

**MUNICIPALITY OF FLANDREAU**  
FLANDREAU, SOUTH DAKOTA

**AUDIT REPORT**

FOR THE YEAR JANUARY 1, 2019 TO DECEMBER 31, 2019  
AND  
FOR THE YEAR JANUARY 1, 2020 TO DECEMBER 31, 2020

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF FLANDREAU

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2020

MAYOR:

Daniel Sutton

GOVERNING BOARD:

Bradley Bjerke  
Mark Ekern  
Mike Fargen  
Bob Pesall  
Karen Tufty  
Jason Unger

FINANCE OFFICER:

Karen Gundvaldson

CITY ADMINISTRATOR:

Jeff Pederson

ATTORNEY:

Cory Bruning

*Schoenfish & Co., Inc.*

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

Governing Board  
Municipality of Flandreau  
Flandreau, South Dakota

We 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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Flandreau, South Dakota (Municipality), as of December 31, 2020 and December 31, 2019, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated September 21, 2021. We did not audit the financial statements of the Flandreau Development Corporation, which represents 100 percent of the assets, liabilities, net position, revenue and expenses of the discretely presented component unit on the government-wide statement of net position and statement of activities. We also did not audit the fiduciary funds financial statements which only include the Flandreau Housing Corporation assets, liabilities, and net position. We have issued a disclaimer of opinion on the discretely presented component units and aggregate remaining funds.

Internal Control Over Financial Reporting

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our 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 have not been identified. We did identify certain deficiencies in internal control,

described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2020-001 to be a material weakness.

#### Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Costs as finding numbers 2020-002.

#### Municipality's Responses to Findings

The Municipality's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Municipality's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

#### Purpose of this Report

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

  
Schoenfish & Co., Inc.  
Certified Public Accountants  
September 21, 2021

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
P.O. Box 247  
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board  
Municipality of Flandreau  
Flandreau, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Municipality of Flandreau, South Dakota (Municipality), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Municipality's major federal programs for the biennial period ended December 31, 2020. The Municipality'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.

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

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

We conducted our 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 Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we 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 Municipality's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Municipality of Flandreau complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the biennial period ended December 31, 2020.



## Report on Internal Control Over Compliance

Management of the Municipality is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Municipality's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2020-001 to be a material weakness.

The Municipality's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Municipality's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.



Schoenfish & Co., Inc.  
 Certified Public Accountants  
 September 21, 2021

*Schoenfish & Co., Inc.*

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTSPRIOR FEDERAL AUDIT FINDINGS:Finding Number 2018-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and a similar comment is restated as current audit finding number 2020-001.

PRIOR OTHER AUDIT FINDINGS:Finding Number 2018-002:

Expenditures exceeded the amounts budgeted in several departments in the General Fund in 2017 & 2018. This finding has been corrected.

Finding Number 2018-003:

Volunteer Fire Department records are not available to report in the Municipality's audit. This finding has not been corrected and is restated as current audit finding number 2020-002.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTSSummary of the Independent Auditor's Results:Financial Statements:

- a. An unmodified opinion was issued on the financial statements of the governmental activities, business-type activities and each major fund opinion units. A disclaimer of opinion was issued on the financial statements of the aggregate discretely presented component units and aggregate remaining funds opinion units because we were unable to obtain audited financial statements supporting the financial balances and activities of the Flandreau Housing Corporation and the Flandreau Development Corporation.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in finding number 2020-001.
- c. Our audit did disclose noncompliance which was material to the financial statements which is described in audit findings 2020-002.

Federal Awards:

- d. A material weakness was disclosed for internal control over major federal programs for a lack of segregation of duties affecting the reporting compliance requirement category as discussed in finding number 2020-001.
- e. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit did not disclose any audit findings that need to be disclosed in accordance with 2 CFR 200.516(a) except for a material weakness resulting in a lack of segregation of duties for revenues as discussed in finding 2020-001.
- g. The federal awards tested as major programs were:
  1. Community Facilities Loan & Grants CFDA No. 10.766
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. The Municipality of Flandreau did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2020-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This affects the reporting requirement for Community Facilities Loan & Grants, CFDA 10.766.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
(Continued)

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Condition:

The Finance Officer and Office Assistants process all revenue transactions from beginning to end. They also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Effect:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Identification as a Repeat Finding:

This is a continuing audit finding.

Recommendation:

1. We recommend that the Municipality of Flandreau officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

CURRENT OTHER AUDIT FINDINGS:Compliance – Related Findings:Finding Number 2020-002:

Volunteer Fire Department records are not available to report in the Municipality's audit.

Criteria:

Governmental Accounting Standards Board (GASB) requires that a government's basic financial statements include the activity of all entities related to that government. (GASB Codification Sec. 2600) Also, South Dakota Codified Laws 9-14-17 and 9-14-18 require the finance officer to keep regular books of account for all financial transactions. To fully comply with these statutes, the finance officer should have access to, or knowledge of, the balances and activity of bank accounts and books kept by the Flandreau Volunteer Fire Department.

Condition:

The Volunteer Fire Department belongs to the Municipality of Flandreau. However, its books and records are not available to the Municipality's finance officer.

Effect:

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

Identification as a Repeat Finding:

This is a repeat audit finding since 2014.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
(Continued)

Recommendation:

2. We recommend that the management of the Municipality should attempt to obtain financial information from the Flandreau Volunteer Fire Department on an annual basis.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the municipal officials during the course of the audit and with the Finance Officer at the conclusion of the audit.

*Schoenfish & Co., Inc.*

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# City of Flandreau

1005 W Elm Avenue  
Flandreau, SD 57028-1404

Phone: (605) 997-2492  
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## Corrective Action Plan

**Finding Number 2020-001:** A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This affects the reporting requirement for Community Facilities Loan & Grants, CFDA 10.766.

### Views of Responsible Officials and Planned Corrective Action Plan:

The City of Flandreau's Mayor, Daniel D. Sutton, is the contact person responsible for the corrective action plan for this finding. Because of the size of the City of Flandreau, the municipality can't support hiring additional staff that would be sufficient to support the internal controls needed to properly segregate duties. The Mayor, City Council Members and Finance Administration employees are aware of the problem. We will be working on some different policies and controls that will help minimize the future risk. This will be an ongoing process that will include input from the State Auditor's Office, talking to other municipalities and utilizing the Mayor and Council in some of the financial controls.

**Finding Number 2020-002:** Volunteer Fire Department records are not available to report in the Municipality's audit.

### Views of Responsible Officials and Planned Corrective Action Plan:

The City of Flandreau's Mayor, Daniel D. Sutton, is the contact person responsible for the corrective action plan for this finding. The Mayor, City Administrator and Finance Officer met with the Chief of the Flandreau Volunteer Fire Department and expressed the City's desire to obtain annual financial information. The City of Flandreau's management will attempt to obtain financial information from the Flandreau Volunteer Fire Department on an annual basis in the future.



Daniel D. Sutton, Mayor



Karen Gundvaldson, Finance Officer

Web Site: [www.cityofflandreau.com](http://www.cityofflandreau.com)

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Flandreau  
Flandreau, South Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Flandreau, South Dakota, (Municipality) as of December 31, 2020 and December 31, 2019, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

The Municipality'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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Municipality'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 Municipality's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Basis for Disclaimer of Opinion*

We were not engaged to audit and we were unable to obtain audited financial statements supporting the financial balances and activities of the Flandreau Housing Corporation and the Flandreau Development Corporation, and we did not attempt to satisfy ourselves as to those amounts by other auditing procedures. The financial activities of the Flandreau Development Corporation are included on the basic financial statements referred to above as a component unit and the Flandreau Housing Corporation is also one hundred percent of the fiduciary fund financial information of the Municipality of Flandreau.

*Disclaimer of Opinion*

Because of the effects of the item discussed in the Basis for Disclaimer of Opinion, we were not able to apply other auditing procedures to satisfy ourselves as to the component unit and fiduciary fund, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the aggregate discretely presented component units and the aggregate remaining funds.

*Unmodified Opinions*

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Municipality of Flandreau as of December 31, 2020 and December 31, 2019, and the respective changes in 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*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Municipality's Contributions, and the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), on pages 77 through 82, 84, and 85, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Schoenfish & Co., Inc.*

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The Municipality has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) listed in the Table of Contents is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2021, on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.  
 Certified Public Accountants  
 September 21, 2021

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**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF NET POSITION**  
**December 31, 2020**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS:</b>				
Cash and Cash Equivalents	1,664,092.25	4,252,494.73	5,916,586.98	93,339.15
Investments	2,686.82		2,686.82	20,000.00
Accounts Receivable, Net	145,912.07	546,010.37	691,922.44	
Internal Balances	(12,862.49)	12,862.49	0.00	
Inventories	50,378.25	80,335.73	130,713.98	
Other Assets	7,228.31	5,188.13	12,416.44	
Restricted Assets:				
Deposits	70,877.48	51,409.52	122,287.00	
Cash and Cash Equivalents			0.00	40,090.39
Investments			0.00	50,000.00
Net Pension Asset	1,282.07	934.91	2,216.98	
Capital Assets:				
Land and Construction Work in Progress	462,492.66	5,732,417.51	6,194,910.17	340,426.76
Other Capital Assets, Net of Depreciation	4,737,425.06	9,916,491.41	14,653,916.47	1,500.00
<b>TOTAL ASSETS</b>	<b>7,129,512.48</b>	<b>20,598,144.80</b>	<b>27,727,657.28</b>	<b>545,356.30</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Pension Related Deferred Outflows	187,539.91	136,758.71	324,298.62	
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>187,539.91</b>	<b>136,758.71</b>	<b>324,298.62</b>	<b>0.00</b>
<b>LIABILITIES :</b>				
Accounts Payable	35,282.38	263,194.68	298,477.06	500.00
Other Current Liabilities	5,170.05	82,577.44	87,747.49	
Unearned Revenue		39,743.48	39,743.48	
Noncurrent Liabilities:				
Due Within One Year	171,233.96	416,276.15	587,510.11	
Due in More than One Year	913,094.00	11,791,509.79	12,704,603.79	
<b>TOTAL LIABILITIES</b>	<b>1,124,780.39</b>	<b>12,593,301.54</b>	<b>13,718,081.93</b>	<b>500.00</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Pension Related Deferred Inflows	169,601.31	123,677.45	293,278.76	
Other Deferred Inflows of Resources	197,796.93		197,796.93	
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>367,398.24</b>	<b>123,677.45</b>	<b>491,075.69</b>	<b>0.00</b>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	4,153,837.08	4,649,816.30	8,803,653.38	341,926.76
Restricted for:				
Debt Service Purposes	97,946.96	306,853.12	404,800.08	
Cummulative Insurance Reserve	70,877.48	51,409.52	122,287.00	
Culture and Recreation Purposes	151,143.50		151,143.50	
SDRS Pension Purposes	19,220.67	14,016.17	33,236.84	
Unrestricted (Deficit)	1,331,848.07	2,995,829.41	4,327,677.48	202,929.54
<b>TOTAL NET POSITION</b>	<b>5,824,873.76</b>	<b>8,017,924.52</b>	<b>13,842,798.28</b>	<b>544,856.30</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Component Units
<b>Primary Government:</b>							
Governmental Activities:							
General Government	206,155.89	48,704.07			(157,451.82)		(157,451.82)
Public Safety	881,378.24	53,733.35	516,815.53		(310,829.36)		(310,829.36)
Public Works	553,661.28	39,918.50	94,585.48	205,125.35	(214,031.95)		(214,031.95)
Health and Welfare	7,600.00				(7,600.00)		(7,600.00)
Culture and Recreation	394,933.23	27,987.43	19,698.00		(347,247.80)		(347,247.80)
Conservation and Development	66,230.00				(66,230.00)		(66,230.00)
*Interest on Long-term Debt	57,674.74				(57,674.74)		(57,674.74)
<b>Total Governmental Activities</b>	<b>2,167,633.38</b>	<b>170,343.35</b>	<b>631,099.01</b>	<b>205,125.35</b>	<b>(1,161,065.67)</b>		<b>0.00</b>
<b>Business-type Activities:</b>							
Water	641,213.47	613,774.18		48,312.18		20,872.89	20,872.89
Sewer	424,091.47	496,756.20				72,664.73	72,664.73
Electric	2,382,982.46	2,847,367.28				464,384.82	464,384.82
Solid Waste	177,145.92	186,776.61				9,630.69	9,630.69
<b>Total Business-type Activities</b>	<b>3,625,433.32</b>	<b>4,144,674.27</b>	<b>0.00</b>	<b>48,312.18</b>		<b>567,553.13</b>	<b>0.00</b>
<b>Total Primary Government</b>	<b>5,793,066.70</b>	<b>4,315,017.62</b>	<b>631,099.01</b>	<b>253,437.53</b>	<b>(1,161,065.67)</b>	<b>567,553.13</b>	<b>0.00</b>
<b>Component Units:</b>							
Flandreau Development Corporation	10,755.81	4,385.00					(6,370.81)
<b>General Revenues:</b>							
Taxes:							
Property Taxes					735,708.66		735,708.66
Sales Taxes					797,465.74		797,465.74
State Shared Revenues					21,806.16		21,806.16
Grants and Contributions not Restricted to Specific Programs					2,736.00		2,736.00
Unrestricted Investment Earnings					10,339.54	5,343.94	15,683.48
Miscellaneous Revenue					70,693.92	7,990.00	78,683.92
Transfers					150,000.00	(150,000.00)	0.00
<b>Total General Revenues and Transfers</b>					<b>1,788,750.02</b>	<b>(136,666.06)</b>	<b>1,014.81</b>
<b>Change in Net Position</b>					<b>627,684.35</b>	<b>430,887.07</b>	<b>1,058,571.42</b>
<b>Net Position - Beginning</b>					<b>5,197,189.41</b>	<b>7,587,037.45</b>	<b>12,784,226.86</b>
<b>Adjustments:</b>							<b>546,711.30</b>
To Adjust Beginning Net Position (See Note 17.)							<b>0.00</b>
<b>Adjusted Net Position-Beginning</b>					<b>5,197,189.41</b>	<b>7,587,037.45</b>	<b>12,784,226.86</b>
<b>NET POSITION - ENDING</b>					<b>5,824,873.76</b>	<b>8,017,924.52</b>	<b>13,842,798.28</b>
							<b>544,856.30</b>

\* The Municipality does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF FLANDREAU  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2020

