	3,250,470
	-----	-----	-----	-----	-----
Total operating revenue	422,930	2,358,001	289,548	179,991	3,250,470
	-----	-----	-----	-----	-----
Operating expenses:					
Personal services	90,988	223,851	93,849	12,130	420,818
Other current services	82,628	105,774	76,884	1,550	266,836
Cost of goods sold	201,044	1,322,062		157,694	1,680,800
Depreciation	98,324	114,841	39,640		252,805
	-----	-----	-----	-----	-----
Total operating expenses	472,984	1,766,528	210,373	171,374	2,621,259
	-----	-----	-----	-----	-----
Total operating income (loss)	(50,054)	591,473	79,175	8,617	629,211
Nonoperating revenue (expense):					
Interest earnings	4,956	6,163	2,119	15	13,253
Rents	11,250	2,067	700		14,017
Interest expense and fees	(29,656)	(124,709)			(154,365)
	-----	-----	-----	-----	-----
Total nonoperating revenue (expense)	(13,450)	(116,479)	2,819	15	(127,095)
Income (loss) before transfers, sale of assets and compensation for property damage	(63,504)	474,994	81,994	8,632	502,116
Sale of assets		1,650			1,650
Transfer (out) to capital assets		(7,117)			(7,117)
Transfer (out) to general		(100,000)			(100,000)
	-----	-----	-----	-----	-----
Change in net position	(63,504)	369,527	81,994	8,632	396,649
Net position:					
January 1, 2014	1,559,595	2,240,431	1,457,681	63,156	5,320,863
	-----	-----	-----	-----	-----
December 31, 2014	1,496,091	2,609,958	1,539,675	71,788	5,717,512
	=====	=====	=====	=====	=====

See accompanying notes.

CITY OF FLANDREAU

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2013

	Water Fund	Electric Fund	Sewer Fund	Solid Waste Fund	Total Enterprise Funds
Operating revenue:					
Charges for goods and services	410,700	2,284,265	239,648	177,147	3,111,760
Total operating revenue	410,700	2,284,265	239,648	177,147	3,111,760
Operating expenses:					
Personal services	84,884	261,555	69,011	12,220	427,670
Other current services	25,967	104,835	54,380	1,621	186,803
Cost of goods sold	190,055	1,461,489		158,403	1,809,947
Amortization	4,900				4,900
Depreciation	95,575	110,703	35,497		241,775
Total operating expenses	401,381	1,938,582	158,888	172,244	2,671,095
Total operating income (loss)	9,319	345,683	80,760	4,903	440,665
Nonoperating revenue (expense):					
Interest earnings	5,031	5,660	2,210	11	12,912
Rents	12,562	1,282	700		14,544
Federal grants	7,000		7,000		14,000
State grants	1,492		37,351		38,843
Interest expense and fees	(30,188)	(87,191)			(117,379)
Debt issue costs		(144,967)			(144,967)
Total nonoperating revenue (expense)	(4,103)	(225,216)	47,261	11	(182,047)
Income (loss) before transfers, sale of assets and compensation for property damage	5,216	120,467	128,021	4,914	258,618
Sale of assets		290			290
Compensation for property damage	5,495	5,495	5,495		16,485
Transfer (out) to general		(100,000)			(100,000)
Change in net position	10,711	26,252	133,516	4,914	175,393
Net position:					
January 1, 2013	1,548,884	2,214,179	1,324,165	58,242	5,145,470
December 31, 2013	1,559,595	2,240,431	1,457,681	63,156	5,320,863

See accompanying notes.

CITY OF FLANDREAU

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2014

	Water Fund	Electric Fund	Sewer Fund	Solid Waste Fund	Total Enterprise Funds
Cash flows from:					
Operating activities:					
Receipts from customers	416,772	2,303,546	276,520	181,061	3,177,899
Estimated rec. from other funds	4,400	49,500	4,400		58,300
Rents	11,250	2,067	700		14,017
Payments to employees	(90,182)	(225,684)	(94,773)	(12,195)	(422,834)
Payments to suppliers	(279,697)	(1,640,134)	(53,716)	(158,826)	(2,132,373)
Estimated pymts. to other funds	(1,500)	(4,000)	(10,500)		(16,000)
Net cash provided (used) by operating activities	61,043	485,295	122,631	10,040	679,009
Noncapital financing activities:					
Transfers (out) to general		(100,000)			(100,000)
Due from TIF #2 - overdraft	(12,736)				(12,736)
Sale of assets		1,650			1,650
Capital financing activities:					
Cash paid for construction-in-progress		(80,624)	(15,285)		(95,909)
Cash paid for improvements			(16,443)		(16,443)
Cash paid for equipment	(3,045)	(37,709)	(20,414)		(61,168)
Principal received on TIF advance	6,652		2,523		9,175
Principal paid on debt	(10,916)	(140,000)			(150,916)
Interest paid on debt	(29,656)	(124,942)			(154,598)
Investing activities:					
Interest received	4,956	6,163	2,119	15	13,253
Net increase (decrease) in cash	16,298	9,833	75,131	10,055	111,317
Cash:					
January 1, 2014	712,063	3,120,928	451,817	22,770	4,307,578
December 31, 2014	728,361	3,130,761	526,948	32,825	4,418,895
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	(50,054)	591,473	79,175	8,617	629,211
Rents	11,250	2,067	700		14,017
Depreciation	98,324	114,841	39,640		252,805
(Increase) decrease in:					
Receivables	(3,718)	(11,524)	(8,628)	1,070	(22,800)
Prepaid expenses	3,589	14,552	5,632	953	24,726
Increase (decrease) in:					
Accounts payable	(1,114)	(230,850)	7,036	(535)	(225,463)
Customer deposits	1,960	5,635			7,595
Leave liability	806	(1,833)	(924)	(65)	(2,016)
Revenue collected in advance		934			934
Net cash provided (used) by operating activities	61,043	485,295	122,631	10,040	679,009
Noncash investing, capital and financing activities:					
Transfer to general capital assets		7,117			

See accompanying notes.

CITY OF FLANDREAU

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2013

	Water Fund	Electric Fund	Sewer Fund	Solid Waste Fund	Total Enterprise Funds
	-----	-----	-----	-----	-----
Cash flows from:					
Operating activities:					
Receipts from customers	412,131	2,219,270	230,909	182,558	3,044,868
Estimated rec. from other funds	4,400	49,500	4,400		58,300
Rents	12,562	1,282	700		14,544
Payments to employees	(88,108)	(253,512)	(66,452)	(12,161)	(420,233)
Payments to suppliers	(239,128)	(1,518,623)	(58,608)	(159,982)	(1,976,341)
Estimated pymts. to other funds	(1,500)	(4,000)	(10,500)		(16,000)
Net cash provided (used) by operating activities	100,357	493,917	100,449	10,415	705,138
Noncapital financing activities:					
Transfers (out) to general		(100,000)			(100,000)
Federal grants	7,000		7,000		14,000
State grants	1,492		37,351		38,843
Compensation for property damage	5,495	5,495	5,495		16,485
Sale of assets		290			290
Capital financing activities:					
Cash paid for construction-in-progress			(7,095)		(7,095)
Cash paid for buildings	(161,127)	(46,493)	(161,127)		(368,747)
Cash paid for improvements	(100,490)	(1,361,908)	(12,289)		(1,474,687)
Cash paid for equipment	(12,267)	(15,833)	(70,558)		(98,658)
Principal received on TIF advance	6,022		2,389		8,411
Revenue bond proceeds		3,675,000			3,675,000
Principal paid on debt	(10,384)	(930,000)			(940,384)
Interest paid on debt	(30,188)	(73,130)			(103,318)
Debt issue costs		(144,967)			(144,967)
Investing activities:					
Interest received	5,031	5,660	2,210	11	12,912
Net increase (decrease) in cash	(189,059)	1,508,031	(96,175)	10,426	1,233,223
Cash:					
January 1, 2013	901,122	1,612,897	547,992	12,344	3,074,355
December 31, 2013	712,063	3,120,928	451,817	22,770	4,307,578
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	9,319	345,683	80,760	4,903	440,665
Rents	12,562	1,282	700		14,544
Amortization	4,900				4,900
Depreciation	95,575	110,703	35,497		241,775
(Increase) decrease in:					
Receivables	5,831	(14,247)	(4,339)	5,411	(7,344)
Inventory	(21,892)	(31,170)	(13,354)		(66,416)
Prepaid expenses	(264)	(239)	(2,730)	(51)	(3,284)
Increase (decrease) in:					
Accounts payable	(2,450)	75,110	1,356	93	74,109
Customer deposits	0	(910)			(910)
Leave liability	(3,224)	8,043	2,559	59	7,437
Revenue collected in advance		(338)			(338)
Net cash provided (used) by operating activities	100,357	493,917	100,449	10,415	705,138
Noncash investing, capital and financing activities: None					
See accompanying notes.					

