

CANTON HOUSING & REDEVELOPMENT COMMISSION
CANTON, SOUTH DAKOTA

PUBLIC HOUSING PROGRAM
HUD PROJECT CODE: SD 039
ANNUAL CONTRIBUTION CONTRACT NUMBER: DEN 226

SECTION 8 EXISTING HOUSING CHOICE VOUCHER PROGRAM

FINANCIAL REPORT

FOR THE ONE YEAR ENDING JUNE 30, 2014

WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA

P.O. Box 262

Madison, South Dakota 57042

CANTON HOUSING & REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA

PROJECT CODE: SD 039
ANNUAL CONTRIBUTION CONTRACT NUMBER: DEN 226

TABLE OF CONTENTS TO THE FINANCIAL REPORT
FOR THE ONE YEAR ENDING JUNE 30, 2014

FINANCIAL SECTION

- 1 Independent Auditor's Report
- 3 Management's Discussion and Analysis
(Required Supplementary Information)
- Fund Financial Statements - Enterprise Funds:
 - 7 Statement of Net Position
 - 8 Statement of Revenues, Expenses, and Changes in Net Position
 - 9 Statement of Cash Flows
- 10 Notes to the Financial Statements

SUPPLEMENTARY INFORMATION

- Financial Data Schedules For the One Year Ending September 30, 2014:
(Required by the Dept. of Housing and Urban Development)
- 18 Public Housing Program
- 20 Section-8 Existing Housing Choice Voucher Program
- 22 Schedule of Expenditures of Federal Awards

GOVERNMENTAL SECTION

- 23 Report on Compliance and Other Matters and on Internal Control over
Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
- 25 Schedule of Prior Audit Findings
- 25 Schedule of Current Audit Findings and Responses

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

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042
605.483.3225

Board of Commissioners
Canton Housing & Redevelopment Commission
Canton, South Dakota

Independent Auditor's Report

Report on the Financial Statements

I have audited the accompanying financial statements of each major fund of the Canton Housing & Redevelopment Commission (Commission), a component unit of the City of Canton, Lincoln County, South Dakota, as of and for the one year ending June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Canton Housing & Redevelopment Commission, a component unit of the City of Canton, South Dakota as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year 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 Management's Discussion and Analysis (page 3 to 6) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters - Other Supplementary Information

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

The financial data schedules (page 18 to 21) are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development, and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards (page 22) is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The financial data schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the financial data schedules and the schedule of expenditures of federal awards are 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*, I have also issued my report dated January 15, 2015 (page 23) on my tests of its compliance with certain provisions of laws, regulations, contracts, and other matters and my consideration of the Commission's internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's compliance and internal control over financial reporting.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota
January 15, 2015



CANTON HOUSING and REDEVELOPMENT COMMISSION COLONIAL VILLAGE
Canton, South Dakota

Management's Discussion and Analysis

June, 30 2014

Management's Discussion and Analysis (MD&A) is a reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June 1999.

Our discussion and analysis of the Canton Housing and Redevelopment Commission Colonial Village (herein referred to as "the housing commission"), Canton, South Dakota, financial performance provides an overview of the housing commission's financial activities for the fiscal year ended June, 30 2014. Please read the MD&A in conjunction with the housing commission's financial statements.

For accounting purposes, the housing commission is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

Financial Highlights

Total assets of the housing commission for the year ended June, 30 2014 were \$474,139. Total liabilities were \$29,547. Total assets exceeded total liabilities by \$444,592 (net position).

Unrestricted net position totals \$214,082. This is the amount of the Authority's reserve.

Total operating and non-operating revenue for the year ended June, 30 2014, was \$386,663 and expenses totaled \$410,717, expenses exceeded revenue by \$24,054.

Overview of the Financial Statements

This annual report includes this Management Discussion and Analysis report, the Basic Financial Statements and the Notes to the Financial Statements. The housing commission's financial statements are presented as program level financial statements because the housing commission only has proprietary funds.

The financial statements report information of the housing commission using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the housing commission's activities. The Statement of Net Position includes all the housing commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the housing commission's creditors (liabilities). It also provides the basis for evaluating the capital structure of the housing commission and assessing the liquidity and financial flexibility of the housing commission.