	General Fund	3rd Cent Sales Tax Fund	Aquatic GO Bond Fund	TIF #2 Fund	TIF #4 Fund	TIF #5 Fund	TIF #7 Fund	TIF #8 Fund	Total Governmental Funds
<b>ASSETS:</b>									
Cash and Cash Equivalents	1,595,990.88	53,552.28		13,849.09				700.00	1,664,092.25
Investments	2,686.82								2,686.82
Taxes Receivable--Delinquent	23,085.09		1,211.06						24,296.15
Accounts Receivable, Net	26,856.48								26,856.48
Special Assessments Receivable--Current	5,212.18								5,212.18
Special Assessments Receivable--Delinquent	5,046.23								5,046.23
Special Assessments Receivable--Deferred	4,341.10								4,341.10
Due from Aquatic GO Bond Fund	2,075.57								2,075.57
Due from TIF #4 Fund	8,956.01								8,956.01
Due from TIF #5 Fund	64,220.31								64,220.31
Due from TIF #7 Fund	118,193.96								118,193.96
Due from TIF #8 Fund	13,005.71								13,005.71
Due from Other Governments	79,315.33	591.85	252.75						80,159.93
Inventory of Supplies	50,378.25								50,378.25
Deposits	70,877.48								70,877.48
Prepaid Expenses	7,228.31								7,228.31
<b>TOTAL ASSETS</b>	<b>2,077,489.71</b>	<b>54,144.13</b>	<b>1,463.81</b>	<b>13,849.09</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>700.00</b>	<b>2,147,626.74</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2020

	General Fund	3rd Cent Sales Tax Fund	Aquatic GO Bond Fund	TIF #2 Fund	TIF #4 Fund	TIF #5 Fund	TIF #7 Fund	TIF #8 Fund	Total Governmental Funds
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>									
Liabilities:									
Accounts Payable	35,102.68	12.23							35,114.91
Due to Sewer Fund				3,534.47					3,534.47
Due to General Fund			2,075.57		8,956.01	64,220.31	118,193.96	13,005.71	206,451.56
Due to Water Fund				9,328.02					9,328.02
Due to State Government	167.47								167.47
Accrued Wages Payable	3,906.67	(36.62)							3,870.05
Customer Deposits	1,300.00								1,300.00
Total Liabilities	40,476.82	(24.39)	2,075.57	12,862.49	8,956.01	64,220.31	118,193.96	13,005.71	259,766.48
Deferred Inflows of Resources:									
Unavailable Revenue—Property Taxes	23,085.09		1,211.06						24,296.15
Unavailable Revenue—Special Assessments	14,599.51								14,599.51
Other Deferred Inflows of Resources	197,796.93								197,796.93
Total Deferred Inflows of Resources	235,481.53	0.00	1,211.06	0.00	0.00	0.00	0.00	0.00	236,692.59
Fund Balances:									
Nonspendable for Inventory	50,378.25								50,378.25
Nonspendable for Cumulative Insurance Reserve	70,877.48								70,877.48
Nonspendable for Prepaid Expenses	7,228.31								7,228.31
Restricted for Debt Service	97,946.96								97,946.96
Restricted for Culture & Recreation	96,974.98	54,168.52							151,143.50
Committed for Capital Improvements	262,797.86								262,797.86
Committed for Drainage Improvements	220,453.12								220,453.12
Assigned for Capital Replacement	12,367.18								12,367.18
Assigned for Park	64,646.24								64,646.24
Assigned for Airport	11,540.32								11,540.32
Unassigned	906,300.66		(1,822.82)	986.60	(8,956.01)	(64,220.31)	(118,193.96)	(12,305.71)	701,788.45
Total Fund Balances	1,801,511.36	54,168.52	(1,822.82)	986.60	(8,956.01)	(64,220.31)	(118,193.96)	(12,305.71)	1,651,167.67
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>2,077,469.71</b>	<b>54,144.13</b>	<b>1,463.81</b>	<b>13,849.09</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>700.00</b>	<b>2,147,626.74</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2020**

Total Fund Balances - Governmental Funds	<u>1,651,167.67</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset/(liability) reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>1,282.07</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>5,199,917.72</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>187,539.91</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,084,327.96)</u>
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>38,895.66</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(169,601.31)</u>
Net Position - Governmental Activities	<u><u>5,824,873.76</u></u>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2020

	General Fund	3rd Cent Sales Tax Fund	Aquatic GO Bond Fund	TIF #2 Fund	TIF #4 Fund	TIF #5 Fund	TIF #7 Fund	TIF #8 Fund	Total Governmental Funds
<b>Revenues:</b>									
<b>Taxes:</b>									
General Property Taxes	621,934.41		31,076.75	17,833.80	10,095.90	18,834.32	20,707.04	8,060.74	728,542.76
General Sales and Use Taxes	765,891.44	31,574.30							797,465.74
Amusement Taxes	144.00								144.00
Penalties and Interest on Delinquent Taxes	1,786.07		75.22						1,861.29
Licenses and Permits	14,885.00								14,885.00
Intergovernmental Revenue:									
Federal Grants	668,839.23								668,839.23
State Grants	19,896.77								19,896.77
State Shared Revenue:									
Bank Franchise Tax	5,602.35								5,602.35
Liquor Tax Reversion	16,203.81								16,203.81
Motor Vehicle Licenses	40,723.85								40,723.85
Local Government Highway and Bridge Fund	46,878.86								46,878.86
County Shared Revenue:									
County Road Tax	6,982.77								6,982.77
Charges for Goods and Services:									
Public Safety	49,673.82								49,673.82
Highways and Streets	200.00								200.00
Culture and Recreation	9,309.60								9,309.60
Cemetery	2,916.91								2,916.91
Airport	3,338.35								3,338.35
Fines and Forfeits:									
Court Fines and Costs	1,999.53								1,999.53
Parking Meter Fines	1,395.00								1,395.00
Miscellaneous Revenue:									
Investment Earnings	10,339.54								10,339.54
Rentals	81,825.14								81,825.14
Contributions and Donations from Private Sources	2,736.00							58,230.00	60,966.00
Other	70,556.92	137.00							70,693.92
<b>Total Revenue</b>	<b>2,444,059.37</b>	<b>31,711.30</b>	<b>31,151.97</b>	<b>17,833.80</b>	<b>10,095.90</b>	<b>18,834.32</b>	<b>20,707.04</b>	<b>66,290.74</b>	<b>2,640,684.24</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2020

	General Fund	3rd Cent Sales Tax Fund	Aquatic GO Bond Fund	TIF #2 Fund	TIF #4 Fund	TIF #5 Fund	TIF #7 Fund	TIF #8 Fund	Total Governmental Funds
<b>Expenditures:</b>									
General Government:									
Legislative	25,987.98								25,987.98
Executive	5,575.57								5,575.57
Elections	1,117.60								1,117.60
Financial Administration	24,983.68								24,983.68
Other	139,155.95								139,155.95
Total General Government	196,820.78	0.00	0.00	0.00	0.00	0.00	0.00	0.00	196,820.78
Public Safety:									
Police	683,863.84								683,863.84
Fire	52,722.47								52,722.47
Other Protection	4,747.34								4,747.34
Total Public Safety	741,333.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	741,333.65
Public Works:									
Highways and Streets	300,182.25								300,182.25
Airport	22,549.79								22,549.79
Cemeteries	16,379.96								16,379.96
Total Public Works	339,112.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	339,112.00
Health and Welfare:									
Drug Education	7,600.00								7,600.00
Total Health and Welfare	7,600.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,600.00
Culture and Recreation:									
Recreation	33,524.71								33,524.71
Parks	117,940.06								117,940.06
Libraries	10,750.00								10,750.00
Auditorium	64,557.12	11,091.82							75,648.94
Museums	7,000.00								7,000.00
Total Culture and Recreation	233,771.89	11,091.82	0.00	0.00	0.00	0.00	0.00	0.00	244,863.71
Conservation and Development:									
Economic Development and Assistance (Industrial Development)	66,230.00								66,230.00
Total Conservation and Development	66,230.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	66,230.00
Debt Service	124,541.50		31,347.28	1,266.79	6,923.56	17,270.78	33,917.56	58,522.27	273,789.74
Capital Outlay	193,283.80	22,542.83	0.00	0.00	0.00	0.00	0.00	0.00	215,826.63
Total Expenditures	1,902,693.62	33,634.65	31,347.28	1,266.79	6,923.56	17,270.78	33,917.56	58,522.27	2,085,576.51

The notes to the financial statements are an integral part of this statement.



**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2020**

	General Fund	3rd Cent Sales Tax Fund	Aquatic GO Bond Fund	TIF #2 Fund	TIF #4 Fund	TIF #5 Fund	TIF #7 Fund	TIF #8 Fund	Total Governmental Funds
Excess of Revenue Over (Under) Expenditures	541,385.75	(1,923.35)	(195.31)	16,566.81	3,172.34	1,563.54	(13,210.52)	7,768.47	555,107.73
Other Financing Sources:									
Transfers In	150,000.00								150,000.00
Sale of Municipal Property	4,800.00								4,800.00
Total Other Financing Sources	154,800.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	154,800.00
Net Change in Fund Balances	696,185.75	(1,923.35)	(195.31)	16,566.81	3,172.34	1,563.54	(13,210.52)	7,768.47	709,907.73
Fund Balance - Beginning	1,105,345.61	56,091.87	(1,627.51)	(15,580.21)	(12,128.35)	(65,783.85)	(104,983.44)	(20,074.18)	941,259.94
FUND BALANCE - ENDING	1,801,511.36	54,168.52	(1,822.82)	986.60	(8,956.01)	(64,220.31)	(118,193.96)	(12,305.71)	1,651,167.67

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes In Fund Balances to the Statement of Activities**  
**For the Year Ended December 31, 2020**

Net Change in Fund Balances - Total Governmental Funds	<u>709,907.73</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>215,826.63</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(444,820.42)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.	<u>216,115.00</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>5,160.61</u>
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.	<u>(5,327.12)</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(8,599.03)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g. pension expense)	<u>(791.55)</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(59,787.50)</u>
Change in Net Position of Governmental Activities	<u><u>627,684.35</u></u>

The notes to the financial statements are an integral part of this statement

**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
December 31, 2020

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	
<b>ASSETS:</b>					
Current Assets:					
Cash and Cash Equivalents	629,213.07	1,131,281.64	2,443,209.36	48,790.66	4,252,494.73
Accounts Receivable, Net	49,378.59	46,362.31	213,291.64	17,151.37	326,183.91
Unbilled Accounts Receivable	24,560.03	21,256.96	117,586.60	8,110.69	171,514.28
Due from TIF #2 Fund	9,328.02	3,534.47			12,862.49
Due from Other Government	48,312.18				48,312.18
Inventory of Supplies	19,380.83	8,841.86	52,113.04		80,335.73
Prepaid Expenses	1,790.10	776.92	2,621.11		5,188.13
Total Current Assets	781,962.82	1,212,054.16	2,828,821.75	74,052.72	4,896,891.45
Noncurrent Assets:					
Deposits	12,708.89	7,311.53	31,389.10		51,409.52
Net Pension Asset	252.27	220.23	447.10	15.31	934.91
Capital Assets:					
Land	1,928.04	75,941.00	22,028.27	27,256.01	127,153.32
Buildings	279,424.48	289,847.32	653,122.12		1,222,393.92
Improvements Other Than Buildings	3,617,653.91	2,891,104.87	7,806,370.23		14,315,129.01
Machinery and Equipment	166,286.71	260,862.60	444,746.53	10,615.00	882,510.84
Construction Work in Progress	2,569,961.50	3,035,302.69			5,605,264.19
Less: Accumulated Depreciation	(2,611,863.18)	(1,518,939.04)	(2,364,248.14)	(8,492.00)	(6,503,542.36)
Total Noncurrent Assets	4,036,352.62	5,041,651.20	6,593,855.21	29,394.32	15,701,253.35
<b>TOTAL ASSETS</b>	4,818,315.44	6,253,705.36	9,422,676.96	103,447.04	20,598,144.80
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Pension Related Deferred Outflows	36,902.66	32,214.35	65,402.24	2,239.46	136,758.71
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	36,902.66	32,214.35	65,402.24	2,239.46	136,758.71

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
December 31, 2020

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	
<b>LIABILITIES:</b>					
Current Liabilities:					
Accounts Payable	71,247.27	157,943.30	8,400.36	13,380.70	250,971.63
Due to State Government	2.89		10,891.74	1,328.42	12,223.05
Accrued Interest Payable			19,747.92		19,747.92
Accrued Wages Payable	2,295.74	3,731.27	4,090.54	111.97	10,229.52
Customer Deposits	13,635.00		38,965.00		52,600.00
Unearned Revenue			39,743.48		39,743.48
Bonds Payable Current:					
Revenue	55,214.59	63,961.56	275,000.00		394,176.15
Accrued Leave Payable - Current	7,000.00	5,000.00	10,000.00	100.00	22,100.00
Total Current Liabilities	149,395.49	230,636.13	406,839.04	14,921.09	801,791.75
Noncurrent Liabilities:					
Bonds Payable:					
Revenue	2,960,117.59	3,962,791.70	4,850,000.00		11,772,909.29
Accrued Leave Payable	1,947.87	1,483.04	14,642.56	527.03	18,600.50
Total Noncurrent Liabilities	2,962,065.46	3,964,274.74	4,864,642.56	527.03	11,791,509.79
<b>TOTAL LIABILITIES</b>	<b>3,111,460.95</b>	<b>4,194,910.87</b>	<b>5,271,481.60</b>	<b>15,448.12</b>	<b>12,593,301.54</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Pension Related Deferred Inflows	33,372.84	29,132.98	59,146.38	2,025.25	123,677.45
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>33,372.84</b>	<b>29,132.98</b>	<b>59,146.38</b>	<b>2,025.25</b>	<b>123,677.45</b>
<b>NET POSITION:</b>					
Net Investment in Capital Assets	1,008,059.28	1,007,366.18	2,605,011.83	29,379.01	4,649,816.30
Restricted For:					
Revenue Bond Debt Service	288,311.48	18,541.64			306,853.12
Cumulative Insurance Reserve	12,708.89	7,311.53	31,389.10		51,409.52
SDRS Pension Purposes	3,782.09	3,301.60	6,702.96	229.52	14,016.17
Unrestricted Net Position	397,522.57	1,025,354.91	1,514,347.33	58,604.60	2,995,829.41
<b>TOTAL NET POSITION</b>	<b>1,710,384.31</b>	<b>2,061,875.86</b>	<b>4,157,451.22</b>	<b>88,213.13</b>	<b>8,017,924.52</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2020**