CITY OF FLANDREAU

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

-- AGENCY FUNDS ONLY

AS OF DECEMBER 31, 2014

ASSETS	
Cash	331,725
Accounts receivable	200
Land	294,708
Equipment	28,824
Construction-in-progress	28,632
Accumulated depreciation	(19,054)
Lots	139,350

Total assets	804,385
	=====
LIABILITIES	
Accounts payable	875
Amounts held for others	803,510

Total liabilities	804,385
	=====

See accompanying notes.

CITY OF FLANDREAU

COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS
AS OF DECEMBER 31, 2014 and 2013

	2014			2013		
	Flandreau Housing Corporation	Flandreau Development Corporation	Total Component Units	Flandreau Housing Corporation	Flandreau Development Corporation	Total Component Units
Assets:						
Current assets:						
Cash	49,408	207,432	256,840	38,782	197,440	236,222
Flandreau bucks		4,885	4,885		5,695	5,695
Certificate of deposit		20,000	20,000		20,000	20,000
Certificate of deposit, restricted		50,000	50,000		50,000	50,000
Accounts receivable		200	200			0
Total current assets	49,408	282,517	331,925	38,782	273,135	311,917
Capital assets:						
Land		294,708	294,708		294,708	294,708
Equipment		28,824	28,824		28,824	28,824
Construction-in-progress		28,632	28,632			0
Accumulated depreciation		(19,054)	(19,054)		(16,536)	(16,536)
Total capital assets	0	333,110	333,110	0	306,996	306,996
Other assets:						
Lots held for sale	20,479	118,871	139,350	47,936	118,871	166,807
Total assets	69,887	734,498	804,385	86,718	699,002	785,720
Liabilities:						
Accounts payable		875	875		1,610	1,610
Total liabilities	0	875	875	0	1,610	1,610
Net position:						
Net invested in capital assets		333,110	333,110		306,996	306,996
Restricted:						
Loan guarantees to bank		50,000	50,000		50,000	50,000
Unrestricted	69,887	350,513	420,400	86,718	340,396	427,114
Total net position	69,887	733,623	803,510	86,718	697,392	784,110

See accompanying notes.

CITY OF FLANDREAU

COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET POSITION - COMPONENT UNITS
 FOR THE YEARS ENDING OF DECEMBER 31, 2014 and 2013

	2014			2013		
	Flandreau Housing Corporation	Flandreau Development Corporation	Total Component Units	Flandreau Housing Corporation	Flandreau Development Corporation	Total Component Units
Operating revenue:						
Rents	1,000	1,815	2,815	1,000	1,860	2,860
Dues		6,470	6,470		5,650	5,650
Sale of Flandreau Bucks		1,770	1,770		4,965	4,965
Redeemed Flandreau Bucks		(6,430)	(6,430)			0
Donations			0		360	360
Sale of lots	10,000	2,511	12,511		500	500
Miscellaneous		625	625		1,476	1,476
Total operating revenue	11,000	6,761	17,761	1,000	14,811	15,811
Operating expenses:						
Other current	393	28,349	28,742	10	36,921	36,931
Donations			0		1,300	1,300
Cost of sales of lots	27,457		27,457		5,292	5,292
Depreciation		2,518	2,518		2,521	2,521
Total operating expenses	27,850	30,867	58,717	10	46,034	46,044
Total operating income (loss)	(16,850)	(24,106)	(40,956)	990	(31,223)	(30,233)
Nonoperating revenue (expense):						
Interest earnings	19	337	356	19	383	402
State grant			0		272	272
Flandreau operating subsidy		60,000	60,000		60,000	60,000
Total nonoperating revenue (expense):	19	60,337	60,356	19	60,655	60,674
Change in net position	(16,831)	36,231	19,400	1,009	29,432	30,441
Net position:						
December 31, 2012				85,709	667,960	753,669
December 31, 2013	86,718	697,392	784,110	86,718	697,392	784,110
December 31, 2014	69,887	733,623	803,510			

See accompanying notes.

CITY OF FLANDREAU

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS
FOR THE YEARS ENDING OF DECEMBER 31, 2014 AND 2013

	2014			2013		
	Flandreau Housing Corporation	Flandreau Development Corporation	Total Component Units	Flandreau Housing Corporation	Flandreau Development Corporation	Total Component Units
Cash flows from:						
Operating activities:						
Receipts from customers	10,000	11,176	21,176		13,651	13,651
Rents	1,000	1,815	2,815	1,000	1,860	2,860
Payments to suppliers	(393)	(35,514)	(35,907)	(10)	(37,875)	(37,885)
Net cash provided (used) by operating activities	10,607	(22,523)	(11,916)	990	(22,364)	(21,374)
Noncapital financing activities:						
State grant			0		272	272
Flandreau operating subsidy		60,000	60,000		60,000	60,000
Capital financing activities:						
Cash paid for lot			0		(59,466)	(59,466)
Cash paid for construction-in-progress		(28,632)	(28,632)			0
Investing activities:						
Interest earnings	19	337	356	19	383	402
Net increase (decrease) in cash	10,626	9,182	19,808	1,009	(21,175)	(20,166)
Cash and cash equivalents:						
December 31, 2012				37,773	224,310	262,083
December 31, 2013	38,782	203,135	241,917	38,782	203,135	241,917
December 31, 2014	49,408	212,317	261,725			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	(16,850)	(24,106)	(40,956)	990	(31,223)	(30,233)
Depreciation		2,518	2,518		2,521	2,521
Cost of lots sold	27,457		27,457		5,292	5,292
Change in accounts receivable		(200)	(200)		700	700
Change in accounts payable		(735)	(735)		346	346
Net cash provided (used) by operating activities	10,607	(22,523)	(11,916)	990	(22,364)	(21,374)
Noncash investing activity:						
None						

See accompanying notes.

CITY OF FLANDREAU
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Flandreau conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the City of Flandreau's (City) Governing Board.

The City's officials at December 31, 2014 are:

Mayor:	City Administrator:
Mark Bonrud	Donald Whitman
Governing Board:	Finance Officer:
Ellen Bergman	Tammy Pitsenberger
Brad Bjerke	
Bob Pesall	Attorney:
Bart Sample	Paul Lewis
Ron Smith	
Dan Sutton	
Chuck Tufty	

The City's financial reporting entity is composed of the following:

Financial Reporting Entity:

Primary Government: - The City of Flandreau
Component Units: - Flandreau Housing Corporation
- Flandreau Development Corporation

To determine the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The reporting entity of the City of Flandreau consists of (1) 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; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the City (the primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City unless that organization can, without the approval of the City: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

The discretely presented component units are reported in a separate column to emphasize that it is legally separate from the City.

Based upon the application of these criteria the City of Flandreau has two component units: the Flandreau Housing Corporation (FHC) and the Flandreau Development Corporation (FDC). These two component units represent 100% of the balances and activity of the discretely presented component unit column of these financial statements.

The FHC is organized to provide housing by selling residential lots owned by FHC. FHC is a Housing and Redevelopment Commission, established under SDCL 11-7-7. The City's finance officer signs all checks written by the FHC. FHC's records are kept by the City's finance officer and are available at Flandreau's City Hall. FHC is shown as a component unit on the government-wide statements and as an agency (fiduciary) fund in the fund financial statements.

The FDC is involved with the economic development of the City of Flandreau. Financial information about FDC is available at Flandreau City Hall. FDC is shown as a component unit on the government-wide statements and as an agency (fiduciary) fund in the fund financial statements.

b. Basis of Presentation:

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for good and services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable: net invested in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each segment of City's business-type activities. Direct expenses are associated with a specific program or function and are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the program 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 and interest, are presented as general revenues.

Fund Financial Statements:

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its assets, liabilities, net position, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, enterprise, and fiduciary (if any). An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the City or if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, revenues, or expenditures/expenses) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

Funds of the City are described below within their respective fund type:

Governmental Funds

General Fund - a fund established by South Dakota Codified Law (SDCL) 4-11-6 to met all the general operational costs of the City except those required to be accounted for in another fund. The general fund is always a major fund.

Special Revenue Funds - special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. The City has the following special revenue funds:

3rd Cent Sales Tax Fund - A fund allowed by SDCL 10-52-8 to account for the receipts from the 3rd cent sales tax imposed on liquor, lodging and dining sales. The 3rd cent can be spent on the promotion of the city. The 3rd cent sales tax fund is not a major fund.

BIA Crime Control Fund - A fund established to account for BIA crime control funding from the Flandreau Santee Sioux Tribe. The BIA crime control fund is not a major fund.

Debt Service Funds - debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The City has the following debt service funds:

Debt service fund - A fund allowed by law to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on 2002 general obligation aquatic center bonds. The debt service fund is not a major fund.

Tax Increment Financing (TIF) District funds - Funds allowed by SDCL 11-9-24 to account for the proceeds of incremental property taxes, restricted to the payment of principal and interest on debt issued to finance a public improvement. The City accounts for 5 legally separate TIF debt issues through TIF debt service funds. TIF debt service funds are not major funds. See note 22.

Enterprise Funds

Enterprise Funds - Enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The City has the following enterprise funds:

Water fund - A fund allowed by SDCL 9-47-1 to provide water to customers within the City of Flandreau. The water fund is a major fund.