	<b>Enterprise Funds</b>				
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Electric Fund</b>	<b>Solid Waste Fund</b>	<b>Totals</b>
<b>Operating Revenue:</b>					
Charges for Goods and Services	611,426.71	495,466.98	2,726,109.87	186,346.58	4,019,350.14
Miscellaneous	2,347.47	1,289.22	121,257.41	430.03	125,324.13
Total Operating Revenue	613,774.18	496,756.20	2,847,367.28	186,776.61	4,144,674.27
<b>Operating Expenses:</b>					
Personal Services	184,975.83	165,320.87	327,332.07	15,290.86	692,919.63
Other Current Expense	47,598.40	69,097.43	292,027.09	159,732.06	568,454.98
Materials (Cost of Goods Sold)	188,988.98		1,391,085.65		1,580,074.63
Depreciation	133,775.73	93,233.21	193,002.85	2,123.00	422,134.79
Total Operating Expenses	555,338.94	327,651.51	2,203,447.66	177,145.92	3,263,584.03
Operating Income (Loss)	58,435.24	169,104.69	643,919.62	9,630.69	881,090.24
<b>Nonoperating Revenue (Expense):</b>					
Investment Earnings	1,601.79	1,127.06	2,610.37	4.72	5,343.94
Rental Revenue	83.33	783.33	7,123.34		7,990.00
Interest Expense	(85,874.53)	(96,439.96)	(179,534.80)		(361,849.29)
Total Nonoperating Revenue (Expense)	(84,189.41)	(94,529.57)	(169,801.09)	4.72	(348,515.35)
Income (Loss) Before Contributions and Transfers	(25,754.17)	74,575.12	474,118.53	9,635.41	532,574.89
Capital Contributions	48,312.18				48,312.18
Transfers Out			(150,000.00)		(150,000.00)
Change in Net Position	22,558.01	74,575.12	324,118.53	9,635.41	430,887.07
Net Position - Beginning	1,687,826.30	1,987,300.74	3,833,332.69	78,577.72	7,587,037.45
<b>NET POSITION - ENDING</b>	<b>1,710,384.31</b>	<b>2,061,875.86</b>	<b>4,157,451.22</b>	<b>88,213.13</b>	<b>8,017,924.52</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2020**

	<b>Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Electric Fund</b>	<b>Solid Waste Fund</b>
				<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Receipts from Customers	611,581.84	492,423.94	2,797,904.27	186,724.20
Cash Payments to Employees for Services	(174,287.62)	(153,381.29)	(299,992.32)	(14,360.97)
Cash Payments to Suppliers of Goods and Services	(323,341.16)	(70,898.53)	(1,684,744.38)	(159,718.37)
Other Operating Cash Payments			87,889.73	87,889.73
Net Cash Provided (Used) by Operating Activities	113,953.06	268,144.12	901,057.30	12,644.86
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Interfund Loans	9,238.14	3,492.75		12,730.89
Transfers Out			(150,000.00)	(150,000.00)
Net Cash Provided (Used) by Noncapital Financing Activities	9,238.14	3,492.75	(150,000.00)	(137,269.11)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchase of Capital Assets	(77,433.00)		(337,671.04)	(415,104.04)
Principal Paid on Capital Debt	(53,613.46)	(62,488.05)	(185,000.00)	(301,101.51)
Interest Paid on Capital Debt	(85,874.53)	(96,439.96)	(189,400.21)	(371,714.70)
Other Receipts (Payments)	83.33	783.33	7,123.34	7,990.00
Net Cash Provided (Used) by Capital and Related Financing Activities	(216,837.66)	(158,144.68)	(704,947.91)	(1,079,930.25)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Cash Received for Interest	1,601.79	1,127.06	2,610.37	5,343.94
Net Cash Provided by Investing Activities	1,601.79	1,127.06	2,610.37	5,343.94
Net Increase (Decrease) in Cash and Cash Equivalents	(92,044.67)	114,619.25	48,719.76	83,943.92
Balances - Beginning	721,257.74	1,016,862.39	2,394,489.60	4,168,550.81
Balances - Ending	629,213.07	1,131,281.64	2,443,209.36	4,252,494.73

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2020**

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	58,435.24	169,104.69	643,919.62	9,630.69	881,090.24
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	133,775.73	93,233.21	193,002.85	2,123.00	422,134.79
(Increase) decrease in Receivables	(2,992.34)	(4,332.26)	10,330.51	(52.41)	2,953.50
(Increase) decrease in Prepaids	256.69	186.57	(31.59)		411.67
(Increase) decrease in Pension Deferred Outflows of Resources	(8,711.32)	(7,764.06)	(9,851.57)	(725.69)	(27,052.64)
(Increase) decrease in Net Pension Asset	364.19	314.43	767.63	17.79	1,464.04
(Decrease) increase in Pension Deferred Inflows of Resources	20,183.62	17,693.99	33,157.19	1,317.04	72,351.84
(Decrease) increase in Accounts and Other Payables	(86,774.87)	(1,844.04)	(955.85)	13.69	(89,561.07)
(Decrease) increase in Accrued Wages Payable	1,092.86	2,714.98	1,473.26	49.20	5,330.30
(Decrease) increase in Accrued Leave Payable	(2,241.14)	(1,019.76)	1,793.24	271.55	(1,196.11)
(Decrease) increase in Unearned Revenue			26,436.21		26,436.21
(Decrease) increase in Insurance Reserve Deposit	(235.60)	(143.63)	(644.20)		(1,023.43)
(Decrease) increase in Deposits	800.00		1,660.00		2,460.00
Net Cash Provided (Used) by Operating Activities	113,953.06	268,144.12	901,057.30	12,644.86	1,295,799.34

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
December 31, 2020**

	<b>Custodial Funds</b>
<b>ASSETS:</b>	
Cash and Cash Equivalents	55,502.19
Other Assets	20,479.10
<b>TOTAL ASSETS</b>	<b>75,981.29</b>
<b>NET POSITION:</b>	
Restricted for:	
Flandreau Housing Corporation	75,981.29
<b>TOTAL NET POSITION</b>	<b>75,981.29</b>

The notes to the financial statements are an integral part of this statement.



**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended December 31, 2020**

	<b>Custodial Funds</b>
<b>Additions:</b>	
Investment Earnings	5.98
Rental Income	1,000.00
<b>Total Additions</b>	<b>1,005.98</b>
<b>Deductions:</b>	
Miscellaneous Expense	10.00
<b>Net Increase (Decrease) in Fiduciary Net Position</b>	<b>995.98</b>
<b>Net Position - Beginning</b>	<b>74,985.31</b>
<b>Net Position - Ending</b>	<b>75,981.29</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF NET POSITION**  
**December 31, 2019**

	Primary Government		Component Units
	Governmental Activities	Business-Type Activities	
			Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	1,038,275.00	4,168,550.81	5,206,825.81
Investments	2,679.29		2,679.29
Accounts Receivable, Net	92,251.54	500,651.69	592,903.23
Internal Balances	(25,593.38)	25,593.38	0.00
Inventories	50,378.25	80,335.73	130,713.98
Other Assets	6,882.27	5,599.80	12,482.07
Restricted Assets:			
Deposits	69,521.92	50,386.09	119,908.01
Cash and Cash Equivalents			0.00
Investments			0.00
Net Pension Asset	3,149.68	2,398.95	5,548.63
Capital Assets:			
Land and Construction Work in Progress	666,684.90	6,989,679.75	7,656,364.65
Other Capital Assets, Net of Depreciation	4,762,226.61	8,666,259.92	13,428,486.53
<b>TOTAL ASSETS</b>	<b>6,666,456.08</b>	<b>20,489,456.12</b>	<b>27,155,912.20</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	144,037.48	109,706.07	253,743.55
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>144,037.48</b>	<b>109,706.07</b>	<b>253,743.55</b>
<b>LIABILITIES :</b>			
Accounts Payable	37,443.02	352,755.75	390,198.77
Other Current Liabilities	4,167.26	84,652.55	88,819.81
Unearned Revenue		13,307.27	13,307.27
Noncurrent Liabilities:			
Due Within One Year	241,116.92	413,205.45	654,322.37
Due in More than One Year	1,050,727.01	12,096,878.11	13,147,605.12
<b>TOTAL LIABILITIES</b>	<b>1,333,454.21</b>	<b>12,960,799.13</b>	<b>14,294,253.34</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	67,387.44	51,325.61	118,713.05
Other Deferred Inflows of Resources	212,462.50		212,462.50
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>279,849.94</b>	<b>51,325.61</b>	<b>331,175.55</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	4,166,715.87	4,588,005.60	8,754,721.47
Restricted for:			
Debt Service Purposes	97,946.96	297,144.71	395,091.67
Cumulative Insurance Reserve	69,521.92	50,386.09	119,908.01
Culture and Recreation Purposes	56,091.87		56,091.87
SDRS Pension Purposes	79,799.72	60,779.41	140,579.13
Unrestricted (Deficit)	727,113.07	2,590,721.64	3,317,834.71
<b>TOTAL NET POSITION</b>	<b>5,197,189.41</b>	<b>7,587,037.45</b>	<b>12,784,226.86</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government	
			Grants and Contributions	Capital Grants and Contributions		Business-Type Activities	Component Units
<b>Primary Government:</b>							
Governmental Activities:							
General Government	178,028.57	48,777.61			(129,250.96)	(129,250.96)	
Public Safety	877,271.95	52,307.62	550.00	167,766.00	(656,648.33)	(656,648.33)	
Public Works	599,457.72	39,841.80	91,791.99	70,649.97	(397,173.96)	(397,173.96)	
Health and Welfare	7,600.00				(7,600.00)	(7,600.00)	
Culture and Recreation	517,156.25	54,927.65	11,701.00		(450,527.60)	(450,527.60)	
Conservation and Development	68,000.00				(68,000.00)	(68,000.00)	
*Interest on Long-term Debt	70,785.54				(70,785.54)	(70,785.54)	
<b>Total Governmental Activities</b>	<b>2,318,300.03</b>	<b>195,854.68</b>	<b>104,042.99</b>	<b>238,415.97</b>	<b>(1,779,986.39)</b>	<b>(1,779,986.39)</b>	<b>0.00</b>
<b>Business-type Activities:</b>							
Water	655,203.63	567,217.90			(87,985.73)	(87,985.73)	
Sewer	425,664.62	427,428.42			1,763.80	1,763.80	
Electric	2,316,681.09	2,773,657.50			456,976.41	456,976.41	
Solid Waste	175,026.48	182,641.43			7,614.95	7,614.95	
<b>Total Business-type Activities</b>	<b>3,572,575.82</b>	<b>3,950,945.25</b>	<b>0.00</b>	<b>0.00</b>	<b>378,369.43</b>	<b>378,369.43</b>	<b>0.00</b>
<b>Total Primary Government</b>	<b>5,890,875.85</b>	<b>4,146,799.93</b>	<b>104,042.99</b>	<b>238,415.97</b>	<b>(1,779,986.39)</b>	<b>(1,401,616.96)</b>	<b>0.00</b>
<b>Component Units:</b>							
Flandreau Development Corporation	30,282.99	6,269.00					(24,013.99)
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes					710,158.23	710,158.23	
Sales Taxes					724,591.13	724,591.13	
State Shared Revenues					20,339.05	20,339.05	
Grants and Contributions not Restricted to Specific Programs					44,074.97	44,074.97	
Unrestricted Investment Earnings					16,019.74	23,710.47	708.22
Miscellaneous Revenue					78,067.27	1,343.94	
Transfers					150,000.00	(150,000.00)	
<b>Total General Revenues and Transfers</b>					<b>1,743,250.39</b>	<b>(124,945.59)</b>	<b>708.22</b>
Change in Net Position					(36,736.00)	253,423.84	(23,305.77)
Net Position - Beginning					5,239,240.44	7,333,613.61	570,017.07
Adjustments:							
To Adjust Prior Accounts Receivable (See Note 17.)					(5,315.03)	(5,315.03)	
Adjusted Net Position-Beginning					5,233,925.41	7,333,613.61	570,017.07
<b>NET POSITION - ENDING</b>					<b>5,197,189.41</b>	<b>7,587,037.45</b>	<b>546,711.30</b>

\* The Municipality does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2019

	General Fund	3rd Cent Sales Tax Fund	Aquatic GO Bond Fund	TIF #2 Fund	TIF #4 Fund	TIF #5 Fund	TIF #7 Fund	TIF #8 Fund	Total Governmental Funds
<b>ASSETS:</b>									
Cash and Cash Equivalents	971,856.32	55,705.51		10,013.17				700.00	1,038,275.00
Investments	2,679.29								2,679.29
Taxes Receivable--Delinquent	18,164.54		971.00						19,135.54
Accounts Receivable, Net	20,386.93								20,386.93
Special Assessments Receivable--Current	5,212.18								5,212.18
Special Assessments Receivable--Delinquent	9,553.22								9,553.22
Special Assessments Receivable--Deferred	5,161.23								5,161.23
Due from Aquatic GO Bond Fund	1,854.56								1,854.56
Due from TIF #4 Fund	12,128.35								12,128.35
Due from TIF #5 Fund	65,783.85								65,783.85
Due from TIF #7 Fund	104,983.44								104,983.44
Due from TIF #8 Fund	20,774.18								20,774.18
Due from Other Governments	32,006.15	569.24	227.05						32,802.44
Inventory of Supplies	50,378.25								50,378.25
Deposits	69,521.92								69,521.92
Prepaid Expenses	6,882.27								6,882.27
<b>TOTAL ASSETS</b>	<b>1,397,326.68</b>	<b>56,274.75</b>	<b>1,198.05</b>	<b>10,013.17</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>700.00</b>	<b>1,465,512.65</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2019**