Electric fund - A fund allowed by SDCL 9-39-1 and 9-39-26 to provide electrical service to customers within the City of Flandreau. The electric fund is a major fund.

Sewer fund - A fund allowed by SDCL 9-48-2 to provide sewer services to customers within the City of Flandreau. The sewer fund is a major fund.

Solid waste fund - A fund allowed by SDCL 9-32-11 and 9-34A-6 to provide collection and disposal of solid waste from the City of Flandreau. The solid waste fund is a major fund.

Fiduciary Funds:

Fiduciary are never considered to be major funds.

Agency fund type - agency funds are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature, they do not involve the measurement of results of operations. The City maintains agency funds to hold assets as an agent in a trustee capacity for the Flandreau Housing Corporation and the Flandreau Development Corporation.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "what" 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.

Measurement Focus

Government-wide Financial Statements:

Both governmental and business-type activities are presented using the "economic resources" measurement focus, applied on the accrual basis of accounting.

The "economic resources" measurement focus includes all assets and liabilities (whether current or noncurrent, financial, or nonfinancial) on the balance sheet. Operating statements use the flow of all economic resources to present operating income, changes in net position, and cash flows during the accounting period. This measurement focus uses the term "net position" to describe its equity at the end of the accounting period.

Fund Financial Statements:

All governmental funds are presented using the "current financial resources" measurement focus and the modified accrual basis of accounting.

The "current financial resources" measurement focus includes only current financial assets and liabilities on the balance sheet. Operating statements present sources and uses of available spendable financial resources during the accounting period. This measurement focus uses the term "fund balance" to describe its equity at the end of the accounting period. It is a measure of available spendable financial resources.

Enterprise and fiduciary funds are presented using the "economic resources" measurement focus (described above) and the accrual basis of accounting.

Basis of Accounting

Government-wide Financial Statements:

In the government-wide financial statements, the accrual basis of accounting is used for both governmental and business-type activities in the Statement of Net Position and Statement of Activities. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

In the fund financial statements, all governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after

the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, which for the City is 30 days. The revenues which are accrued at December 31, 2014 are state shared revenue and other accounts receivable.

Under the modified accrual basis of accounting, receivables may be measurable but "not available". Not available means not collectible within the current period or soon enough thereafter (30 days) to be used to pay liabilities of the current period. Reported "deferred inflows of resources" are those where the asset recognition criteria has been met but for which the revenue recognition criteria has not been met because the receivable is not available.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due. However, the City of Flandreau budgets for, and makes payment of, debt obligations due on January 1st as of December 31st, the end of the City's fiscal year.

All enterprise funds and fiduciary funds are accounted for using the accrual basis of accounting, the same as in the government-wide financial statements. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified as follows:

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances" (if any).

Fund Financial Statements:

In the fund financial statements, noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Cash and Cash Equivalents:

The City essentially pools its cash resources for depositing and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. Accordingly, all reported enterprise fund deposits and investments balances are considered to be cash equivalents for purposes of the Statement of Cash Flows.

g. Capital Assets and Infrastructure Assets:

Capital assets include land, buildings, improvements, and equipment, and all other tangible or intangible assets that are used in operations, which have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. Infrastructure assets, if any, are classified as "Improvements Other than Buildings."

Government-wide Financial Statements:

In the government-wide financial statements, capital assets are accounted for on the accrual basis of accounting. Capital asset purchases are capitalized and not expensed. Instead, capital purchases are expensed over the life of the asset as depreciation or amortization.

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. After an item has been capitalized, subsequent improvements or betterments that are significant, and which extend the useful life of the item, are also capitalized.

The total December 31, 2014 balance of capital assets for governmental activities include approximately 5% for which the costs were determined by estimates of the original costs. The total December 31, 2014 balance of capital assets for business-type activities includes approximately 10% for which the costs were determined by estimates of the original costs. Estimated original costs were established by basing the estimates on a comparison to historical costs of similar items.

Interest cost incurred during construction of general capital assets are not capitalized with other capital asset cost. Interest cost incurred during construction of enterprise capital assets are capitalized with other capital asset cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide statement of activities and the enterprise fund statement of revenue, expenses and changes in fund net position. Accumulated depreciation is reported on the government-wide statement of net position and on the enterprise fund's statement of net position. See also page 45 and 46.

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

	Capitalization Threshold	Depreciation Method	Estimated Life in Years
	-----	-----	-----
Land	All		NA
Buildings	All	Straight-line	10-50
Improvements	5,000	Straight-line	10-100
Equipment	5,000	Straight-line	5-25

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

Capital assets and related depreciation expenses are not recorded in governmental funds of the fund financial statements because these funds have a "current financial resources" measurement focus. Instead, these funds report capital asset acquisitions as capital outlay expenditures.

Capital assets and related depreciation expenses are recorded on the accrual basis of accounting in the enterprise funds of the fund financial statements, the same as in the government-wide statements.

h. Long-term Liabilities:

Government-wide Financial Statements:

In the government-wide financial statement, all long-term liabilities to be repaid from governmental or business-type resources are reported as liabilities. Long-term liabilities primarily consist of bonds and loans payable, capital lease/purchases and accrued leave payable.

Fund Financial Statements:

In the fund financial statements, governmental debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. Enterprise fund long-term debt is reported as a liability, the same as in the government-wide statements.

i. Program Revenues and General Revenues and Deferred Inflows and Deferred Outflows of Resources:

Program Revenue

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contribution - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General Revenue

General revenues include all revenues not specifically earmarked for a specific program. General revenues include all taxes, interest earnings, unrestricted receipts from federal, state, or county governments, and miscellaneous revenues not related to a program. These revenues are not restricted and can be used for the regular operation of the City.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net position (or balance sheet) reports a separate section for deferred outflows of resources (if any). Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of net position (or balance sheet) reports a separate section for deferred inflows of resources (if any). Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

j. Enterprise Fund Revenue and Expense Classifications:

In the government-wide and fund financial statements, enterprise revenues and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

k. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as "Net Position" and is displayed in three components:

1. Net Invested 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 payable, capitalized leases payable, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consists of net position with constraints placed on its use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - Other net position that does not meet the criteria of 1 or 2 above.

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (except for agency funds, which have no fund equity) is reported as "Net Position" held in trust for a purpose.

1. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

- * Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- * 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.
- * Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- * Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Council or Finance Officer.

* Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

The City of Flandreau fund balance classifications are made up of:

<u>Fund Balance Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	Inventory		41,881
	Insurance deposit	Membership	57,673
Restricted	BIA Crime	Joint Powers Agreement	66,577
	3rd cent	Statute	27,755
Committed	None		0
Assigned	General (parks)	Finance Officer	12,407
	General (debt service)	Finance Officer	97,947
	General (airport)	Resolution	90,514
Unassigned	General		881,257
	TIF Debt service	Covenant	(187,158)

			1,088,853

The City uses "restricted" and "committed" amounts first when restricted and unrestricted fund balance is 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.

Special Revenue Funds:	Purpose:	Revenue Source: (see page 54 and 55)
* 3rd Cent	City promotion	Sales tax
* BIA Crime Control	Police wages	Payments from Flandreau Santee Sioux Tribe

m. Application of Net Position:

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

n. Allowance for Doubtful Accounts:

Because write-off of uncollected taxes and/or utility billings is minimal, is it not considered necessary to establish an estimated allowance for doubtful accounts.

o. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimates. Following are the estimates made by management during the year:

- * Allowance for doubtful accounts - estimated uncollectables
- * Inventory - estimated fair market value
- * Depreciation - estimated service lives
- * Statement of cash flow - estimated interfund services

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City is prohibited by statute from spending in excess of appropriated amounts by department within a fund. The following represents the significant overdrafts of departmental expenditures compared to appropriations:

open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). 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.

The City had no investments during the two years ending December 31, 2014.

Certificates of deposit, with a term to maturity of greater than 90 days when purchased, are insured or collateralized and are considered deposits.

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

Custodial Risk (Investments) - The risk that, in the event of a default by the counterparty to a transaction, the City will not be able to recover the value of an investment or collateral securities held by the counterparty. At December 31, 2014, the City's was not exposed to investment custodial credit risk.

Custodial Risk (Deposits) - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. At December 31, 2014, the City's deposits in financial institutions were not exposed to custodial credit risk.

Concentration of Credit Risk - the City places no limit on the amount that may be invested in any one institution.

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 arising from increasing interest rates.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the general fund or the fund making the investment. The City's policy is to credit all income from deposits and investments to the fund making the deposit or investment.

4. RESTRICTED CASH

Restricted cash at December 31, 2014 is as follows:

Purpose:	Governmental	Business-Type
BIA crime control	71,436	
Debt service:		
General	97,947	
Water		124,229
Electric		179,209
Construction:		
Electric		2,099,789
	-----	-----
Total restricted cash	169,383	2,403,227

5. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in the financial statements. The City expects all receivables to be collected within one year. Allowances for estimated uncollectible accounts in the enterprise funds are not material to these financial statements.