	General Fund	3rd Cent Sales Tax Fund	Aquatic GO Bond Fund	TIF #2 Fund	TIF #4 Fund	TIF #5 Fund	TIF #7 Fund	TIF #8 Fund	Total Governmental Funds
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>									
Liabilities:									
Accounts Payable	37,310.94	110.29		7,027.22					37,421.23
Due to Sewer Fund									7,027.22
Due to General Fund			1,854.56		12,128.35	65,783.85	104,983.44	20,774.18	205,524.38
Due to Water Fund				18,566.16					18,566.16
Due to State Government	21.79								21.79
Accrued Wages Payable	2,594.67	72.59							2,667.26
Customer Deposits	1,500.00								1,500.00
Total Liabilities	41,427.40	182.88	1,854.56	25,593.38	12,128.35	65,783.85	104,983.44	20,774.18	272,728.04
<b>Deferred Inflows of Resources:</b>									
Unavailable Revenue--Property Taxes	18,164.54		971.00						19,135.54
Unavailable Revenue--Special Assessments	19,928.63								19,928.63
Other Deferred Inflows of Resources	212,462.50								212,462.50
Total Deferred Inflows of Resources	250,553.67	0.00	971.00	0.00	0.00	0.00	0.00	0.00	251,524.67
<b>Fund Balances:</b>									
Nonspendable for Inventory	50,378.25								50,378.25
Nonspendable for Cumulative Insurance Reserve	69,521.92								69,521.92
Nonspendable for Prepaid Expenses	6,882.27								6,882.27
Restricted for Debt Service	97,946.96								97,946.96
Restricted for Culture & Recreation		56,091.87							56,091.87
Committed for Capital Improvements	305,409.56								305,409.56
Committed for Drainage Improvements	220,453.12								220,453.12
Assigned for Capital Replacement	10,838.76								10,838.76
Assigned for Park	12,481.04								12,481.04
Assigned for Airport	71,311.82								71,311.82
Unassigned	260,121.91		(1,627.51)	(15,580.21)	(12,128.35)	(65,783.85)	(104,983.44)	(20,074.18)	39,944.37
Total Fund Balances	1,105,345.61	56,091.87	(1,627.51)	(15,580.21)	(12,128.35)	(65,783.85)	(104,983.44)	(20,074.18)	941,259.94
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>1,397,326.68</b>	<b>56,274.75</b>	<b>1,198.05</b>	<b>10,013.17</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>700.00</b>	<b>1,465,512.65</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2019**

Total Fund Balances - Governmental Funds	<u>941,259.94</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset/(liability) reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>3,149.68</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>5,428,911.51</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>144,037.48</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,291,843.93)</u>
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>39,062.17</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(67,387.44)</u>
Net Position - Governmental Activities	<u><u>5,197,189.41</u></u>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2019**

	General Fund	3rd Cent Sales Tax Fund	Aquatic GO Bond Fund	TIF #2 Fund	TIF #4 Fund	TIF #5 Fund	TIF #7 Fund	TIF #8 Fund	Total Governmental Funds
<b>Revenues:</b>									
<b>Taxes:</b>									
General Property Taxes	604,046.00		31,152.37	18,120.56	8,269.20	19,360.04	21,427.42	7,827.98	710,203.57
General Sales and Use Taxes	688,075.26	36,515.87							724,591.13
Amusement Taxes	180.00								180.00
Penalties and Interest on Delinquent Taxes	1,033.28								1,033.28
Licenses and Permits	14,634.00								14,634.00
<b>Intergovernmental Revenue:</b>									
Federal Grants	182,793.32								182,793.32
State Grants	2,592.83								2,592.83
<b>State Shared Revenue:</b>									
Bank Franchise Tax	5,082.53								5,082.53
Liquor Tax Reversion	15,256.52								15,256.52
Motor Vehicle Licenses	39,315.27								39,315.27
Local Government Highway and Bridge Fund	45,393.95								45,393.95
County Shared Revenue:									
County Road Tax	6,982.77								6,982.77
<b>Charges for Goods and Services:</b>									
Public Safety	48,954.36								48,954.36
Highways and Streets	255.00								255.00
Culture and Recreation	43,579.65								43,579.65
Cemetery	8,096.25								8,096.25
Airport	3,422.31								3,422.31
<b>Fines and Forfeits:</b>									
Court Fines and Costs	1,098.26								1,098.26
Animal Control Fines	310.00								310.00
Parking Meter Fines	1,945.00								1,945.00
<b>Miscellaneous Revenue:</b>									
Investment Earnings	15,695.61		324.13						16,019.74
Rentals	73,559.85								73,559.85
Special Assessments	1,593.77								1,593.77
Contributions and Donations from Private Sources	54,667.97							60,000.00	114,667.97
Other	78,017.68	49.59							78,067.27
<b>Total Revenue</b>	<b>1,936,581.44</b>	<b>36,565.46</b>	<b>31,476.50</b>	<b>18,120.56</b>	<b>8,269.20</b>	<b>19,360.04</b>	<b>21,427.42</b>	<b>67,827.98</b>	<b>2,139,628.60</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2019**

	General Fund	3rd Cent Sales Tax Fund	Aquatic GO Bond Fund	TIF #2 Fund	TIF #4 Fund	TIF #5 Fund	TIF #7 Fund	TIF #8 Fund	Total Governmental Funds
<b>Expenditures:</b>									
General Government:									
Legislative	21,893.88								21,893.88
Executive	5,128.77								5,128.77
Financial Administration	24,470.53								24,470.53
Other	120,496.63								120,496.63
Total General Government	171,989.81	0.00	0.00	0.00	0.00	0.00	0.00	0.00	171,989.81
Public Safety:									
Police	674,924.41								674,924.41
Fire	52,032.57								52,032.57
Other Protection	3,042.60								3,042.60
Total Public Safety	729,999.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	729,999.58
Public Works:									
Highways and Streets	349,365.59								349,365.59
Airport	23,797.60								23,797.60
Cemeteries	4,726.32								4,726.32
Total Public Works	377,889.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	377,889.51
Health and Welfare:									
Drug Education	7,600.00								7,600.00
Total Health and Welfare	7,600.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,600.00
Culture and Recreation:									
Recreation	143,621.64								143,621.64
Parks	123,197.91								123,197.91
Libraries	10,750.00								10,750.00
Auditorium	48,988.35	14,841.72							63,830.07
Museums	7,000.00								7,000.00
Total Culture and Recreation	333,557.90	14,841.72	0.00	0.00	0.00	0.00	0.00	0.00	348,399.62
Conservation and Development:									
Economic Development and Assistance (Industrial Development)	68,000.00								68,000.00
Total Conservation and Development	68,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	68,000.00
Debt Service	120,651.50		31,347.28	1,939.13	7,079.46	26,076.70	33,381.77	60,762.78	281,238.62
Capital Outlay	352,365.54	20,371.90							372,737.44
Total Expenditures	2,162,063.84	35,213.62	31,347.28	1,939.13	7,079.46	26,076.70	33,381.77	60,762.78	2,357,854.58

The notes to the financial statements are an integral part of this statement.



**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2019

	General Fund	3rd Cent Sales Tax Fund	Aquatic GO Bond Fund	TIF #2 Fund	TIF #4 Fund	TIF #5 Fund	TIF #7 Fund	TIF #8 Fund	Total Governmental Funds
Excess of Revenue Over (Under) Expenditures	(225,472.40)	1,351.84	129.22	16,181.43	1,189.74	(6,716.66)	(11,954.35)	7,065.20	(218,225.98)
<b>Other Financing Sources:</b>									
Transfers In	150,000.00								150,000.00
Total Other Financing Sources	150,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	150,000.00
Net Change in Fund Balances	(75,472.40)	1,351.84	129.22	16,181.43	1,189.74	(6,716.66)	(11,954.35)	7,065.20	(68,225.98)
Fund Balance - Beginning	1,186,133.04	54,740.03	(1,756.73)	(31,761.64)	(13,318.09)	(59,067.19)	(93,029.09)	(27,139.38)	1,014,800.95
Adjustments:									
Adjustment for Accounts Receivable	(5,315.03)								(5,315.03)
Adjusted Fund Balance - Beginning	1,180,818.01	54,740.03	(1,756.73)	(31,761.64)	(13,318.09)	(59,067.19)	(93,029.09)	(27,139.38)	1,009,485.92
FUND BALANCE - ENDING	1,105,345.61	56,091.87	(1,627.51)	(15,580.21)	(12,128.35)	(65,783.85)	(104,983.44)	(20,074.18)	941,259.94

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended December 31, 2019**

Net Change in Fund Balances - Total Governmental Funds	<u>(68,225.98)</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>372,737.44</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(455,140.67)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.	<u>210,453.08</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>(1,258.62)</u>
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.	<u>(6,805.95)</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>3,607.78</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g. pension expense)	<u>2,340.72</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(94,443.80)</u>
Change in Net Position of Governmental Activities	<u><u>(36,736.00)</u></u>

The notes to the financial statements are an integral part of this statement

**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2019**

	<b>Enterprise Funds</b>				
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Electric Fund</b>	<b>Solid Waste Fund</b>	<b>Totals</b>
<b>ASSETS:</b>					
Current Assets:					
Cash and Cash Equivalents	721,257.74	1,016,662.39	2,394,489.60	36,141.08	4,168,550.81
Accounts Receivable, Net	48,203.26	43,158.83	214,329.64	17,198.02	322,889.75
Unbilled Accounts Receivable	22,743.02	20,128.18	126,879.11	8,011.63	177,761.94
Due from TIF #2 Fund	18,566.16	7,027.22			25,593.38
Inventory of Supplies	19,380.83	8,841.86	52,113.04		80,335.73
Prepaid Expenses	2,046.79	963.49	2,589.52		5,599.80
Total Current Assets	832,197.80	1,096,781.97	2,790,400.91	61,350.73	4,780,731.41
Noncurrent Assets:					
Deposits	12,473.29	7,167.90	30,744.90		50,386.09
Net Pension Asset	616.46	534.66	1,214.73	33.10	2,398.95
Capital Assets:					
Land	1,928.04	75,941.00	22,028.27	27,256.01	127,153.32
Buildings	279,424.48	289,847.32	643,701.71		1,212,973.51
Improvements Other Than Buildings	3,617,653.91	2,891,104.87	6,148,291.36		12,657,050.14
Machinery and Equipment	163,853.71	260,862.60	442,312.53	10,615.00	877,643.84
Construction Work in Progress	2,494,961.50	3,035,302.69	1,332,262.24		6,862,526.43
Less: Accumulated Depreciation	(2,478,087.45)	(1,425,705.83)	(2,171,245.29)	(6,369.00)	(6,081,407.57)
Total Noncurrent Assets	4,092,823.94	5,135,055.21	6,449,310.45	31,535.11	15,708,724.71
<b>TOTAL ASSETS</b>	<b>4,925,021.74</b>	<b>6,231,837.18</b>	<b>9,239,711.36</b>	<b>92,885.84</b>	<b>20,489,456.12</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Pension Related Deferred Outflows	28,191.34	24,450.29	55,550.67	1,513.77	109,706.07
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>28,191.34</b>	<b>24,450.29</b>	<b>55,550.67</b>	<b>1,513.77</b>	<b>109,706.07</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
December 31, 2019

	<b>Enterprise Funds</b>				
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Electric Fund</b>	<b>Solid Waste Fund</b>	<b>Totals</b>
<b>LIABILITIES:</b>					
Current Liabilities:					
Accounts Payable	158,025.03	159,787.34	10,107.36	13,356.02	341,275.75
Due to State Government			10,140.59	1,339.41	11,480.00
Accrued Interest Payable			29,613.33		29,613.33
Accrued Wages Payable	1,202.88	1,016.29	2,617.28	62.77	4,899.22
Customer Deposits	12,835.00		37,305.00		50,140.00
Unearned Revenue			13,307.27		13,307.27
Bonds Payable Current:					
Revenue	53,531.41	62,474.04	260,000.00		376,005.45
Accrued Leave Payable - Current	8,000.00	7,000.00	22,000.00	200.00	37,200.00
Total Current Liabilities	233,594.32	230,277.67	385,090.83	14,958.20	863,921.02
Noncurrent Liabilities:					
Bonds Payable:					
Revenue	3,015,414.23	4,026,767.27	5,050,000.00		12,092,181.50
Accrued Leave Payable	3,189.01	502.80	849.32	155.48	4,696.61
Total Noncurrent Liabilities	3,018,603.24	4,027,270.07	5,050,849.32	155.48	12,096,878.11
<b>TOTAL LIABILITIES</b>	<b>3,252,197.56</b>	<b>4,257,547.74</b>	<b>5,435,940.15</b>	<b>15,113.68</b>	<b>12,960,799.13</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Pension Related Deferred Inflows	13,189.22	11,438.99	25,989.19	708.21	51,325.61
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>13,189.22</b>	<b>11,438.99</b>	<b>25,989.19</b>	<b>708.21</b>	<b>51,325.61</b>
<b>NET POSITION:</b>					
Net Investment in Capital Assets	1,010,788.55	1,038,111.34	2,507,603.70	31,502.01	4,588,005.60
Restricted For:					
Revenue Bond Debt Service	294,495.91	2,648.80			297,144.71
Cumulative Insurance Reserve	12,473.29	7,167.90	30,744.90		50,386.09
SDRS Pension Purposes	15,618.58	13,545.96	30,776.21	838.66	60,779.41
Unrestricted Net Position	354,449.97	925,826.74	1,284,207.88	46,237.05	2,590,721.64
<b>TOTAL NET POSITION</b>	<b>1,687,826.30</b>	<b>1,987,300.74</b>	<b>3,833,332.69</b>	<b>78,577.72</b>	<b>7,587,037.45</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**

For the Year Ended December 31, 2019

	<b>Enterprise Funds</b>				<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Electric Fund</b>	<b>Solid Waste Fund</b>	
<b>Operating Revenue:</b>					
Charges for Goods and Services	565,566.23	426,771.36	2,741,679.99	182,325.56	3,916,343.14
Miscellaneous	1,651.67	657.06	31,977.51	315.87	34,602.11
Total Operating Revenue	<u>567,217.90</u>	<u>427,428.42</u>	<u>2,773,657.50</u>	<u>182,641.43</u>	<u>3,950,945.25</u>
<b>Operating Expenses:</b>					
Personal Services	192,665.40	170,174.69	376,496.25	15,136.44	754,472.78
Other Current Expense	105,807.86	141,630.29	133,221.30	157,767.04	538,426.49
Materials (Cost of Goods Sold)	181,523.77		1,465,206.39		1,646,730.16
Depreciation	138,852.90	98,130.33	160,421.94	2,123.00	399,528.17
Total Operating Expenses	<u>618,849.93</u>	<u>409,935.31</u>	<u>2,135,345.88</u>	<u>175,026.48</u>	<u>3,339,157.60</u>
Operating Income (Loss)	<u>(51,632.03)</u>	<u>17,493.11</u>	<u>638,311.62</u>	<u>7,614.95</u>	<u>611,787.65</u>
<b>Nonoperating Revenue (Expense):</b>					
Investment Earnings	4,825.85	4,586.19	14,270.46	27.97	23,710.47
Rental Revenue	90.00	700.00	553.94		1,343.94
Interest Expense	(36,353.70)	(15,729.31)	(181,335.21)		(233,418.22)
Total Nonoperating Revenue (Expense)	<u>(31,437.85)</u>	<u>(10,443.12)</u>	<u>(166,510.81)</u>	<u>27.97</u>	<u>(208,363.81)</u>
Income (Loss) Before Transfers	<u>(83,069.88)</u>	<u>7,049.99</u>	<u>471,800.81</u>	<u>7,642.92</u>	<u>403,423.84</u>
Transfers Out			(150,000.00)		(150,000.00)
Change in Net Position	<u>(83,069.88)</u>	<u>7,049.99</u>	<u>321,800.81</u>	<u>7,642.92</u>	<u>253,423.84</u>
Net Position - Beginning	1,770,896.18	1,980,250.75	3,511,531.88	70,934.80	7,333,613.61
NET POSITION - ENDING	<u>1,687,826.30</u>	<u>1,987,300.74</u>	<u>3,833,332.69</u>	<u>78,577.72</u>	<u>7,587,037.45</u>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Year Ended December 31, 2019