6. INVENTORY OF SUPPLIES AND SMALL TOOLS

Government-wide Statements: (consumption method)

In the government-wide financial statements inventory of supplies and small tools are recorded as assets when purchased and charged to expense when they are consumed. Inventory of supplies and small tools are recorded at cost. Donated items are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out.

Fund Financial Statements: (consumption method)

In the fund financial statements inventory of supplies and small tools are recorded as assets when purchased and charged to expenditure/expense when they are consumed. Reported governmental inventories are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Inventory of supplies and small tools are recorded at cost. Donated items are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out.

7. CHANGES IN CAPITAL ASSETS (see schedule one on page 45 and 46)

A summary of the changes in capital assets is presented in schedule one at the end of these notes. There is construction-in-progress of \$164,445 at December 31, 2014. See page 45.

8. CHANGES IN LONG-TERM DEBT (see schedule two on page 47 to 49)

A summary of changes in long-term liabilities is presented in schedule two at the end of these notes. The City did not have any short-term or conduit debt during the two years ending December 31, 2014.

9. OPERATING LEASE

An operating lease is in place for a copier. Payments are made from the general fund. Minimum payment on this operating lease is \$116/month for 60 months starting in December 2009.

10. FUTURE REVENUES PLEDGED TO SECURE DEBT

All water fund revenue net revenue (after normal operating, repair and maintenance expenses) is pledged to secure one Rural Development (USDA) loan which has a remaining balance of \$587,191. The loan was made to cover the cost of water improvements and is described on page 49. The loan will mature in 2041. In 2013 the loan had pledged revenue of \$109,794 before depreciation and amortization. It had principal and interest payments of \$40,572. In 2014 the loan had pledged revenue of \$48,270 before depreciation. It had principal and interest payments of \$40,572.

All electric fund revenue net revenue (after normal operating, repair and maintenance expenses) is pledged to secure 2013 Electric Revenue Bonds which have a remaining balance of \$3,535,000. The bonds were issued to cover the cost of electrical improvements and are described on page 49. The bonds will mature in 2035. In 2013 the bonds had pledged revenue of \$456,386 before depreciation. It had principal and interest payments of \$0. In 2014 the bonds had pledged revenue of \$706,314 before depreciation. It had principal and interest payments of \$264,942.

11. RESTRICTED NET POSITION

Restricted net position at December 31, 2014 are as follows:

Purpose:	Restricted By:	Governmental	Business-Type
BIA crime control	Joint Power Agmt	66,577	
3rd Cent uses	Statute	27,755	
Insurance deposit	SDPAA Contract	57,673	
Debt service	Covenant	97,947	303,438
Construction	Contract		2,099,789
		-----	-----
Total Restricted Net Position		249,952	2,403,227

12. DEFICIT FUND BALANCES/FUND NET POSITION:

At December 31, 2014 the Debt Service fund, TIF #2, TIF #4, TIF #5, and TIF #7 funds had deficit net position of \$1,026, \$83,691, \$10,607, \$32,470, and \$57,958 respectively. These deficits will be corrected in 2014 and later years from the collection of property taxes.

13. INTERFUND TRANSFERS

In 2013 and 2014 the electric fund transferred \$100,000 to the general fund for operations.

14. INTERFUND BALANCES

Operations produced these interfund due from/to balances at December 31, 2014.

Fund:	Governmental	Enterprise
General	103,524	
Debt service	(2,489)	
TIF #2	(96,427)	
TIF #4	(10,607)	
TIF #5	(32,470)	
TIF #7	(57,958)	
Water		74,516
Sewer		21,911
	-----	-----
	(96,427)	96,427

At December 31, 2014, the TIF #2 debt service fund owed the water fund \$74,516 and the sewer fund \$21,911 from long-term advances plus interest at 5.50%.

Future payments are:

	Water	Sewer
2015	10,158	3,840
2016	10,157	3,840
2017	10,158	3,840
2018	10,157	3,840
2019	10,157	3,840
2020 - 2021	23,729	2,711
	-----	-----
	74,516	21,911

15. WATER PURCHASE AGREEMENT

The City of Flandreau entered into a 40 year water purchase agreement with Big Sioux Community Water System, Inc. (Big Sioux) to provide water to the City. A monthly service charge in the amount of \$1.27 per 1,000 of metered water is paid by the City: 48 cents for depreciation and fixed administrative cost and 79 cents for variable costs. The depreciation portion represents a contribution by the City to aid Big Sioux in its construction of facilities necessary to provide water to the City. The City will not acquire ownership of these water facilities. Payments are made from the City's water fund. Big Sioux will deliver to the City up to 500 gallons a minute at sufficient pressure to fill the City's west water tower.

At a projected consumption of 110 million gallons per year, the City will make the following payments:

2015	\$ 139,700	2020-2024	698,500
2016	139,700	2025-2029	698,500
2017	139,700	2030-2034	698,500
2018	139,700	2035-2039	698,500
2019	139,700	2040-2043	558,800

			\$ 4,051,300

The City made a one-time lump sum payment of \$700,000 to Big Sioux in January 2001 for the City's share of debt service liability on the water treatment plant that will provide water to the City.

16. JOINT POWERS AGREEMENTS

Law Enforcement:

The City entered into a Joint Powers Agreement for Law Enforcement Services with the Flandreau Santee Sioux Tribe (FSST) to provide for joint law enforcement services to the City and FSST through the Flandreau Police Department.

FSST pays 30% of the operating budget of the Flandreau Police Department. In 2013 and 2014 the City an additional \$128,000 each year from FSST to cover the cost of 2 additional police officers.

Public Library:

The City has entered into a joint powers agreement with Moody County and the Flandreau Public School to construct and operate a library for the benefit of all residents of Moody County. Moody County and the Flandreau Public School are responsible for the day-to-day operating expenses of the library and the library's financial statements.

17. RELEASE OF HOSPITAL RESTRICTED CASH

In February 2011 the City passed Resolution no. 2011-01 to donate its real and personal hospital property to Avera McKennan, a nonprofit corporation, as authorized by SDCL 34-9-11. This donation resulted in the release of restricted cash of \$229,716 in 2013.

18. RETIREMENT PLAN

All regular full and part time employees participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. 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 6.2 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 years ending December 31, 2014, 2013, and 2012 were \$61,683, \$57,098 and \$59,191 (employer's share) respectively, equal to the required contribution each year.

The City does not owe any deferred contributions to the retirement plan.

19. EMPLOYEE BENEFIT PLAN

The City offers eligible employees a "Flexible Benefits Plan" (also known as a "cafeteria plan") under IRC Sec.125. The Plan allows eligible employees to use money provided by the City through employee salary redirection, to choose (and pay for) one or more benefits offered through the Plan.

20. PROPERTY TAX

Taxes are levied on or before October 1, attach as an enforceable lien on property, become due and payable on the following January 1, and are payable in two installment on or before the following April 30 and October 31. The county bills and collects the City's taxes and remits them to the City.

Property taxes are recognized to the extent they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" of 30 days are shown as "deferred inflow of resources" in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefor susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future year.

Delinquent property taxes, from prior year tax levies, are included in "net position" in the government-wide statement of activities but are shown as "deferred inflow of resources" in the fund financial statements. See reconciliations on page 14, 16, and 18.

21. RISK MANAGEMENT

The City is exposed to various risks of loss related to injuries to employees; torts; theft of or damage to property; errors and omissions of public officials; and natural disasters. During the two years ending 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. The City does not carry additional insurance to cover claims in excess of an upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance: The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide coverage for law enforcement liability, general liability, officials liability, and automobile insurance.

The agreement with the SDPAA provides that the above coverage's will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. The City carries a \$250 maximum deductible for the business auto coverage.

The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower cost for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed above, under a claims-made policy and the premiums are accrued on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage.

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.

Building and Content Coverage: The City has purchased property, inland marine, and crime coverage through a commercial insurance carrier.

Airport Liability Coverage: The City has purchased airport liability coverage through a commercial insurance carrier. This insurance covers bodily injury, property damage, and medical malpractice. These coverages are provided to a \$1,000,000 limit for each occurrence.

Worker's Compensation: The City joined the South Dakota Municipal League Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$250,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,750,000 per individual per incident.

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 provide worker's compensation coverage for its

employees, under a retrospective rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The City may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs.

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 self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the two years ending December 31, 2014 the City paid unemployment insurance benefits of less than \$500. At December 31, 2014 no claims for unemployment benefits had been filed and none are expected in 2015.

22. TAX INCREMENT FINANCING DISTRICT PLEDGED FUTURE REVENUES

Tax Increment Financing (TIF) District loans are secured by future property taxes that will come from the incremental increase in a property's value due to the public improvement made to that property. TIF loans are made to finance the public improvements. Under SDCL 11-9-37 and 11-9-38 future property taxes pledged to secure TIF financing includes tax levies from all public entities that can levy a tax on the property, not just the City's tax levy.

	Approximate amount of pledged future property tax revenues are:	Expected year when TIF loan will be paid-off and the pledged property taxes will be available for other uses:	Pledged tax revenue received 2014	TIF debt service paid 2014	Pledged tax revenue received 2013	TIF debt service paid 2013
TIF #2	96,427	2021	14,037	4,863	13,501	5,089
TIF #4	32,630	2020	6,192	7,143	6,617	7,112
TIF #5	108,940	2022	20,195	24,627	19,410	24,436
TIF #6	0	2013	0	0	15,545	13,903
TIF #7	152,178	2022	11,043	31,511	21,299	30,265
	----- 390,175					

23. RELATED PARTY ACTIVITY

In 2013 and 2014 the City paid health insurance premiums to an insurance agent who is also a member of the Flandreau City Council. This council member was absent when voting on matters related to this policy.

24. LITIGATION

At December 31, 2014, the City was not a party to litigation. However, should the City become involved in litigation it has liability coverage for itself and its employees through South Dakota Public Assurance Alliance as discussed in the risk management note above. Therefore, litigation is not expected to have a potential material effect on the City's financial statements.

25. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The City has a rubble site. It does not have a landfill with any associated closure costs or liabilities.

The City does not offer any Other Post Employment Benefits.

In February 2015 the Council awarded a lagoon upgrade project to Loiseau Construction, Inc. for \$260,200.

In March 2015 the Council awarded Phase II of the Electrical Improvement Project to Midwest Utility Services, Inc. for \$947,947.

In April 2015 the Council awarded a base bid of \$524,222 and alternate #2 option of \$169,851 to Prunty Construction Co., Inc. for the infrastructure project at Southview Heights Addition. This addition is being developed by Flandreau Development Corporation.

In June 2015 the Council awarded a Meter Cutover, electrical Phase II, project to Bob's Electric for \$158,402.

In June 2015 the Council approved building a restroom/shower facility at a city park for \$223,374.

In June 2015 the Council adopted Resolution No. 2015-08 to issue \$3,082,000 Water Project Revenue Bonds.

In June 2015 the Council adopted Resolution No. 2015-10 to issue \$3,620,000 Sewer Project Revenue Bonds.

In July 2015 the Council approved an agreement with Clark Engineering Corporation for an estimate of \$1,000,872 to provide engineering services for Phases 1, 2, and 3 of the Water and Wastewater Replacement project.

In August 2015 the Electric Fund advanced \$50,000 to the General Fund and the Sewer Fund advanced \$40,000 to the General Fund to be paid back over 3 years starting in 2017.

In September 2015 the Council awarded a Snow Removal Equipment Building base bid of \$203,500 to Lehtola Builders, Inc.

The City has entered into a joint powers agreement with the Flandreau Santee Sioux Tribe (FSST) to provide for joint law enforcement services to the City and

In September 2015 the Joint Powers Law Enforcement Agreement with Flandreau Santee Sioux Tribe ended and a Law Enforcement Assist Agreement with the Flandreau Santee Sioux Tribal Police was approved.

CITY OF FLANDREAU

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
 CHANGES IN CAPITAL ASSETS
 FOR THE YEAR ENDING DECEMBER 31, 2014

	Beginning 12-31-13	Book Adjustments	Additions	Deletions	Ending 12-31-14	Accumulated Depreciation 12-31-13	Book Adjustments	Depreciation (Additions)	Depreciation Deletions	Accumulated Depreciation 12-31-14	Remaining Cost 12-31-14
General capital assets:											
Land	393,403			(5,360)	388,043	0				0	388,043
Buildings	2,661,056		176,491		2,837,547	(1,491,770)		(59,062)		(1,550,832)	1,286,715
Improvements	3,870,567		13,103		3,883,670	(1,248,664)		(137,445)		(1,386,109)	2,497,561
Equipment	1,753,473		328,572	(32,562)	2,049,483	(1,035,912)	(1)	(137,452)	30,422	(1,142,943)	906,540
Construction-in-progress	28,778		44,842	(12,179)	61,441	0				0	61,441
Totals	8,707,277	0	563,008	(50,101)	9,220,184	(3,776,346)	(1)	(333,959)	30,422	(4,079,884)	5,140,300

Allocation of Depreciation:

General government	9,946
Public safety	69,872
Public works	132,344
Health and welfare	
Culture and recreation	121,797
Economic development	
Totals	333,959

Construction-in-progress at year end:

Japanese Garden restroom and showers	15,544
Community Center and Armory lighting	20,054
Airport expansion - engineering	25,843
Totals	61,441

Business-type activity:

Enterprise funds:

Land	127,693			(540)	127,153	0				0	127,153
Buildings	1,190,023			(8,240)	1,181,783	(320,692)		(28,403)	1,124	(347,971)	833,812
Improvements	7,127,568		16,443		7,144,011	(3,344,701)		(170,883)		(3,515,584)	3,628,427
Equipment	767,716		61,167		828,883	(582,329)	1	(53,519)		(635,847)	193,036
Construction-in-progress	7,095		95,909		103,004	0				0	103,004
Totals	9,220,095	0	173,519	(8,780)	9,384,834	(4,247,722)	1	(252,805)	1,124	(4,499,402)	4,885,432

Construction-in-progress at year end:

Phase II electrical improvements	80,624
Lagoon improvements	22,380
Totals	103,004

CITY OF FLANDREAU

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
 CHANGES IN CAPITAL ASSETS
 FOR THE YEAR ENDING DECEMBER 31, 2013

	Beginning 12-31-12	Book Adjustments	Additions	Deletions	Ending 12-31-13	Accumulated Depreciation 12-31-12	Book Adjustments	Depreciation (Additions)	Depreciation Deletions	Accumulated Depreciation 12-31-13	Remaining Cost 12-31-13
General capital assets:											
Land	392,403		1,000		393,403	0				0	393,403
Buildings	2,600,679		37,787	22,590	2,661,056	(1,435,528)		(56,242)		(1,491,770)	1,169,286
Improvements	3,837,486		33,081		3,870,567	(1,111,861)		(136,803)		(1,248,664)	2,621,903
Equipment	1,428,915		549,541	(224,983)	1,753,473	(1,156,819)	1	(104,077)	224,983	(1,035,912)	717,561
Construction-in-progress	22,590		28,778	(22,590)	28,778	0				0	28,778
Totals	8,282,073	0	650,187	(224,983)	8,707,277	(3,704,208)	1	(297,122)	224,983	(3,776,346)	4,930,931
						Allocation of Depreciation:					
						General government		8,998			
						Public safety		55,888			
						Public works		110,441			
						Health and welfare					
						Culture and recreation		121,795			
						Economic development					
								297,122			
Construction-in-progress at year end:											
Airport expansion - engineering		16,599									
Safe room		12,179									
		<u>28,778</u>									
Business-type activity:											
Enterprise funds:											
Land	127,693				127,693	0				0	127,693
Buildings	753,506		368,747	67,770	1,190,023	(292,039)		(28,653)		(320,692)	869,331
Improvements	5,652,882		1,474,686		7,127,568	(3,188,417)		(156,284)		(3,344,701)	3,782,867
Equipment	682,858		98,658	(13,800)	767,716	(539,291)		(56,838)	13,800	(582,329)	185,387
Construction-in-progress	67,770		7,095	(67,770)	7,095	0				0	7,095
Totals	7,284,709	0	1,949,186	(13,800)	9,220,095	(4,019,747)	0	(241,775)	13,800	(4,247,722)	4,972,373
Construction-in-progress at year end:											
Lagoon improvements		7,095									
		<u>7,095</u>									

CITY OF FLANDREAU

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO
 CHANGES IN LONG-TERM DEBT
 FOR THE TWO YEARS ENDING DECEMBER 31, 2014

	Beginning 12-31-12	2013 Additions (Deletions)	2014 Additions (Deletions)	Governmental Funds Ending 12-31-14	Enterprise Funds Ending 12-3-14	Principal Payments Due in 2015
	-----	-----	-----	-----	-----	-----
GOVERNMENTAL						
2002 GO Aquatic Center Bond:						
Original issue of \$400,000						
Maturing on 12-15-2022						
Interest at 4.75% effective annual rate						
Callable at any time						
Paid by the general fund	244,305	(19,977)	(20,938)	203,390		21,944
2006 Sales tax Revenue Bond:						
Original issue of \$955,000						
Maturing on December 1, 2025						
Interest at 6.50% effective annual rate						
Callable on or after December 1, 2015						
Paid by the general fund	650,000	(55,000)	(60,000)	535,000		35,000
2005 Bank loan for TIF #4:						
Original loan: \$65,000						
Maturing on 12-10-2010						
Interest fixed at 4.65%		222				
Paid by TIF #4 fund	40,969	(4,050)	(4,511)	32,630		4,590
2005 Bank loan for TIF #5 - Note 1 of 2:						
Original loan: \$140,000						
Maturing on 6-15-2010						
Interest fixed at 6.20%		288				
Paid by TIF #5 fund	92,566	(9,805)	(10,769)	72,280		11,238
2007 Bank loan for TIF #5 - Note 2 of 2:						
Original loan: \$60,000						
Maturing on 11-2-2022						
Interest fixed at 7.25%		10				
Paid by TIF #5 fund	46,916	(5,034)	(5,232)	36,660		5,408
2006 Bank loan for TIF #6 - Note 1 of 2:						
Original loan: \$60,400						
Maturing on 12-1-2010						
Interest fixed at 4.65%		99				
Paid by TIF #6 fund	13,491	(13,590)		0		0
2007 Bank loan for TIF #7:						
Original loan: \$250,000						
Maturing on 11-26-2022						
Interest fixed at 7.25%		39				
Paid by TIF #7 fund	194,949	(20,998)	(21,812)	152,178		22,588
2013 Bank loan for street sweeper:						
Original loan: \$109,465						
Maturing in 2018						
Interest fixed at 2.75%						
Paid by general fund	0	109,465	(20,717)	88,748		21,298
2013 Bank loan for fire truck:						
Original loan: \$150,000						
Maturing in 2020						
Interest fixed at 3.3%						
Paid by general fund	0	150,000	(14,112)	135,888		21,268
2014 Bank loan for Freightliner:						
Original loan: \$114,210						
Maturing on 6-1-2018						
Interest fixed at 2.72%			114,210			
Paid by general fund	0		(14,618)	99,592		27,489
Accrued vacation leave payable:						
Paid by the general fund	45,894	(2,739)	(8,048)	35,107		35,107
Total Governmental	1,329,090	128,930	(66,547)	1,391,473		205,930