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash Receipts from Customers	562,196.30	416,749.70	2,772,698.07	182,656.54	3,934,300.61
Cash Payments to Employees for Services	(179,159.15)	(159,086.68)	(348,524.54)	(14,182.97)	(700,953.34)
Cash Payments to Suppliers of Goods and Services	(278,632.41)	(147,637.92)	(1,592,651.04)	(157,431.25)	(2,176,352.62)
Net Cash Provided (Used) by Operating Activities	104,404.74	110,025.10	831,522.49	11,042.32	1,056,994.65
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Interfund Loans	8,750.26	3,308.29			12,058.55
Transfers Out			(150,000.00)		(150,000.00)
Net Cash Provided (Used) by Noncapital Financing Activities	8,750.26	3,308.29	(150,000.00)	0.00	(137,941.45)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from Capital Debt	2,741,062.07	4,288,081.79			7,029,143.86
Purchase of Capital Assets	(292,176.89)	(324,747.91)	(1,257,623.98)		(1,874,548.78)
Principal Paid on Capital Debt	(2,430,332.33)	(3,890,820.03)	(255,000.00)		(6,576,152.36)
Interest Paid on Capital Debt	(36,353.70)	(15,729.31)	(182,066.25)		(234,149.26)
Other Receipts (Payments)	90.00	700.00	553.94		1,343.94
Net Cash Provided (Used) by Capital and Related Financing Activities	(17,710.85)	57,484.54	(1,694,136.29)	0.00	(1,654,362.60)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Cash Received for Interest	4,825.85	4,586.19	14,270.46	27.97	23,710.47
Net Cash Provided by Investing Activities	4,825.85	4,586.19	14,270.46	27.97	23,710.47
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>100,270.00</b>	<b>175,404.12</b>	<b>(998,343.34)</b>	<b>11,070.29</b>	<b>(711,598.93)</b>
Balances - Beginning	620,987.74	841,258.27	3,392,832.94	25,070.79	4,880,149.74
Balances - Ending	721,257.74	1,016,662.39	2,394,489.60	36,141.08	4,168,550.81

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Year Ended December 31, 2019

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	(51,632.03)	17,493.11	638,311.62	7,614.95	611,787.65
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	138,852.90	98,130.33	160,421.94	2,123.00	399,528.17
(Increase) decrease in Receivables	(5,476.60)	(10,678.72)	(10,377.47)	15.11	(26,517.68)
(Increase) decrease in Inventories	769.26	464.32	18,787.29		20,020.87
(Increase) decrease in Prepaids	(101.68)	(18.38)	(106.84)		(226.90)
(Increase) decrease in Pension Deferred Outflows of Resources	14,600.87	12,060.50	28,855.99	841.76	56,359.12
(Increase) decrease in Net Pension Asset	(485.25)	(422.71)	(955.92)	(25.88)	(1,889.76)
(Decrease) increase in Pension Deferred Inflows of Resources	2,739.64	2,523.29	5,377.62	133.00	10,773.55
(Decrease) increase in Accounts and Other Payables	14,134.38	(5,355.07)	5,168.99	335.79	14,284.09
(Decrease) increase in Accrued Wages Payable	(4,140.90)	(3,702.94)	(7,559.66)	(202.59)	(15,606.09)
(Decrease) increase in Accrued Leave Payable	791.89	629.87	2,253.68	207.18	3,882.62
(Decrease) increase in Unearned Revenue			8,418.04		8,418.04
(Decrease) increase in Insurance Reserve Deposit	(6,102.74)	(1,098.50)	(18,072.79)		(25,274.03)
(Decrease) increase in Deposits	455.00		1,000.00		1,455.00
Net Cash Provided (Used) by Operating Activities	104,404.74	110,025.10	831,522.49	11,042.32	1,056,994.65

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF FLANDREAU  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
December 31, 2019**

	<b>Custodial Funds</b>
<b>ASSETS:</b>	
Cash and Cash Equivalents	54,506.21
Other Assets	20,479.10
<b>TOTAL ASSETS</b>	<b>74,985.31</b>
<b>NET POSITION:</b>	
Restricted for:	
Flandreau Housing Corporation	74,985.31
<b>TOTAL NET POSITION</b>	<b>74,985.31</b>

The notes to the financial statements are an integral part of this statement.



**MUNICIPALITY OF FLANDREAU**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended December 31, 2019**

	<b>Custodial Funds</b>
<b>Additions:</b>	
Investment Earnings	41.18
Rental Income	1,000.00
<b>Total Additions</b>	<b>1,041.18</b>
<b>Deductions:</b>	
Miscellaneous Expense	20.00
<b>Net Increase (Decrease) in Fiduciary Net Position</b>	<b>1,021.18</b>
<b>Net Position - Beginning</b>	<b>73,964.13</b>
<b>Net Position - Ending</b>	<b>74,985.31</b>

The notes to the financial statements are an integral part of this statement.

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## NOTES TO THE FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Financial Reporting Entity:

The reporting entity of the Municipality of Flandreau (Municipality) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Municipality 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 Municipality (primary government). The Municipality may also be financially accountable for another organization if that organization is fiscally dependent on the Municipality.

The Municipality of Flandreau has one component unit: the Flandreau Development Corporation (FDC). This component unit represents 100% of the balances and activity of the discretely presented component unit column of these financial statements.

The FDC is involved with the economic development of the Municipality of Flandreau. Financial information about FDC is available at Flandreau City Hall. FDC is shown as a component unit on the government-wide statements.

#### b. Basis of Presentation:

##### Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds and fiduciary-type component units. The statements distinguish between governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Municipality and for each function of the Municipality's governmental activities. Direct expenses are those that are specifically associated with a program or

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

**Governmental Funds:**

General Fund – The General Fund is the general operating fund of the Municipality. It is used to account for all financial resources 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.

3rd Cent Sales Tax Fund – a fund allowed by SDCL 10-52A-2 to account for the receipts from the 3rd cent sales tax imposed on liquor, lodging and dining sales. The 3rd cent sales tax can be spent on promotion of the municipality. This is a major fund.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of the debt principal, interest, and related costs.

Aquatic G.O. Bond 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. This is a major fund.

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

Tax Increment Financing (TIF) # 2 District Fund – TIF #2 is allowed by SDCL 11-9-36 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. This is a major fund.

Tax Increment Financing (TIF) # 4 District Fund – TIF #4 is allowed by SDCL 11-9-36 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. This is a major fund.

Tax Increment Financing (TIF) # 5 District Fund – TIF #5 is allowed by SDCL 11-9-36 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. This is a major fund.

Tax Increment Financing (TIF) # 7 District Fund – TIF #7 is allowed by SDCL 11-9-36 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. This is a major fund.

Tax Increment Financing (TIF) # 8 District Fund – TIF #8 is allowed by SDCL 11-9-36 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. This is a major fund.

**Proprietary Funds:**

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Sewer Fund – financed primarily by user charges this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

Electric Fund – a fund established by SDCL 9-39-1 and 26 to provide electric services to customers within the Municipality of Flandreau. This is a major fund.

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

Solid Waste Fund – a fund allowed by SDCL 9-32-11 and 34A-6 to account for the collection and disposal of solid waste from the municipality. This is a major fund.

**Fiduciary Funds:**

Fiduciary funds consist of the following sub-category and are never considered to be major funds:

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The Flandreau Housing Corporation is the Municipality's only custodial fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

**Measurement Focus:**

**Government-wide Financial Statements:**

In the government-wide Statement of Net Position and Statement of Activities, both governmental, business-type and component unit activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

**Fund Financial Statements:**

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

**Basis of Accounting:**

**Government-wide Financial Statements:**

In the government-wide Statement of Net Position and Statement of Activities, governmental, business-type and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets 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).

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

**Fund Financial Statements:**

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, 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, and for the Municipality of Flandreau, the length of that cycle is 30 days. The revenues, which are accrued at December 31, 2020, are amounts due from other governments.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures are generally 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.

All proprietary and fiduciary fund types are accounted for using the accrual basis of accounting. 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:

1. 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.

**e. Deposits and Investments:**

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6.

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

f. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that 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.

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

**Government-Wide Statements**

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. 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. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2020 balance of governmental activities capital assets includes approximately four percent for which the costs were determined by estimates of the original costs. The total December 31, 2020 balance of business-type capital assets includes approximately four percent for which the costs were determined by estimations of the original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 1980 are recorded at cost, and classified as "Improvements Other than Buildings."

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land & Land Rights	\$ 0.00	---- N/A ----	---- N/A ----
Buildings	\$ 0.00	Straight-Line	10-50 yrs.
Improvements	\$ 5,000.00	Straight-Line	10-100 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-Line	5-25 yrs.

Land is an inexhaustible capital asset and is not depreciated.

#### Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide financial statements.

#### g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of general obligation bonds, revenue bonds, financing (capital acquisition) leases, tax increment district loans, and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide financial statements.

#### h. Program Revenues:

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



NOTES TO THE FINANCIAL STATEMENTS  
(continued)

2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

i. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. 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 financial position reports a separate section for deferred inflows of resources. 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. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, 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 and expenses.

k. Cash and Cash Equivalents:

For the purposes of the proprietary funds' Statement of Cash Flows, the Municipality considers all highly liquid investments as deposits with a term to maturity of three months or less, at date of acquisition, to be cash equivalents.

l. Equity Classifications:

Government-wide Statements:

Equity is classified as Net Position and is displayed in three components.

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

3. Unrestricted Net Position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

**Fund Financial Statements:**

Governmental fund equity is classified as fund balance, and may distinguish been Nonspendable, Restricted, or Committed, Assigned, or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted net position.

m. Application of Net Position:

It is the Municipality's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

n. 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 Municipality 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 by the government through formal action of 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 Municipal Council.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as inventory and prepaid expenses.
- Amount legally or contractually required to remain intact such as cumulative insurance reserve.

The Municipal Governing Board committed the following fund balance types by taking the following action:

<u>Fund Balance Type</u>	<u>Action</u>	<u>2019 Amount</u>	<u>2020 Amount</u>
Capital Improvements	Ordinance	\$ 305,409.56	\$ 262,797.86
Drainage Improvements	Ordinance	\$ 220,453.12	\$ 220,453.12

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

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

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

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund:</u>	<u>Revenue Source:</u>
3rd Cent Sales Tax	Sales Tax

o. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Municipal contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS:

The Municipality is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	<u>Year Ended</u> <u>12/31/2019</u>
General Fund:	
<u>Activity</u>	
General Government - Other	\$ 6,246.63

The Municipal Council plans to take the following actions to address these violations: make contingency transfers or adopt supplemental appropriations when allowed by law.

3. DEFICIT FUND BALANCE:

As of December 31, 2019 and 2020, the following funds had deficit fund balance in the amounts shown:

	<u>Year Ended</u> <u>12/31/2019</u>	<u>Year Ended</u> <u>12/31/2020</u>
GO Debt Fund	\$ 1,627.51	\$ 1,822.82
TIF #2	\$ 15,580.21	\$ -
TIF #4	\$ 12,128.35	\$ 8,956.01
TIF #5	\$ 65,783.85	\$ 64,220.31
TIF #7	\$ 104,983.44	\$ 118,193.96
TIF #8	\$ 20,074.18	\$ 12,305.71

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

The Municipal Council plans to take the following actions to address the deficit fund balances: deficit balances are due to the repayment of loans. Deficits should continue to decrease as property taxes increase over time.

4. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATION OF CREDIT RISK AND INTEREST RATE RISK

The Municipality follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

**Deposits** – The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

As of December 31, 2020 and December 31, 2019, the Municipality did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

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

**Concentration of Credit Risk** – The Municipality places no limit on the amount that may be invested in any one issuer.

**Interest Rate Risk** – The Municipality 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 Municipality's policy is to credit all income from deposits and investments to the fund making the investment, except for interest generated by the Cemetery Perpetual Care Fund, which must be credited to the General Fund and used only for maintenance of the municipal cemetery, as required by SDCL 9-32-18.

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

5. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Municipality expects all receivables to be collected within one year.

6. INVENTORY

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory in the proprietary funds is recorded as an asset when acquired. The consumption of inventories is charged to expense as it is consumed. Inventories are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed. Material supply inventories are off-set 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.

7. PROPERTY TAXES

Taxes are levied on or before October 1 of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due as payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The Municipality is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the Municipality.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

**8. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the two years ended December 31, 2020, is as follows:

	Balance 01/01/19	Increases	Decreases	Balance 12/31/20
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	391,350.91			391,350.91
Construction Work in Progress	11,131.32	305,925.93	(245,915.50)	71,141.75
Total, not being depreciated	402,482.23	305,925.93	(245,915.50)	462,492.66
Capital Assets, being depreciated:				
Buildings	3,352,809.81	245,915.50		3,598,725.31
Improvements Other Than Buildings	4,960,729.92	115,185.60	(6,772.50)	5,069,143.02
Machinery & Equipment	2,398,575.55	167,452.54		2,566,028.09
Total, being depreciated	10,712,115.28	528,553.64	(6,772.50)	11,233,896.42
Less Accumulated Depreciation for:				
Buildings	(1,861,506.77)	(165,583.17)		(2,027,089.94)
Improvements Other Than Buildings	(2,103,096.22)	(397,497.93)	6,772.50	(2,493,821.65)
Machinery & Equipment	(1,638,679.78)	(336,879.99)		(1,975,559.77)
Total Accumulated Depreciation	(5,603,282.77)	(899,961.09)	6,772.50	(6,496,471.36)
Total Capital Assets, being depreciated, net	5,108,832.51	(371,407.45)	0.00	4,737,425.06
Governmental Activity Capital Assets, Net	5,511,314.74	(65,481.52)	(245,915.50)	5,199,917.72

Depreciation expense was charged to functions as follows:

Governmental Activities:	2019	2020
General Government	3,416.61	5,976.81
Public Safety	82,895.29	84,212.97
Public Works	204,734.67	207,610.30
Culture and Recreation	164,094.10	147,020.34
Total Depreciation Expense - Governmental Activities	455,140.67	444,820.42

**NOTES TO THE FINANCIAL STATEMENTS**  
(continued)

	Balance 1/1/2019	Increases	Decreases	Balance 12/31/2020
Primary Government:				
Business-Type Activities:				
Capital Assets, not being depreciated:				
Land	127,153.32			127,153.32
Construction Work in Progress	4,768,580.69	2,494,762.37	(1,658,078.87)	5,605,264.19
Total, not being depreciated	4,895,734.01	2,494,762.37	(1,658,078.87)	5,732,417.51
Capital Assets, being depreciated:				
Buildings	1,181,783.06	40,610.86		1,222,393.92
Improvements Other Than Buildings	12,657,050.14	1,658,078.87		14,315,129.01
Machinery & Equipment	846,846.98	35,663.86	0.00	882,510.84
Total, being depreciated	14,685,680.18	1,734,353.59	0.00	16,420,033.77
Less Accumulated Depreciation for:				
Buildings	(461,580.51)	(58,980.98)		(520,561.49)
Improvements Other Than Buildings	(4,511,899.53)	(688,070.81)		(5,199,970.34)
Machinery & Equipment	(708,399.36)	(74,611.17)	0.00	(783,010.53)
Total Accumulated Depreciation	(5,681,879.40)	(821,662.96)	0.00	(6,503,542.36)
Total Capital Assets, being depreciated, net	9,003,800.78	912,690.63	0.00	9,916,491.41
Business-Type Activity Capital Assets, Net	13,899,534.79	3,407,453.00	(1,658,078.87)	15,648,908.92

Depreciation expense was charged to functions as follows:

Business-Type Activities:	2019	2020
Water	138,852.90	133,775.73
Sewer	160,421.94	193,002.85
Electric	98,130.33	93,233.21
Solid Waste	2,123.00	2,123.00
Total Depreciation Expense - Business-Type Activities	399,528.17	422,134.79

Construction Work in Progress at December 31, 2020 is composed of the following:

Project Name	Project Authorization	Expended thru 12/31/2020	Committed	Required Future Financing
Airport AIP 3-46-0077-10-2018	79,509.44	31,803.78	2,385.28	45,320.38
Airport AIP 3-46-0077-10-2020	52,450.63	39,337.97	0.00	13,112.66
Phase 2-3 Water and Sewer Improvements	5,988,908.64	5,605,264.19	383,644.45	(0.00)
TOTAL	6,120,868.71	5,676,405.94	386,029.73	58,433.04

**NOTES TO THE FINANCIAL STATEMENTS**  
(continued)

**9. CHANGES IN COMPONENT UNIT FIXED ASSETS:**

A summary of changes in component unit fixed assets for the two years ended December 31, 2020 is as follows:

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2020
Land	336,925.76	5,501.00	(2,000.00)	340,426.76
Machinery & Equipment	28,824.16			28,824.16
Less Accumulated Depreciation	(26,574.16)	(750.00)		(27,324.16)
Total	339,175.76	4,751.00	(2,000.00)	341,926.76

**10. LONG-TERM LIABILITIES:**

A summary of changes in long-term liabilities follows:

	Beginning Balance 1/1/2019	Additions	Deletions	Ending Balance 12/31/2020	Due Within One Year
<b>Primary Government:</b>					
Governmental Activities:					
Bonds Payable:					
2002 G.O. Aquatic Center	109,081.10		54,225.86	54,855.24	29,082.97
2016 Sales Tax Refunding Bond	385,000.00		105,000.00	280,000.00	50,000.00
TIF #4 Note Payable	12,356.07		12,356.07	0.00	0.00
TIF #5-01 Note Payable	22,245.71		22,245.71	0.00	0.00
TIF #5-02 Note Payable	13,890.09		12,655.04	1,235.05	1,235.05
TIF #7 Note Payable	57,153.13		52,788.25	4,364.88	4,364.88
TIF #8 Note Payable	700,714.65		59,903.09	640,811.56	34,792.19
Wheel Loader Note Payable	124,648.55		59,834.64	64,813.91	31,758.87
Firetruck Financing					
(Capital Acquisition) Lease	47,559.42		47,559.42	0.00	0.00
Total Debt	1,472,648.72	0.00	426,568.08	1,046,080.64	151,233.96
Accrued Compensated Absences- Governmental Funds	33,256.07	54,253.37	49,262.12	38,247.32	20,000.00
Total Governmental Activities	1,505,904.79	54,253.37	475,830.20	1,084,327.96	171,233.96
Business-Type Activities:					
Bonds Payable:					
2000 Water Utility Revenue Bond	537,649.94		28,734.41	508,915.53	15,401.90
2019 Water Project Revenue Bond	0.00	2,552,000.00	45,583.35	2,506,416.65	39,812.69
2019 Sewer Project Revenue Bond	0.00	3,620,000.00	64,664.66	3,555,335.34	56,478.36
2019B Sewer Project Revenue Bond	0.00	480,000.00	8,582.08	471,417.92	7,483.20
2013 Electric Revenue Bond	3,010,000.00		3,010,000.00	0.00	0.00
2016 Electric Revenue Bond	2,555,000.00		240,000.00	2,315,000.00	120,000.00
2020 Electric Revenue Refunding Bond	0.00	2,810,000.00		2,810,000.00	155,000.00
Total Debt	6,102,649.94	9,462,000.00	3,397,564.50	12,167,085.44	394,176.15
Accrued Compensated Absences- Business-Type Funds	38,013.99	63,639.24	60,952.73	40,700.50	22,100.00
Total Business-Type Activities	6,140,663.93	9,525,639.24	3,458,517.23	12,207,785.94	416,276.15
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>7,646,568.72</b>	<b>9,579,892.61</b>	<b>3,934,347.43</b>	<b>13,292,113.90</b>	<b>587,510.11</b>

See Independent Auditor's Report.



NOTES TO THE FINANCIAL STATEMENTS  
(continued)

In 2020, the Municipality issued \$2,810,000.00 in Electric Revenue Refunding Bonds with an average interest rate of 2.0297541 percent to refund the Electric Revenue Bonds, Series 2013 with an average interest rate of 4.4011637 percent and an unpaid principal at time of refunding of \$2,735,000.00

The entire proceeds of the refunding issue in the amount of \$2,790,387.00 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the Municipality's Electric Fund records.

The Municipality refunded the debt to reduce its total debt service payments over the next fifteen years by \$523,367.23 and to obtain an economic gain of \$454,578.10.

Liabilities payable at December 31, 2020 are comprised of the following:

Governmental Activities:

*General Obligation Bonds:*

General Obligation Bonds – Series 2002 (Aquatic Center):

Interest Rate: 4.75%

Maturity Date: December 15, 2022

Payable from Aquatic G.O. Bond Debt Service Fund \$ 54,855.24

*Revenue Bonds:*

Sales Tax Revenue Refunding Bonds – Series 2016:

Fixed Interest Rate: 1.56% to 4.06%

Maturity Date: December 1, 2025

Payable from General Fund \$ 280,000.00

*Notes Payable:*

Tax Increment Financing District Loan # 5-02:

Interest Rate: 7.25%

Maturity Date: December 30, 2021

Paid by TIF # 5 Debt Service Fund \$ 1,235.05

Tax Increment Financing District Loan # 7:

Interest Rate: 3.7%

Maturity Date: November 26, 2021

Paid by TIF # 7 Debt Service Fund \$ 4,364.88

Tax Increment Financing District Loan # 8:

Interest Rate: 3.38%

Maturity Date: June 1, 2035

Paid by TIF # 8 Debt Service Fund \$ 640,811.56

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

**Wheel Loader Note Payable:**

Interest Rate: 2.72%

Maturity Date: June 1, 2022

Payable from General Fund

\$ 64,813.91

**Business-Type Activities:*****Revenue Bonds:*****Water Utility Revenue Bonds – Series 2000:**

Interest Rate: 5.00%

Maturity Date: November 2040

Payable from Water Fund

\$ 508,915.53

**Water Project Revenue Bonds – Series 2019:**

Interest Rate: 2.375%

Maturity Date: October 8, 2059

Payable from Water Fund

\$ 2,506,416.65

**Sewer Project Revenue Bonds – Series 2019:**

Interest Rate: 2.375%

Maturity Date: October 8, 2059

Payable from Sewer Fund

\$ 3,555,335.34

**Sewer Project Revenue Bonds – Series 2019B:**

Interest Rate: 2.375%

Maturity Date: October 8, 2059

Payable from Sewer Fund

\$ 471,417.92

**Electric Revenue Bonds – Series 2016:**

Fixed Interest Rate: 0.90% to 3.50%

Maturity Date: May 1, 2036

Payable from Electric Fund

\$ 2,315,000.00

**Electric Revenue Refunding Bonds – Series 2020:**

Fixed Interest Rate: 2.00% to 2.25%

Maturity Date: May 1, 2035

Payable from Electric Fund

\$ 2,810,000.00

**Compensated Absences:****Accrued Leave Balances of Municipality Employees**

Payable from General Fund

\$ 38,247.32

Payable from Water Fund

\$ 8,947.87

Payable from Sewer Fund

\$ 6,483.04

Payable from Electric Fund

\$ 24,642.56

Payable from Solid Waste Fund

\$ 627.03

**NOTES TO THE FINANCIAL STATEMENTS**  
(continued)

**Primary Government**

The annual requirements to amortize all debt outstanding as of December 31, 2020, except for compensated absences, are as follows:

**Annual Requirements to Maturity for Long-Term Debt**  
**December 31, 2020**

Year Ending December 31,	General Obligation Bonds - Series 2002 (Aquatic Center)		Sales Tax Refunding Revenue Bonds - Series 2016		Tax Increment Financing District Loan # 5-02	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	29,082.97	2,264.31	50,000.00	9,449.00	1,235.05	44.78
2022	25,772.27	866.47	55,000.00	8,029.00		
2023			60,000.00	6,346.00		
2024			55,000.00	4,372.00		
2025			60,000.00	2,436.00		
Totals	54,855.24	3,130.78	280,000.00	30,632.00	1,235.05	44.78

Year Ending December 31,	Tax Increment Financing District Loan # 7		Tax Increment Financing District Loan # 8		Notes Payable - Wheel Loader	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	4,364.88	79.88	34,792.19	21,663.39	31,758.87	2,285.41
2022			35,994.72	20,460.86	33,055.04	989.24
2023			37,238.80	19,216.78		
2024			38,475.01	17,980.57		
2025			39,855.70	16,599.88		
2026-2030			220,880.91	61,396.99		
2031-2035			233,574.23	20,475.63		
Totals	4,364.88	79.88	640,811.56	177,794.10	64,813.91	3,274.65

Year Ending December 31,	Water Utility Revenue Bonds - Series 2000		Water Project Revenue Bonds - Series 2019		Sewer Project Revenue Bonds - Series 2019	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	15,401.90	25,170.10	39,812.69	59,103.31	56,478.36	83,837.64
2022	16,189.88	24,382.12	40,768.59	58,147.41	57,834.44	82,481.56
2023	17,018.19	23,553.81	41,747.45	57,168.55	59,223.05	81,092.95
2024	17,888.87	22,683.13	42,749.81	56,166.19	60,645.02	79,670.98
2025	18,804.11	21,767.89	43,776.24	55,139.76	62,101.12	78,214.88
2026-2030	109,474.27	93,385.73	235,161.35	259,418.65	333,600.60	367,979.40
2031-2035	140,494.76	62,365.24	264,781.44	229,798.56	375,619.64	325,960.36
2036-2040	173,643.55	24,044.47	298,132.24	196,447.76	422,931.29	278,648.71
2041-2045			335,683.90	158,896.14	476,202.12	225,377.88
2046-2050			377,965.32	116,614.68	536,182.71	165,397.29
2051-2055			425,572.44	69,007.56	603,718.24	97,861.76
2056-2059			360,265.18	17,260.37	510,798.75	24,460.64
Totals	508,915.53	297,352.49	2,506,416.65	1,333,168.94	3,555,335.34	1,890,984.05

See Independent Auditor's Report.

**NOTES TO THE FINANCIAL STATEMENTS**  
(continued)

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2020  
(Continued)

Year Ending December 31,	Sewer Project Revenue Bonds - Series 2019B		Electric Revenue Bonds - Series 2016		Electric Revenue Refunding Bonds - Series 2020	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	7,483.20	11,116.80	120,000.00	63,565.00	155,000.00	54,922.50
2022	7,662.86	10,937.14	125,000.00	61,543.75	165,000.00	51,722.50
2023	7,846.86	10,753.14	125,000.00	59,481.25	170,000.00	48,372.50
2024	8,035.27	10,564.73	130,000.00	57,215.00	175,000.00	44,922.50
2025	8,228.18	10,371.82	130,000.00	54,550.00	180,000.00	41,372.50
2026-2030	44,200.94	48,799.06	700,000.00	222,972.50	940,000.00	151,942.50
2031-2035	49,768.37	43,231.64	805,000.00	107,387.50	1,025,000.00	55,771.25
2036-2040	56,036.97	36,963.03	180,000.00	3,150.00		
2041-2045	63,095.14	29,904.86				
2046-2050	71,042.38	21,957.62				
2051-2055	79,990.62	13,009.38				
2056-2059	68,027.13	3,288.19				
Totals	471,417.92	250,897.41	2,315,000.00	629,865.00	2,810,000.00	449,026.25

Year Ending December 31,	TOTALS	
	Principal	Interest
2021	545,410.11	333,502.12
2022	562,277.80	319,560.05
2023	518,074.35	305,984.98
2024	527,793.98	293,575.10
2025	542,765.35	280,452.73
2026-2030	2,583,318.07	1,205,894.83
2031-2035	2,894,238.44	844,990.18
2036-2040	1,130,744.05	539,253.97
2041-2045	874,981.16	414,178.88
2046-2050	985,190.41	303,969.59
2051-2055	1,109,281.30	179,878.70
2056-2059	939,091.06	45,009.20
Totals	13,213,166.08	5,066,250.33

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

11. SHORT-TERM DEBT

The Municipality had entered into a short-term loan agreement with CoBank ACB to provide funding for water and sewer projects. The following is the short-term loan activity for the year.