CITY OF FLANDREAU
 NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO (continued)
 CHANGES IN LONG-TERM DEBT
 FOR THE TWO YEARS ENDING DECEMBER 31, 2014

GOVERNMENTAL

Payment Schedules:	Total Payment	Principal	Interest	Balance
2002 GO Aquatic Center Bond:				
2015	31,347	21,944	9,403	181,446
2016	31,347	22,998	8,349	158,448
2017	31,348	24,104	7,244	134,344
2018	31,347	25,262	6,085	109,082
2019	31,347	26,477	4,870	82,605
2020-2022	89,334	82,605	6,729	0
Totals	246,070	203,390	42,680	
2006 Sales tax Revenue Bond:				
2015	69,775	35,000	34,775	500,000
2016	67,500	35,000	32,500	465,000
2017	70,225	40,000	30,225	425,000
2018	67,625	40,000	27,625	385,000
2019	70,025	45,000	25,025	340,000
2020-2024	351,700	275,000	76,700	65,000
2025	69,225	65,000	4,225	0
Totals	766,075	535,000	231,075	
2005 Bank loan for TIF #4:				
2015	6,666	4,590	2,076	28,040
2016	6,666	4,893	1,773	23,147
2017	6,666	5,227	1,439	17,920
2018	6,666	5,577	1,089	12,343
2019	6,666	5,951	715	6,392
2020	6,709	6,392	317	0
Totals	40,039	32,630	7,409	
2005 Bank loan for TIF #5 - Note 1 of 2:				
2015	16,163	11,238	4,925	61,042
2016	16,163	12,036	4,127	49,006
2017	16,163	12,916	3,247	36,090
2018	16,163	13,848	2,315	22,242
2019	16,163	14,847	1,316	7,395
2020	7,648	7,395	253	0
Totals	88,463	72,280	16,183	
2007 Bank loan for TIF #5 - Note 2 of 2:				
2015	6,746	5,408	1,338	31,252
2016	6,746	5,605	1,141	25,647
2017	6,746	5,810	936	19,837
2018	6,746	6,022	724	13,815
2019	6,746	6,242	504	7,573
2020-2022	7,889	7,573	316	0
Totals	41,619	36,660	4,959	
2007 Bank loan for TIF #7:				
2015	27,996	22,588	5,408	129,590
2016	27,996	23,417	4,579	106,173
2017	27,996	24,302	3,694	81,871
2018	27,996	25,207	2,789	56,664
2019	27,996	26,146	1,850	30,518
2020-2022	32,596	30,518	2,078	0
Totals	172,576	152,178	20,398	
2013 Bank loan for street sweeper:				
2015	23,739	21,298	2,441	67,450
2016	23,739	21,884	1,855	45,566
2017	23,739	22,486	1,253	23,080
2018	23,739	23,080	659	0
Totals	94,956	88,748	6,208	
2013 Bank loan for fire truck:				
2015	24,679	21,268	3,411	114,620
2016	24,679	20,896	3,783	93,724
2017	24,679	21,586	3,093	72,138
2018	24,679	22,298	2,381	49,840
2019	24,679	23,034	1,645	26,806
2020	27,690	26,806	884	0
Totals	151,085	135,888	15,197	
2014 Bank loan for Freightliner:				
2015	30,047	27,489	2,558	72,103
2016	30,047	28,247	1,800	43,856
2017	30,047	29,037	1,010	14,819
2018	15,023	14,819	204	0
Totals	105,164	99,592	5,572	

CITY OF FLANDREAU

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO (continued)
 CHANGES IN LONG-TERM DEBT
 FOR THE TWO YEARS ENDING DECEMBER 31, 2014

	Beginning 12-31-12	2013 Additions (Deletions)	2014 Additions (Deletions)	Governmental Funds Ending 12-31-14	Enterprise Funds Ending 12-3-14	Principal Payments Due in 2015
BUSINESS-TYPE						
2000 Water Utility Revenue Bonds:						
Original issue of \$700,000						
Maturing on 1-4-2041						
Interest at 5.00%						
Callable on any installment payment date						
Paid by the water fund	608,491	(10,384)	(10,916)		587,191	11,363
2005 Electric Revenue Refunding Bonds:						
(Cross-over refunding debt)						
Original issue of \$1,255,000						
Maturing on 5-1-2019						
Interest from 3.9% to 4.6%						
Refunding bond proceeds used to pay remaining debt on 2000 Electric Revenue Bonds called on 5-1-2009						
Callable on or after 5-1-2011						
Paid by the electric fund	930,000	(930,000)			0	0
2013 Electric Revenue Bonds:						
Original issue of \$3,675,000						
Maturing in 2035						
Interest from 1.0% to 4.625%						
Paid by the electric fund	0	3,675,000	(140,000)		3,535,000	130,000
Accrued vacation leave payable:						
Paid by enterprise funds	20,137	7,437	(2,016)		25,558	25,558
Total Business-Type	1,558,628	2,742,053	(152,932)		4,147,749	166,921

Payment Schedules:	Total Payment	Principal	Interest	Balance
2000 Water Utility Revenue Bonds:				
2015	40,572	11,363	29,209	575,828 done
2016	40,572	12,053	28,519	563,775
2017	40,572	12,650	27,922	551,125
2018	40,572	13,276	27,296	537,849
2019	40,572	13,934	26,638	523,915
2020-2024	202,860	80,730	122,130	443,185
2025-2029	202,860	102,802	100,058	340,383
2030-2034	202,860	130,909	71,951	209,474
2035-2039	202,860	166,701	36,159	42,773
2040-2041	45,105	42,773	2,332	0
Totals	1,059,405	587,191	472,214	
2013 Electric Revenue Bonds:				
2015	253,462	130,000	123,462	3,405,000 done
2016	251,740	130,000	121,740	3,275,000
2017	249,790	130,000	119,790	3,145,000
2018	252,635	135,000	117,635	3,010,000
2019	250,171	135,000	115,171	2,875,000
2020-2024	1,254,963	730,000	524,963	2,145,000
2025-2029	1,250,488	855,000	395,488	1,290,000
2030-2034	1,231,531	1,050,000	181,531	240,000
2035	245,550	240,000	5,550	0
Totals	5,240,330	3,535,000	1,705,330	