	Beginning Balance	Additions	Deletions	Ending Balance
Water	2,220,565.96	189,062.07	2,409,628.03	0.00
Sewer	3,691,979.55	188,081.79	3,880,061.34	0.00
Totals	<u>5,912,545.51</u>	<u>377,143.86</u>	<u>6,289,689.37</u>	<u>0.00</u>

12. OPERATING LEASES

An operating lease agreement was entered into to receive pictometry services. The minimum yearly payment of \$4,000.00 is payable from the General Fund.

An operating lease agreement was entered into for a copier. The minimum monthly payment of \$195.05 is payable from Water Fund (1/3), Sewer Fund (1/3), and Electric Fund (1/3).

An operating lease agreement was entered into for a postage meter. The minimum quarterly payment of \$504.63 is payable from Water Fund (1/3), Sewer Fund (1/3), and Electric Fund (1/3).

The following are the minimum payments on existing operating leases:

Year	General Fund	Water, Sewer, & Electric Funds (1/3 each)	Water, Sewer, & Electric Funds (1/3 each)
2021	4,000.00	2,340.60	1,513.89
2022		2,340.60	2,018.52
2023		1,950.50	2,018.52
2024			2,018.52
2025			504.63

13. LONG-TERM COMMITMENT

The Municipality of Flandreau entered into a 40-year commitment with Big Sioux Community Water Systems, Inc. to provide water to the Municipality. A service charge of \$0.00194 per gallon of water consumed. The Municipality will not acquire ownership of any of these water facilities through these payments.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

**14. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES**

Interfund receivable and payable balances at December 31, 2020 were:

<u>Payable From:</u>	<u>Payable To:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	
TIF # 2		9,328.02	3,534.47	12,862.49
TIF # 4	8,956.01			8,956.01
TIF # 5	64,220.31			64,220.31
TIF # 7	118,193.96			118,193.96
TIF # 8	13,005.71			13,005.71
Aquatic Center	2,075.57			2,075.57
<b>Totals</b>	<b>206,451.56</b>	<b>9,328.02</b>	<b>3,534.47</b>	<b>219,314.05</b>

Interfund receivable and payable balances at December 31, 2019 were:

<u>Payable From:</u>	<u>Payable To:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	
TIF # 2		18,566.16	7,027.22	25,593.38
TIF # 4	12,128.35			12,128.35
TIF # 5	65,783.85			65,783.85
TIF # 7	104,983.44			104,983.44
TIF # 8	20,774.18			20,774.18
Aquatic Center	1,854.56			1,854.56
<b>Totals</b>	<b>205,524.38</b>	<b>18,566.16</b>	<b>7,027.22</b>	<b>231,117.76</b>

The purposes for the interfund receivable and payable balances are for servicing debt.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

**15. RESTRICTED NET POSITION**

Restricted net position for the two years ended December 31, 2020 was as follows:

Major Purposes:	2019	2020
Governmental Activities:		
SDRS Pension Purposes	79,799.72	19,220.67
Debt Service Purposes	97,946.96	97,946.96
Culture & Recreation Purposes	56,091.87	151,143.50
Cumulative Insurance Reserve Purposes	69,521.92	70,877.48
Total Restricted Net Position - Governmental Activities	<u>303,360.47</u>	<u>339,188.61</u>
Business-Type Activities:		
Cumulative Insurance Reserve Purposes	50,386.09	51,409.52
SDRS Pension Purposes	60,799.41	14,016.17
Debt Service Purposes	297,144.71	306,853.13
Total Restricted Net Position - Business-Type Activities	<u>408,330.21</u>	<u>372,278.82</u>
<b>TOTAL RESTRICTED NET POSITION</b>	<u><u>711,690.68</u></u>	<u><u>711,467.43</u></u>

These balances are restricted due to federal grant and statutory requirements.

**16. INDIVIDUAL TRANSFERS**

Interfund transfers for the year ended December 31, 2020 were as follows:

	<u>Transfer To:</u>	
<u>Transfer From:</u>	General Fund	Total
Electric Fund	150,000.00	150,000.00
<b>Total</b>	<u>150,000.00</u>	<u>150,000.00</u>

Interfund transfers for the year ended December 31, 2019 were as follows:

	<u>Transfer To:</u>	
<u>Transfer From:</u>	General Fund	Total
Electric Fund	150,000.00	150,000.00
<b>Total</b>	<u>150,000.00</u>	<u>150,000.00</u>

The Municipality typically budgets transfers to conduct the indispensable functions of the Municipality.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

**17. PRIOR PERIOD ADJUSTMENTS**

The Municipality has restated the beginning fund balance/net position to reflect an adjustment for prior accounts receivables for the General Fund. The reclassification as of January 1, 2019 is as follows:

	<u>Governmental Activities</u>
Net Position January 1, 2019, as previously reported	\$ 5,239,240.44
Restatement:	
Adjust Prior Year Accounts Receivable	(5,315.03)
Net Position January 1, 2019, as Restated	<u>\$ 5,233,925.41</u>
	<u>General Fund</u>
Fund Balance January 1, 2019, as previously reported	\$ 1,186,133.04
Restatement:	
Unrecorded Accounts Receivables	(5,315.03)
Fund Balance January 1, 2019, as Restated	<u>\$ 1,180,818.01</u>

**Component Unit:**

The Flandreau Development Corporation has restated the beginning net position. The reclassification as of January 1, 2020 is as follows:

	<u>Component Unit</u>
Net Position January 1, 2020, as previously reported	\$ 546,711.30
Restatement:	
Prior Net Position Adjustment	3,501.00
Net Position January 1, 2020, as Restated	<u>\$ 550,212.30</u>

**18. PENSION PLAN**

**Plan Information:**

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its



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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

political subdivisions. The 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 SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members. Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. 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. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2020, 2019, and 2018, were \$65,851.03, \$70,919.13, and \$65,599.32, respectively, equal to the required contributions each year.

Pension Liabilities (Assets):

At June 30, 2020, SDRS is 100.04% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2020 and reported by the Municipality as of December 31, 2020 are as follows:

Proportionate share of pension liability	\$ 6,275,217.58
Less proportionate share of net pension restricted for pension benefits	<u>\$ 6,277,434.56</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (2,216.98)</u></u>

At December 31, 2020, the Municipality reported a liability (asset) of \$(2,216.98) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the Municipality's proportion was 0.05104710%, which is a decrease of (0.0013119%) from its proportion measured as of June 30, 2019.

At June 30, 2019, SDRS is 100.09% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2019 and reported by the Municipality as of December 31, 2019 are as follows:

Proportionate share of pension liability	\$ 6,525,084.55
Less proportionate share of net pension restricted for pension benefits	<u>\$ 6,530,633.18</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (5,548.63)</u></u>

At December 31, 2019, the Municipality reported a liability (asset) of \$(5,548.63) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the Municipality's proportion was 0.05235900%, which is an increase of 0.0016747% from its proportion measured as of June 30, 2018.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

For the year ended December 31, 2020, the Municipality recognized pension expense (reduction of expense) of \$107,342.29. At December 31, 2020, the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 8,481.10	\$ 1,736.71
Changes in assumption.	\$ 71,410.21	\$ 288,001.39
Net difference between projected and actual earnings on pension plan investments.	\$ 206,056.10	
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 2,920.78	\$ 3,540.66
Municipality contributions subsequent to the measurement date.	<u>\$ 35,430.43</u>	
TOTAL	<u>\$ 324,298.62</u>	<u>\$ 293,278.76</u>

\$35,430.43 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended  
December 31:

2021	\$ (26,235.36)
2022	\$ (20,236.15)
2023	\$ 3,438.59
2024	<u>\$ 38,622.35</u>
TOTAL	<u>\$ (4,410.57)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**

For the year ended December 31, 2019, the Municipality recognized pension expense (reduction of expense) of \$157,345.99. At December 31, 2019, the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 21,765.07	\$ 2,511.41
Changes in assumption.	\$ 191,634.86	\$ 78,560.99
Net difference between projected and actual earnings on pension plan investments.		\$ 31,964.59
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 3,544.43	\$ 5,676.06
Municipality contributions subsequent to the measurement date.	<u>\$ 36,799.19</u>	
<b>TOTAL</b>	<u><u>\$ 253,743.55</u></u>	<u><u>\$ 118,713.05</u></u>

\$36,799.19 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended  
December 31:

2020	\$ 121,842.92
2021	\$ (20,057.69)
2022	\$ (13,907.92)
2023	<u>\$ -</u>
<b>TOTAL</b>	<u><u>\$ 87,877.31</u></u>

**Actuarial Assumptions:**

The total pension liability (asset) in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.41%

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

The total pension liability (asset) in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.88%

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2020 and June 30, 2019 valuation were based on the results of an actuarial experience of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	100%	

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.7%
Fixed Income	30.0%	1.7%
Real Estate	10.0%	4.3%
Cash	2.0%	0.9%
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the Municipality's proportionate share of net pension liability (asset) as of June 30, 2020, calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 860,035.70	\$(2,216.98)	\$(707,522.66)

The following presents the Municipality's proportionate share of net pension liability (asset) as of June 30, 2019, calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 920,962.36	\$(5,548.63)	\$(760,487.65)

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

Pension Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

19. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2020, the Municipality was not involved in any significant litigation.

20. RISK MANAGEMENT

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2020, the Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality purchases health insurance for its employees from a commercial insurance carrier. The Municipality does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

**Building and Content Coverage** – The Municipality has purchased property, inland marine, and crime coverage through a commercial insurance carrier.

The Municipality 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 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 costs for that coverage. The Municipality'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 Municipality. The Municipality pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for general liability, official's liability, and law enforcement liability.

Effective January 1, 2018, the SDPAA revised the method of calculating the amount available to be refunded to the withdrawing member. Upon giving proper written notice to the SDPAA a member may withdraw. Within 120 days following withdrawal, or as soon thereafter as the next Annual Budget is completed, the SDPAA will advise the withdrawing member of its total calculated portion of contributions made to the SDPAA that shall be refunded. Refunds are calculated based on the pool's total contributions, along with the member's total contributions, current losses, unpaid losses, and loss expenses, the member's loss ratio, and number of membership years.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

A member who withdraws from the SDPAA shall receive a calculated portion of their contributions refunded for unpaid casualty losses, based on the following schedule:

<u>Years</u>	<u>Percentage</u>
1	55%
2	50%
3	40%
4	35%
5	30%
6	20%

All refunds shall be paid to the withdrawing Member over a five-year term.

The amount available for refund to the Municipality is considered a deposit for financial reporting purposes.

As of December 31, 2020, the Municipality's balance available to be refunded per the SDPAA was \$122,287.00, which was an increase of \$2,378.99 from the previous year. The change in the amount available for refund was reported as an extraordinary item in the current period due to the change in methodology of determining the amount available for refund. In future periods, the change in the amount available for refund will be accounted for as an increase or decrease in the insurance expenditures/expenses.

The Municipality does not carry additional insurance to cover claims in excess of the upper coverage limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

**Airport Liability Coverage** – The Municipality 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 Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality'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 Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000.00 of any claim per individual. The pool has reinsurance which covers up to an additional \$2,000,000.00 per individual per incident.

The Municipality 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 over the past three years.



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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

Unemployment Benefits:

The Municipality has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended December 31, 2019, no claims were filed for unemployment benefits. At December 31, 2020, one claim had been filed and was outstanding, with anticipated potential charges of \$1,152.57.

21. SUBSEQUENT EVENTS

Managements has evaluated whether any subsequent events have occurred through September 21, 2021, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF FLANDREAU**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2020**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes	629,000.00	629,000.00	621,934.41	(7,065.59)
General Sales and Use Taxes	700,000.00	700,000.00	765,891.44	65,891.44
Amusement Tax	300.00	300.00	144.00	(156.00)
Penalties and Interest on Delinquent Taxes	0.00	0.00	1,786.07	1,786.07
Licenses and Permits	14,330.00	14,330.00	14,885.00	555.00
<b>Intergovernmental Revenue:</b>				
Federal Grants	102,600.00	102,600.00	668,839.23	566,239.23
State Grants	25,700.00	25,700.00	19,896.77	(5,803.23)
<b>State Shared Revenue:</b>				
Bank Franchise Tax	5,000.00	5,000.00	5,602.35	602.35
Liquor Tax Reversion	15,000.00	15,000.00	16,203.81	1,203.81
Motor Vehicle Licenses	38,000.00	38,000.00	40,723.85	2,723.85
Local Government Highway and Bridge Fund	45,500.00	45,500.00	46,878.86	1,378.86
<b>County Shared Revenue:</b>				
County Road Tax	7,000.00	7,000.00	6,982.77	(17.23)
<b>Charges for Goods and Services:</b>				
Public Safety	49,767.00	49,767.00	49,673.82	(93.18)
Highways and Streets	0.00	0.00	200.00	200.00
Culture and Recreation	54,790.00	54,790.00	9,309.60	(45,480.40)
Cemetery	1,500.00	1,500.00	2,916.91	1,416.91
Other	3,552.00	3,552.00	3,338.35	(213.65)
<b>Fines and Forfeits:</b>				
Court Fines and Costs	500.00	500.00	1,999.53	1,499.53
Parking Meter Fines	1,000.00	1,000.00	1,395.00	395.00
<b>Miscellaneous Revenue:</b>				
Investment Earnings	17,415.00	17,415.00	10,339.54	(7,075.46)
Rentals	84,710.00	84,710.00	81,825.14	(2,884.86)
Contributions and Donations from Private Sources	5,700.00	5,700.00	2,736.00	(2,964.00)
Other	100,025.00	100,025.00	70,556.92	(29,468.08)
<b>Total Revenue</b>	<b>1,901,389.00</b>	<b>1,901,389.00</b>	<b>2,444,059.37</b>	<b>542,670.37</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
Legislative	26,261.00	26,261.00	25,987.98	273.02
Contingency	25,000.00	25,000.00		
Amount Transferred		(25,000.00)		0.00
Executive	6,322.00	6,322.00	5,575.57	746.43
Elections	700.00	1,200.00	1,117.60	82.40
Financial Administration	38,143.00	44,793.00	24,983.68	19,809.32
Other	99,600.00	147,700.00	139,155.95	8,544.05
<b>Total General Government</b>	<b>196,026.00</b>	<b>226,276.00</b>	<b>196,820.78</b>	<b>29,455.22</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF FLANDREAU**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2020**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Expenditures (continued):</b>				
Public Safety:				
Police	726,923.00	726,923.00	723,020.77	3,902.23
Fire	73,983.00	73,983.00	70,373.21	3,609.79
Other Protection	4,050.00	5,350.00	4,747.34	602.66
Total Public Safety	804,956.00	806,256.00	798,141.32	8,114.68
Public Works:				
Highways and Streets	419,761.00	419,761.00	305,961.25	113,799.75
Airport	141,758.00	141,758.00	84,273.05	57,484.95
Cemeteries	14,514.00	16,514.00	16,379.96	134.04
Total Public Works	576,033.00	578,033.00	406,614.26	171,418.74
Health and Welfare:				
Health	7,600.00	7,600.00	7,600.00	0.00
Total Health and Welfare	7,600.00	7,600.00	7,600.00	0.00
Culture and Recreation:				
Recreation	156,870.00	156,870.00	33,524.71	123,345.29
Parks	173,898.00	203,898.00	186,913.93	16,984.07
Libraries	10,750.00	10,750.00	10,750.00	0.00
Auditorium	54,100.00	71,100.00	64,557.12	6,542.88
Museums	7,000.00	7,000.00	7,000.00	0.00
Total Culture and Recreation	402,618.00	449,618.00	302,745.76	146,872.24
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	68,000.00	68,000.00	66,230.00	1,770.00
Total Conservation and Development	68,000.00	68,000.00	66,230.00	1,770.00
Debt Service	124,543.00	124,543.00	124,541.50	1.50
Total Expenditures	2,179,776.00	2,260,326.00	1,902,693.62	357,632.38
Excess of Revenue Over (Under) Expenditures	(278,387.00)	(358,937.00)	541,365.75	900,302.75
<b>Other Financing Sources (Uses):</b>				
Transfers In	150,000.00	150,000.00	150,000.00	0.00
Sale of Municipal Property	26,000.00	26,000.00	4,800.00	(21,200.00)
Transfers Out	(4,000.00)	(4,000.00)	0.00	4,000.00
Total Other Financing Sources (Uses)	172,000.00	172,000.00	154,800.00	(17,200.00)
Net Change in Fund Balances	(106,387.00)	(186,937.00)	696,165.75	883,102.75
Fund Balance - Beginning	1,105,345.61	1,105,345.61	1,105,345.61	0.00
<b>FUND BALANCE - ENDING</b>	<b>998,958.61</b>	<b>918,408.61</b>	<b>1,801,511.36</b>	<b>883,102.75</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF FLANDREAU**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**3RD CENT SALES TAX FUND**  
**For the Year Ended December 31, 2020**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	32,000.00	32,000.00	31,574.30	(425.70)
Miscellaneous Revenue:				
Other	0.00	0.00	137.00	137.00
<b>Total Revenue</b>	<b>32,000.00</b>	<b>32,000.00</b>	<b>31,711.30</b>	<b>(288.70)</b>
<b>Expenditures:</b>				
Culture and Recreation:				
Auditorium	15,923.00	38,423.00	33,634.65	4,788.35
Total Culture and Recreation	15,923.00	38,423.00	33,634.65	4,788.35
<b>Total Expenditures</b>	<b>15,923.00</b>	<b>38,423.00</b>	<b>33,634.65</b>	<b>4,788.35</b>
<b>Net Change in Fund Balances</b>	<b>16,077.00</b>	<b>(6,423.00)</b>	<b>(1,923.35)</b>	<b>4,499.65</b>
<b>Fund Balance - Beginning</b>	<b>56,091.87</b>	<b>56,091.87</b>	<b>56,091.87</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>72,168.87</b>	<b>49,668.87</b>	<b>54,168.52</b>	<b>4,499.65</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF FLANDREAU**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes	618,000.00	618,000.00	604,046.00	(13,954.00)
General Sales and Use Taxes	680,000.00	680,000.00	688,075.26	8,075.26
Amusement Tax	300.00	300.00	180.00	(120.00)
Penalties and Interest on Delinquent Taxes	3,000.00	3,000.00	1,033.28	(1,966.72)
Licenses and Permits	14,430.00	14,430.00	14,634.00	204.00
<b>Intergovernmental Revenue:</b>				
Federal Grants	167,766.00	167,766.00	182,793.32	15,027.32
State Grants	28,000.00	28,000.00	2,592.83	(25,407.17)
<b>State Shared Revenue:</b>				
Bank Franchise Tax	2,500.00	2,500.00	5,082.53	2,582.53
Liquor Tax Reversion	15,000.00	15,000.00	15,256.52	256.52
Motor Vehicle Licenses	29,000.00	29,000.00	39,315.27	10,315.27
Local Government Highway and Bridge Fund	45,000.00	45,000.00	45,393.95	393.95
<b>County Shared Revenue:</b>				
County Road Tax	6,900.00	6,900.00	6,982.77	82.77
<b>Charges for Goods and Services:</b>				
Public Safety	48,845.00	48,845.00	48,954.36	109.36
Highways and Streets	0.00	0.00	255.00	255.00
Culture and Recreation	50,200.00	50,200.00	43,579.65	(6,620.35)
Cemetery	7,500.00	7,500.00	8,096.25	596.25
Other	3,460.00	3,460.00	3,422.31	(37.69)
<b>Fines and Forfeits:</b>				
Court Fines and Costs	500.00	500.00	1,098.26	598.26
Animal Control Fines	350.00	350.00	310.00	(40.00)
Parking Meter Fines	850.00	850.00	1,945.00	1,095.00
<b>Miscellaneous Revenue:</b>				
Investment Earnings	7,800.00	7,800.00	15,695.61	7,895.61
Rentals	81,920.00	81,920.00	73,559.85	(8,360.15)
Special Assessments	0.00	0.00	1,593.77	1,593.77
Contributions and Donations from Private Sources	13,800.00	13,800.00	54,667.97	40,867.97
Other	73,950.00	73,950.00	78,017.68	4,067.68
<b>Total Revenue</b>	<b>1,899,071.00</b>	<b>1,899,071.00</b>	<b>1,936,581.44</b>	<b>37,510.44</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
Legislative	24,161.00	24,161.00	21,893.88	2,267.12
Contingency	50,000.00	50,000.00		
Amount Transferred		(45,970.00)		4,030.00
Executive	5,972.00	5,972.00	5,128.77	843.23
Elections	700.00	700.00	0.00	700.00
Financial Administration	38,440.00	45,240.00	24,470.53	20,769.47
Other	65,250.00	114,250.00	120,496.63	(6,246.63)
<b>Total General Government</b>	<b>184,523.00</b>	<b>194,353.00</b>	<b>171,989.81</b>	<b>22,363.19</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF FLANDREAU**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Expenditures (continued):</b>				
Public Safety:				
Police	708,727.00	708,727.00	696,154.41	12,572.59
Fire	75,733.00	75,733.00	70,614.02	5,118.98
Other Protection	226,423.00	255,593.00	248,958.10	6,634.90
Total Public Safety	1,010,883.00	1,040,053.00	1,015,726.53	24,326.47
Public Works:				
Highways and Streets	355,496.00	355,496.00	349,365.59	6,130.41
Airport	66,589.00	66,589.00	42,084.77	24,504.23
Cemeteries	10,630.00	23,030.00	21,977.74	1,052.26
Total Public Works	432,715.00	445,115.00	413,428.10	31,686.90
Health and Welfare:				
Drug Education	7,600.00	7,600.00	7,600.00	0.00
Total Health and Welfare	7,600.00	7,600.00	7,600.00	0.00
Culture and Recreation:				
Recreation	163,887.00	163,887.00	156,171.64	7,715.36
Parks	150,807.00	150,807.00	141,747.91	9,059.09
Libraries	10,750.00	10,750.00	10,750.00	0.00
Auditorium	46,700.00	50,100.00	48,988.35	1,111.65
Museums	7,000.00	7,000.00	7,000.00	0.00
Total Culture and Recreation	379,144.00	382,544.00	364,657.90	17,886.10
Conservation and Development:				
Economic Development and				
Assistance (Industrial Development)	68,000.00	68,000.00	68,000.00	0.00
Total Conservation and Development	68,000.00	68,000.00	68,000.00	0.00
Debt Service	120,654.00	120,654.00	120,651.50	2.50
Total Expenditures	2,203,519.00	2,258,319.00	2,162,053.84	96,265.16
Excess of Revenue Over (Under)				
Expenditures	(304,448.00)	(359,248.00)	(225,472.40)	133,775.60
<b>Other Financing Sources (Uses):</b>				
Transfers In	150,000.00	150,000.00	150,000.00	0.00
Total Other Financing Sources (Uses)	150,000.00	150,000.00	150,000.00	0.00
Net Change in Fund Balances	(154,448.00)	(209,248.00)	(75,472.40)	133,775.60
Fund Balance - Beginning	1,186,133.04	1,186,133.04	1,186,133.04	0.00
Adjustments				
Prior Accounts Receivable	0.00	0.00	(5,315.03)	(5,315.03)
Adjusted Fund Balance - Beginning	1,186,133.04	1,186,133.04	1,180,818.01	(5,315.03)
FUND BALANCE - ENDING	1,031,685.04	976,885.04	1,105,345.61	128,460.57

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF FLANDREAU**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**3RD CENT SALES TAX FUND**  
**For the Year Ended December 31, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	30,000.00	30,000.00	36,515.87	6,515.87
Miscellaneous Revenue:				
Other	0.00	0.00	49.59	49.59
<b>Total Revenue</b>	<b>30,000.00</b>	<b>30,000.00</b>	<b>36,565.46</b>	<b>6,565.46</b>
<b>Expenditures:</b>				
Culture and Recreation:				
Auditorium	70,015.00	70,015.00	35,213.62	34,801.38
Total Culture and Recreation	70,015.00	70,015.00	35,213.62	34,801.38
<b>Total Expenditures</b>	<b>70,015.00</b>	<b>70,015.00</b>	<b>35,213.62</b>	<b>34,801.38</b>
<b>Net Change in Fund Balances</b>	<b>(40,015.00)</b>	<b>(40,015.00)</b>	<b>1,351.84</b>	<b>41,366.84</b>
<b>Fund Balance - Beginning</b>	<b>54,740.03</b>	<b>54,740.03</b>	<b>54,740.03</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>14,725.03</b>	<b>14,725.03</b>	<b>56,091.87</b>	<b>41,366.84</b>

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATIONSchedules of Budgetary Comparisons for the General Fund  
and for each major Special Revenue Fund with a legally required budget.NOTE 1. Budgets and Budgetary Accounting

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board/Municipality Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board/Municipality Commission, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. 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/Municipality Commission to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board/Municipality Commission.

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 and special revenue funds.

The Municipality did not encumber any amounts at December 31, 2019 and 2020.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP).

NOTE 2. GAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.



REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY (ASSET)

## South Dakota Retirement System

## Last Six Years

	2020	2019	2018	2017	2016	2015
Municipality's proportion of the net pension liability (asset)	0.0510471%	0.0523590%	0.0516145%	0.0506843%	0.0530645%	0.0548780%
Municipality's proportionate share of net pension liability (asset)	\$ (2,217)	\$ (5,549)	\$ (1,204)	\$ (4,600)	\$ 179,247	\$ (232,753)
Municipality's covered-employee payroll	\$ 1,009,896	\$ 1,002,046	\$ 967,284	\$ 929,160	\$ 914,977	\$ 898,605
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.22%	0.55%	0.12%	0.50%	19.59%	25.90%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

The amounts presented were determined as of the measurement date of the collective net pension liability (asset) which is 06/30 of previous fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

Last Six Years

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 65,851	\$ 70,919	\$ 65,599	\$ 63,313	\$ 60,182	\$ 59,542
Contributions in relation to the contractually required contribution	\$ 65,851	\$ 70,919	\$ 65,599	\$ 63,313	\$ 60,182	\$ 59,542
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipality's covered-employee payroll	\$ 981,069	\$ 1,067,531	\$ 981,042	\$ 953,490	\$ 907,465	\$ 899,964
Contributions as a percentage of covered-employee payroll	6.71%	6.64%	6.69%	6.64%	6.63%	6.62%

**Notes to Required Supplementary Information  
for the Two Year Period Ended December 31, 2020**  
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and  
Schedule of Pension Contributions.

**Changes from Prior Valuation**

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

The details of the changes since the last valuation are as follows:

**Benefit Provision Changes**

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

**Actuarial Assumption Changes**

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 2.03% as of June 30, 2018, 1.88% as of June 30, 2019, and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

**Actuarial Method Changes**

No changes in actuarial methods were made since the prior valuation.

**MUNICIPALITY OF FLANDREAU**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Two Years Ended December 31, 2020**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures 2019	Total Federal Expenditures 2020
Department of Agriculture:				
Direct Federal Funding:				
Community Facilities Loans and Grants (Note 3)	10.766		739,454.49	
<b>Total Department of Agriculture</b>			739,454.49	0.00
US Department of Housing and Urban Development				
Pass-Through Programs:				
SD Governor's Office of Economic Development, Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228			48,312.18
<b>Total US Department of Housing and Urban Development</b>			0.00	48,312.18
US Department of Interior:				
Indirect Federal Funding:				
SD Department of Game, Fish & Parks, Outdoor Recreation--Acquisition, Development and Planning	15.916	46-01466		18,000.00
<b>Total US Department of Interior</b>			0.00	18,000.00
Department of Transportation:				
Indirect Federal Funding:				
SD Department of Public Transportation, Airport Improvement Program	20.106		15,027.32	55,048.31
<b>Total Department of Transportation</b>			15,027.32	55,048.31
US Department of Treasury - Pass Through Programs:				
SD Bureau of Finance and Management, Coronavirus Relief Fund	21.019			516,815.53
<b>Total US Department of Treasury</b>			0.00	516,815.53
Department of Homeland Security:				
Indirect Federal Funding:				
SD Department of Public Safety, Office of Emergency Management: Disaster Grants - Public Assistance Grants	97.036		167,766.00	85,566.16
<b>Total Department of Homeland Security</b>			167,766.00	85,566.16
<b>GRAND TOTAL</b>			<b>922,247.81</b>	<b>723,742.18</b>

**Note 1: Basis of Presentation**

This accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Municipality under programs of the federal government for the years ended December 31, 2019 and 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Municipality, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipality.

**MUNICIPALITY OF FLANDREAU**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Two Years Ended December 31, 2020**  
**(Continued)**

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Municipality has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3: Major Federal Financial Assistance Program**

This represents a Major Federal Financial Assistance Program.

**Note 4: Federal Loan Program**

The Municipality had the following loan balances outstanding at December 31, 2020. These loan balances outstanding which have continuing compliance requirements are also included in the federal expenditures presented in the Schedule.

Cluster/Program Title	Federal CFDA Number	Amount Outstanding	Included as Federal Expenditure on this Schedule for 2019	Included as Federal Expenditure on this Schedule for 2020
USDA Rural Development Loan	10.766	7,042,085.44	739,454.49	0.00