CITY OF FLANDREAU

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2014

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental	Final		
Revenue:						
Revenue from local sources:						
Taxes:						
Ad valorem taxes	545,634			545,634	549,975	4,341
Sales and use tax					629,834	629,834
Amusement tax					468	468
Penalties and interest					3,419	3,419
Licenses and permits:					14,684	14,684
Intergovernmental revenue:						
Federal grants					620,148	620,148
State shared revenue:						
State grants					26,447	26,447
Bank franchise tax					1,698	1,698
Liquor tax revision					16,427	16,427
Motor vehicle licenses (5%)					19,365	19,365
Highway and bridge					46,694	46,694
County shared revenue: Road taxes					18,732	18,732
Charges for goods and services:						
Public safety					45,942	45,942
Public safety - FSST	122,000			122,000	143,722	21,722
Public works					3,301	3,301
Health and welfare					125	125
Parks and recreation			5,331	5,331	37,668	32,337
Airport	37,550			37,550	6,015	(31,535)
Cemetery					6,150	6,150
Miscellaneous revenue:						
Interest earned					7,475	7,475
Rentals and franchise					74,921	74,921
Donations					5,558	5,558
Special assessment					4,471	4,471
Reimbursements					25,229	25,229
Other	900,113		1,144	901,257	10,465	(890,792)
Total revenues	1,605,297	0	6,475	1,611,772	2,318,933	707,161
Expenditures:						
General government:						
Mayor and Council	28,734			28,734	26,506	2,228
Contingency	95,395			95,395		95,395
Amount transferred		(95,395)		(95,395)		(95,395)
Elections	1,000			1,000		1,000
Financial administration	141,969			141,969	132,027	9,942
Public safety:						
Police	502,874		113,142	616,016	596,822	19,194
Fire	53,593		10,338	63,931	56,134	7,797
Civil defense	1,500		170,300	171,800	157,963	13,837
Public works:						
Highways and streets	343,751	95,395	51,231	490,377	485,896	4,481
Airport	22,276		165,017	187,293	183,832	3,461
Cemetery	15,225		460	15,685	15,661	24
Health and welfare:						
Animal control	1,850		1,807	3,657	3,551	106
Community counseling	7,600			7,600	7,600	0
Culture and recreation:						
Aquatic center	93,670		15,857	109,527	106,589	2,938
Recreation	8,755		1,144	9,899	9,899	0
Parks	248,403		5,331	253,734	123,117	130,617
Armory	25,500			25,500	24,608	892
Community Center	60,796		10,723	71,519	70,641	878
Other civic organizations	41,100			41,100	41,100	0
Boys and Girls Club federal proj.				0	387,826	(387,826)
Conservation and development:						
Economic development	60,000			60,000	60,000	0
Debt service: principal and inte	150,667			150,667	162,116	(11,449)
Total expenditures	1,904,658	0	545,350	2,450,008	2,651,888	(201,880)
Excess of revenues over (under) expenditures	(299,361)	0	(538,875)	(838,236)	(332,955)	505,281
Other financing sources (uses):						
Loan proceeds				0	114,210	114,210
Sale of assets				0	235	235
Transfer in	100,000			100,000	100,000	0
Net change in fund balance	(199,361)	0	(538,875)	(738,236)	(118,510)	619,726
Fund balance:						
January 1, 2014	1,300,189			1,300,189	1,300,189	0
December 31, 2014	1,100,828	0	(538,875)	561,953	1,181,679	619,726

CITY OF FLANDREAU

 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2013

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementa.	Final		
Revenue:						
Revenue from local sources:						
Taxes:						
Ad valorem taxes	515,043			515,043	514,341	(702)
Sales and use tax					598,773	598,773
Amusement tax					552	552
Penalties and interest					3,264	3,264
Licenses and permits:					15,988	15,988
Intergovernmental revenue:						
Federal grants					44,435	44,435
State shared revenue:						
State grants			51,000		57,891	57,891
Bank franchise tax					1,475	1,475
Liquor tax revision					15,296	15,296
Motor vehicle licenses (5%)					23,616	23,616
Highway and bridge					42,496	42,496
County shared revenue: Road taxes					11,820	11,820
Charges for goods and services:						
Public safety					48,110	48,110
Public safety - FSST	120,000			120,000	143,749	23,749
Public works					1,620	1,620
Health and welfare					200	200
Parks and recreation					31,604	31,604
Airport	37,332				10,479	10,479
Cemetery					6,350	6,350
Miscellaneous revenue:						
Interest earned					6,498	6,498
Rentals and franchise					59,659	59,659
Donations					1,026	1,026
Special assessment					4,082	4,082
Reimbursements					9,420	9,420
Other	879,220			879,220	10,306	(868,914)
Total revenues	1,551,595	0	51,000	1,514,263	1,663,050	148,787
Expenditures:						
General government:						
Mayor and Council	28,734	1,673		30,407	29,581	826
Contingency	85,347			85,347		85,347
Amount transferred		(85,347)		(85,347)		(85,347)
Elections	500			500		500
Financial administration	175,628	52,426		228,054	209,459	18,595
Public safety:						
Police	487,516		28,662	516,178	514,464	1,714
Fire	56,494		141,560	198,054	343,053	(144,999)
Civil defense	1,500	16,047		17,547	12,591	4,956
Public works:						
Highways and streets	323,836			323,836	440,569	(116,733)
Airport	21,750	14,822	8,000	44,572	44,494	78
Cemetery	15,225			15,225	14,570	655
Health and welfare:						
Animal control	5,825			5,825	4,690	1,135
Community counseling	7,600			7,600	7,600	0
Culture and recreation:						
Aquatic center	92,206			92,206	107,337	(15,131)
Recreation	8,448	379		8,827	8,827	0
Parks	117,053		17,536	134,589	123,182	11,407
Armory	25,500			25,500	22,326	3,174
Community Center	48,054			48,054	43,392	4,662
Other civic organizations	39,900			39,900	39,900	0
Boys and Girls Club federal proj.				0	21,674	(21,674)
Conservation and development:						
Economic development	60,000		229,716	289,716	289,715	1
Debt service: principal and inte	97,250			97,250	97,250	0
Total expenditures	1,698,366	0	425,474	2,123,840	2,374,674	(250,834)
Excess of revenues over (under) expenditures	(146,771)	0	(374,474)	(609,577)	(711,624)	(102,047)
Other financing sources (uses):						
Loan proceeds				0	259,465	259,465
Sale of assets				0	29,173	29,173
Compensation for property damage				0	5,495	5,495
Transfer in	100,000			100,000	100,000	0
Net change in fund balance	(46,771)	0	(374,474)	(509,577)	(317,491)	192,086
Fund balance:						
January 1, 2013, adjusted	1,617,680			1,617,680	1,617,680	0
December 31, 2013	1,570,909	0	(374,474)	1,108,103	1,300,189	192,086

CITY OF FLANDREAU

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF BUDGETARY COMPARISON FOR THE
GENERAL FUND
FOR THE YEAR ENDING DECEMBER 31, 2014

1. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the required supplementary information:

- a. 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.
- b. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. During 2013 and 2014 there was one supplemental budget each year to increase the general fund's budget. See page 50 and 51.
- e. Unexpended appropriations lapse at year end unless encumbered by resolution of the governing board. There were no appropriations encumbered at December 31, 2013 or December 31, 2014.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund.

- f. Formal budgetary integration is employed as a management control device for the general fund and 3rd cent fund.
- g. Budgets for the general fund and 3rd cent fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with U.S.GAAP 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 road grader would be reported as a capital expenditure on the governmental funds statement of revenues, expenditures and changes in fund balances. However, in the budgetary RSI schedule, the purchase of a road grader would be reported as an expenditure in the public works function of general fund, along with all other current public works expenditures.

CITY OF FLANDREAU

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2014

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS				Total Other Governmental Funds
	3rd Cent Fund	BIA Crime Fund	Debt Service Fund	TIF #2 Fund	TIF #4 Fund	TIF #5 Fund	
ASSETS							
Current assets:							
Cash and cash equivalents	27,215						27,215
Receivables:							
Property taxes - current			57	12,736			12,793
Property taxes - delinquent			1,406				1,406
Due from other governments	1,181						1,181
Restricted assets:							
Cash and cash equivalents		71,436			0	0	71,436
Total assets	28,396	71,436	1,463	12,736	0	0	114,031
LIABILITIES							
Accounts payable	164	1,251					1,415
Accrued payroll	477	3,608					4,085
Due to other funds			2,489		10,607	32,470	103,524
Advance from water fund				74,516			74,516
Advance from sewer fund				21,911			21,911
Total liabilities	641	4,859	2,489	96,427	10,607	32,470	205,451
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes			1,406				1,406
Total deferred inflows of resources	0	0	1,406	0	0	0	1,406
FUND BALANCES							
Nonspendable							0
Restricted	27,755	66,577					94,332
Committed							0
Assigned							0
Unassigned			(2,432)	(83,691)	(10,607)	(32,470)	(187,158)
Total fund balance	27,755	66,577	(2,432)	(83,691)	(10,607)	(32,470)	(92,826)
Total liabilities, deferred inflows and fund balances	28,396	71,436	1,463	12,736	0	0	114,031

CITY OF FLANDREAU

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -- NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2014

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS					Total Other Governmental Funds
	3rd Cent Fund	BIA Crime Fund	Debt Service Fund	TIF #2 Fund	TIF #4 Fund	TIF #5 Fund	TIF #7 Fund	
Revenue:								
Revenue from local sources:								
Taxes:								
Ad valorem taxes			31,395	14,037	6,192	20,195	11,043	82,862
General sales and use taxes	30,479							30,479
Charges for goods and services:								
Flandreau Santee Sioux Tribe police services		128,000						128,000
Recreation	1,988							1,988
Miscellaneous revenue:								
Interest earned		32						32
Total revenues	32,467	128,032	31,395	14,037	6,192	20,195	11,043	243,361
Expenditures:								
General government:								0
None								
Public safety:								
Police		127,700						127,700
Culture and recreation:								
Community Center	22,435							22,435
Debt service: principal			20,938		4,511	16,001	21,812	63,262
interest and fees			10,410	4,863	2,632	8,626	9,699	36,230
Capital outlays	15,099							15,099
Total expenditures	37,534	127,700	31,348	4,863	7,143	24,627	31,511	264,726
Excess of revenues over (under) expenditures	(5,067)	332	47	9,174	(951)	(4,432)	(20,468)	(21,365)
Other financing sources (uses):								
None								0
Net change in fund balance	(5,067)	332	47	9,174	(951)	(4,432)	(20,468)	(21,365)
Fund balance (deficit):								
January 1, 2014	32,822	66,245	(2,479)	(92,865)	(9,656)	(28,038)	(37,490)	(71,461)
December 31, 2014	27,755	66,577	(2,432)	(83,691)	(10,607)	(32,470)	(57,958)	(92,826)

CITY OF FLANDREAU

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -- NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2013

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS						Total Other Governmental Funds
	3rd Cent Fund	Airport Fund	BIA Crime Fund	Debt Service Fund	TIF #2 Fund	TIF #4 Fund	TIF #5 Fund	TIF #6 Fund	TIF #7 Fund	
Revenue:										
Revenue from local sources:										
Taxes:										
Ad valorem taxes				31,760	13,501	6,617	19,410	15,545	21,229	108,062
General sales and use taxes	30,110									30,110
Intergovernmental revenue:										
None										0
Charges for goods and services:										
Flandreau Santee Sioux Tribe police services			128,000							128,000
Miscellaneous revenue:										
Interest earned			27							27
Total revenues	30,110	0	128,027	31,760	13,501	6,617	19,410	15,545	21,229	266,199
Expenditures:										
General government:										
None										
Public safety:										
Police			126,627							126,627
Culture and recreation:										
Community Center	21,085									21,085
Debt service: principal				19,977		3,828	14,541	13,491	20,959	72,796
interest and fees				11,370	5,089	3,284	9,895	412	9,306	39,356
Total expenditures	21,085	0	126,627	31,347	5,089	7,112	24,436	13,903	30,265	259,864
Excess of revenues over (under) expenditures	9,025	0	1,400	413	8,412	(495)	(5,026)	1,642	(9,036)	6,335
Other financing sources (uses):										
None										0
Net change in fund balance	9,025	0	1,400	413	8,412	(495)	(5,026)	1,642	(9,036)	6,335
Fund balance (deficit):										
January 1, 2013	23,797	75,500	64,845	(2,892)	(101,277)	(9,161)	(23,012)	(1,642)	(28,454)	(2,296)
Blend airport fund into general fund		(75,500)								(75,500)
January 1, 2013, adjusted	23,797	0	64,845	(2,892)	(101,277)	(9,161)	(23,012)	(1,642)	(28,454)	(77,796)
December 31, 2013	32,822	0	66,245	(2,479)	(92,865)	(9,656)	(28,038)	0	(37,490)	(71,461)
		CLOSED						CLOSED		

CITY OF FLANDREAU

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWO YEARS ENDING DECEMBER 31, 2014

Grantor Program Name	CFDA Number	Expenditures	
		2014	2013
<u>Direct Federal Funding:</u>			
Department of Justice:			
Public Safety Partnership and Community Policing Grants	16.710	3,213	891
Total Department of Justice		3,213	891
<u>Indirect Federal Funding:</u>			
Environmental Protection Agency:			
Passed through South Dakota Department of Environment and Natural Resources			
Water and Wastewater Small Community Planning grant	66.468		14,000
Total Environmental Protection Agency		0	14,000
Department of Housing and Urban Development:			
Pass-through the South Dakota Governor's Office of Economic Development:			
Community Development Block Grants:			
Boys and Girls Club (1212-107)	(note 2) 14.228	387,826	21,674
Total Dept. of Housing and Urban Development		387,826	21,674
Department of Transportation:			
Pass-through State of South Dakota			
Department of Transportation:			
Airport Aid Program #AIP 3-46-0077-007-2013	20.106	9,508	13,750
Airport Aid Program #AIP 3-46-0077-05-09	20.106	12,448	
Airport Aid Program #AIP 3-46-0077-06-2012	20.106	121,275	
Total Department of Transportation		143,231	13,750
Department of Homeland Security:			
Pass-through State of South Dakota Department of Public Safety, Office of Emergency Management			
Safe room / Storm shelter grant	97.036	85,878	8,120
Total Department of Homeland Security		85,878	8,120
Grand Total of Expenditures of Federal Awards		620,148	58,435

Note 1:

This schedule of expenditures of federal awards includes the federal grant activity of the City of Flandreau and is presented on the modified accrual basis of accounting, the same as the City's financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations". The information presented in this schedule is the same as used in the preparation of the City's financial statements.

Note 2:

This represents a major federal financial assistance program.

Note 3:

At December 31, 2014, the City had a loan balance of \$587,191 with the USDA's Rural Development (CFDA 10.760). The loan is current and there are no continuing compliance requirements.

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

To the Honorable Mayor and
Members of the Flandreau City Council
Flandreau, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, 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, the financial statements of governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Flandreau (City), Moody County, South Dakota, as of December 31, 2014 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated December 29, 2015 which was unmodified.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether City of Flandreau's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts 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 my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current audit findings and questioned cost as items 2014-01 and 2014-02.

Management response to the findings identified in my audit are described in the accompanying schedule of current audit findings and questioned cost. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

I did note other minor matters involving compliance that I reported to the governing body and management of the City of Flandreau in a separate Letter of Comments dated December 29, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of City of Flandreau's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

I did identify deficiencies in internal control that I consider to be significant deficiencies. I consider the deficiencies described in the accompanying schedule of current audit findings and questioned cost as items 2014-01, 2014-02 and 2014-03 to be a significant deficiencies.

Management responses to the findings identified in my audit are described in the accompanying schedule of current audit findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

I did note other matters involving internal control that I reported to the governing body and management of the City of Flandreau in a separate Letter of Comments dated December 29, 2015.

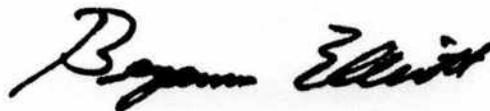
Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on the effectiveness of the City's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Flandreau's compliance and internal control over financial reporting. Accordingly this communication is not suitable for any other purpose.

However, as required by South Dakota Codified Law 4-11-11, this report is a mater of public record and its distribution is not limited.

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

December 29, 2015



REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Governing Board
City of Flandreau
Flandreau, South Dakota

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program

I have audited the City of Flandreau's, Moody County, South Dakota, (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of the City's major federal programs for each of the years in the biennial period ending December 31, 2014.

The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of current audit findings and questioned costs (page 61).

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on the City's compliance for each of the City's major federal programs based on my audit of the types of compliance requirements referred to above.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on a major federal program, occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on the City's compliance for each major federal program. However, my audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In my opinion, the City of Flandreau, Moody County, South Dakota complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of the City's major federal programs for each of the years in the biennial period ending December 31, 2014.

Report on Internal Control Over Compliance

Management of the City of Flandreau is responsible for establishing and maintaining effective internal control over the types of compliance requirements referred above. In planning and performing my audit of compliance, I considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine auditing procedures that are appropriate in the circumstances for the purpose of expressing

an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses or significant deficiencies as described above. However, material weaknesses or significant deficiencies may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

However, as required by South Dakota Codified Law 4-11-11, this report and my report on compliance for each major federal program are matters of public record and their distribution is not limited.

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



December 29, 2015

CITY OF FLANDREAU
SCHEDULES OF AUDIT FINDINGS
DECEMBER 31, 2014

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COST

Prior Federal Compliance Audit finding:
Not applicable with respect to this audit.

Prior Other Audit Findings:
2010-02: Flandreau Volunteer Fire Department Records -- Repeated below

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COST

Part I - Summary of the Independent Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified on:
Governmental Activities
Business-Type Activities
Aggregate Discretely Presented
Component Units
Major Funds
Aggregate Remaining Funds

Noncompliance noted: Items: 2014-1
2014-2

Internal control over financial reporting:
* Material weakness(es) identified? None Reported

* Significant deficiency(ies) identified
that are not considered to be material
weaknesses? Items: 2014-01
2014-02
2014-03

Federal Awards

Internal control over major programs:
* Material weakness(es) identified? None Reported

* Significant deficiency(ies) identified
that are not considered to be material
weaknesses? None Reported

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are
required to be reported in accordance with
section 510(a) of OMB Circular A-133? None Reported

Identification of major programs:
* CFDA 14.228 Community Development Block Grants/State's Program

Dollar threshold used to distinguish between
type A and type B programs: \$300,000

Auditee qualified as low-risk auditee: NO

CITY OF FLANDREAU
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COST (continued)
DECEMBER 31, 2014

Effect:

Withholding financial information results in inaccurate financial reporting and the possible misappropriation of funds.

Recommendation:

Management of the City should attempt to obtain financial information from the Flandreau Volunteer Fire Department on an annual basis.

Management Response:

Management agrees with this recommendation and will attempt to obtain financial information from the Flandreau Volunteer Fire Department on an annual basis.

Finding 2014-03: Preparation of Financial Statements
(internal control)

Criteria:

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition:

The City has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited. As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

Effect:

This control deficiency could result in a misstatement of the financial statements that would not be prevented or detected.

Recommendation:

This situation is not unusual for a City of this size. 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.

Management Response:

Due to cost constraints, the City will continue to have the auditor draft the financial statements and accompanying notes to the financial statements.

Part III - Findings and Responses for Federal Award Programs

None Reported.