All of the current year's revenues and expenses are accounted for in the Statement of Changes in Net Position. This statement measures the success of the housing commission's operations over the past year and can be used to determine whether the housing commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

The housing commission's basic financial statements are the Statement of Net Position and the Statement of Changes in Net Position. The Statement of Net Position provides a summary of the housing commission's assets and liabilities as of the close of business on June, 30 2014. The Statement of Changes in Net Position also summarizes the revenues and sources of those revenues, and expenses incurred in operating the housing commission for the year ended June, 30 2014.

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income.

Capital Fund Program- The Capital Fund Program is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Housing Assistance Payment (HAP) to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Statement of Net Position

	2014	2013	Change
Current and Other Assets	\$ 271,608	\$ 260,345	\$ 11,263
Capital Assets	202,531	232,341	(29,810)
Total Assets	\$ 474,139	\$ 492,686	\$ (18,547)
Current and Other Liabilities	\$ 29,547	\$ 24,040	\$ 5,507
Long-Term Liabilities	-	-	-
Total Liabilities	29,547	24,040	5,507
Invested in Capital Assets	202,531	232,341	(29,810)
Restricted Net Position	27,979	34,238	
Unrestricted Net Position	214,082	202,067	12,015
Total Net Positions	444,592	468,646	(17,795)
Total Liabilities and Net Position	\$ 474,139	\$ 492,686	\$ (12,288)

Comparative Statement of Revenues, Expenses and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Revenues:			
Tenant Revenue	\$ 73,462	\$ 66,954	\$ 6,508
Federal grants and subsidies	306,184	299,105	7,079
Investment Income	2,713	7,349	(4,636)
Gain (Loss) on sale of Cap. Assets			
Other Revenues	<u>4,304</u>	<u>6,099</u>	<u>(1,795)</u>
Total Revenues	<u>386,663</u>	<u>379,507</u>	<u>7,156</u>
Expenses:			
Administrative	80,878	74,151	6,727
Tenant Services	2,621	2,823	(202)
Utilities	16,740	15,522	1,218
Maintenance	17,424	29,926	(12,502)
General	13,080	12,404	676
Extraordinary Maintenance	-	28	
HAP	247,850	247,174	
Depreciation	<u>32,124</u>	<u>32,696</u>	<u>(572)</u>
Total Expenses	<u>410,717</u>	<u>414,724</u>	<u>(4,655)</u>
Change in Net Position	(24,054)	(35,217)	11,163
Beginning Net Positions	<u>468,646</u>	<u>503,863</u>	<u>(35,217)</u>
Ending Net Position	<u>\$ 444,592</u>	<u>\$ 468,646</u>	<u>\$ (24,054)</u>

Federal grants total \$306,184.

Capital Assets

**Capital Assets at Year-end
(Net of Accumulated Depreciation)**

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Land	\$ 25,811	\$ 25,811	\$ -
Buildings	774,529	772,939	1,590
Furniture Equipment & Machinery	19,584	20,925	(1,341)
Furniture, Quip & Mach. Dwelling	15,656	15,303	
Constuction in Progress	-	-	-
Subtotal	835,580	834,978	249
Accumulated Depreciation	<u>(633,049)</u>	<u>(602,638)</u>	<u>(30,411)</u>
Capital Assets, Net	<u>\$ 202,531</u>	<u>\$ 232,340</u>	<u>\$ (30,162)</u>

Long Term Debt

The housing commission has no long-term debt.

Economic Factors

The housing commission is primarily dependent upon HUD for the funding of operations; therefore, the housing commission is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the federal budget for the current year (and future years).

Contacting the housing commission's Financial Management

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the housing commission's finances and to show the housing commission's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Dotti Koppel, Executive Director, at Canton Housing and Redevelopment Commission Colonial Village, 903 W. 5th St., Canton, South Dakota 57013 -- (605) 764-5722

CANTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA
CANTON, SOUTH DAKOTA

Project Code: SD 039
Annual Contribution Contract Number: DEN 226

STATEMENT OF NET POSITION
ENTERPRISE FUNDS AS OF JUNE 30, 2014

ASSETS	Public	Section-8	Totals
	Housing	Existing Housing	
	Fund	Choice Voucher	
	Fund	Fund	
Current assets:			
Cash:			
Checking	43,897.33	7,900.38	51,797.71
Checking - security deposits	6,896.00		6,896.00
Checking - HAP		27,979.46	27,979.46
Total cash	50,793.33	35,879.84	86,673.17
Certificates of deposit	167,802.50	15,143.15	182,945.65
Accounts receivable - tenants	270.00		270.00
Allowance for doubtful accounts - tenants	(202.50)		(202.50)
Accrued interest receivable	377.06	13.50	390.56
Due from Section 8	4,595.20		4,595.20
Prepaid insurance	1,531.00		1,531.00
Total current assets	225,166.59	51,036.49	276,203.08
Capital assets:			
Land	25,811.20		25,811.20
Buildings	766,312.79		766,312.79
Improvements	8,216.58		8,216.58
Equipment - dwellings	15,656.17		15,656.17
Equipment - administration	19,174.79	408.99	19,583.78
Accumulated depreciation	(632,640.16)	(408.99)	(633,049.15)
Total capital assets	202,531.37	0.00	202,531.37
Total assets	427,697.96	51,036.49	478,734.45
LIABILITIES			
Current liabilities:			
Accounts payable	2,664.91		2,664.91
Accounts payable - HUD		455.00	455.00
Accrued salary and benefits payable	4,200.50		4,200.50
Payroll taxes payable	1,248.68		1,248.68
Due to Public Housing		4,595.20	4,595.20
Tenant security deposits	6,896.00		6,896.00
Accrued payment in lieu of taxes	5,672.24		5,672.24
Accrued liabilities - other	1,341.63		1,341.63
Prepaid rent	242.00		242.00
Total current liabilities	22,265.96	5,050.20	27,316.16
Noncurrent liabilities:			
Accrued compensated absences	6,825.82		6,825.82
Total liabilities	29,091.78	5,050.20	34,141.98
NET POSITION			
Net invested in capital assets	202,531.37		202,531.37
Restricted - Excess HAP		27,979.46	27,979.46
Unrestricted	196,074.81		196,074.81
Unrestricted - Post 2003 administrative f		18,006.83	18,006.83
Total net position	398,606.18	45,986.29	444,592.47

See accompanying notes.

CANTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA
CANTON, SOUTH DAKOTA

Project Code: SD 039
Annual Contribution Contract Number: DEN 226

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
ENTERPRISE FUNDS FOR THE YEAR ENDING JUNE 30, 2014

	Public Housing Fund	Section-8 Existing Housing Choice Voucher Fund	Totals
Operating revenues:			
Dwelling rents	73,462.00		73,462.00
Fraud recovery		306.00	306.00
Fraud recovery - HUD		306.00	306.00
O/I Damage	991.80		991.80
Other income	1,758.75	12,907.67	14,666.42
Total operating revenues	76,212.55	13,519.67	89,732.22
Operating expenses:			
Administration	41,240.51	39,637.34	80,877.85
Tenant services	2,620.58		2,620.58
Utilities	16,739.65		16,739.65
Maintenance and operations	17,424.43		17,424.43
General expenses	10,982.24	1,642.90	12,625.14
Depreciation	32,124.13		32,124.13
Rent to landlords (HAP)		247,850.00	247,850.00
Rent to landlords (HAP) - portable		11,966.00	11,966.00
Total operating expenses	121,131.54	301,096.24	422,227.78
Operating income (loss):	(44,918.99)	(287,576.57)	(332,495.56)
Nonoperating revenues (expenses):			
Operating grant - HUD	15,093.00		15,093.00
Operating grant - HUD - HAP		241,940.00	241,940.00
Operating grant - HUD - Admin fees		34,174.00	34,174.00
Interest earned	2,504.02	209.03	2,713.05
Total nonoperating revenues (expenses):	17,597.02	276,323.03	293,920.05
Net income (loss) before capital contributions	(27,321.97)	(11,253.54)	(38,575.51)
HUD capital grants (for operations)	14,977.00		14,977.00
Change in net position	(12,344.97)	(11,253.54)	(23,598.51)
Total net position:			
July 1, 2013	410,951.15	57,694.83	468,645.98
Prior period adjustment:			
Interest earned on invested NRP balances		(455.00)	(455.00)
July 1, 2013, adjusted	410,951.15	57,239.83	468,190.98
June 30, 2014	398,606.18	45,986.29	444,592.47

See accompanying notes.

CANTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA
CANTON, SOUTH DAKOTA

Project Code: SD 039
Annual Contribution Contract Number: DEN 226

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS FOR THE YEAR ENDING JUNE 30, 2014

	Public Housing Fund	Section-8 Existing Housing Choice Voucher Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Dwelling rents	73,255.00		73,255.00
Security deposits, net change	820.00		820.00
Other receipts	2,750.55	13,519.67	16,270.22
Payroll and related payments	(39,248.05)	(31,349.00)	(70,597.05)
Vendor payments	(45,311.40)	(269,747.24)	(315,058.64)
Net cash provided (used) by operating activities	(7,733.90)	(287,576.57)	(295,310.47)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating grant - HUD	15,093.00	276,114.00	291,207.00
Capital grant (for operations) - HUD	14,977.00		14,977.00
Due (from) to other fund	(5,374.67)	5,374.67	0.00
Net cash provided (used) by non-capital financing	24,695.33	281,488.67	306,184.00
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Cash paid for buildings	(1,589.89)		(1,589.89)
Cash paid for equipment - dwellings	(724.92)		(724.92)
Net cash provided (used) by capital financing activities	(2,314.81)	0.00	(2,314.81)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	3,990.47	359.05	4,349.52
Redeem certificate of deposit	26,523.17		26,523.17
Purchase certificates of deposit	(3,971.61)	(341.49)	(4,313.10)
Net cash provided (used) by investing activities	26,542.03	17.56	26,559.59
Net increase (decrease) in cash and cash equivalents	41,188.65	(6,070.34)	35,118.31
Cash - July 1, 2013	9,604.68	41,950.18	51,554.86
Cash - June 30, 2014	50,793.33	35,879.84	86,673.17
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	(44,918.99)	(287,576.57)	(332,495.56)
Adjustments required for reconciliation:			
Depreciation expense	32,124.13		32,124.13
Change in:			
Accounts receivable	9.00		9.00
Prepaid rent	(216.00)		(216.00)
Accounts payable	1,033.21	455.00	1,488.21
Accrued payroll and benefits	2,701.71		2,701.71
Accrued expenses	713.04		713.04
Tenant security deposits	820.00		820.00
Prior period equity adjustment	0.00	(455.00)	(455.00)
Net cash provided (used) by operating activities	(7,733.90)	(287,576.57)	(295,310.47)

Noncash investing, capital and financing activities: None

See accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity:

The funds included in this report are controlled by or dependent upon the Canton Housing & Redevelopment Commission's (Commission) Governing Board. The Commission is a component unit of the City of Canton, South Dakota.

The Commission was organized pursuant to the Municipal Housing and Redevelopment Act of South Dakota as a public housing agency formed to provide financial assistance for low income public housing pursuant to the United States Housing Act of 1937, (42 U.S.C., 1401, et seq.). The Mayor and City Council appoint the five members of the governing board for five-year staggered terms. The Commission elects its own chairperson and recruits and employs its management personnel and other workers.

At June 30, 2014, the Commission's officials were:

Mayor, City of Canton
Charles Smith

Executive Director:
Dorothy Koupal

Board of Commissioners:
Jack Suter, Chairman
Jan Hamann
Kathy Hill
Don Pottratz
Shirley Temple

Attorney:
Frieberg, Nelson & Ask, LLP

The Commission administers two low-income housing assistance payment (HAP) programs - a low income "Conventional Public Housing Program" and a Section 8 Existing Housing Choice Voucher Program. The U.S. Dept. of Housing and Urban Development (HUD) funds these programs with tenant rent subsidizes and capital grants. The Commission inspects properties to see that they are kept within HUD guidelines.

Under the Conventional Public Housing Program, the Commission rents 20 housing units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides operating subsidy and capital grant funding to enable the Commission to provide housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical improvements to the Commission's property.

Under the Housing Choice Voucher Program, the Commission administers contracts with independent landlords who own the rental property. The Commission subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. Generally, the HAP payment to the landlord is the fair market rent less the family's share, which is usually set at 30% of the family's household income.

The Commission administers these HAP programs for the City of Canton, SD.

The Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

b. Basis of Presentation:

The accounts are organized on the basis of a fund, which is considered a separate accounting entity. Operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. The fund in this financial report is classified as an "enterprise" fund type.

Enterprise funds:

Enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The Commission maintains "Conventional Public Housing" and "Section-8 Existing Housing Choice Vouchers" enterprise funds to account for the rents and management fees it collects to operate its rental and voucher operations and related capital projects. Both of these funds are considered major funds.

c. Measurement Focus and Basis of Accounting:

Measurement focus refers to what financial resources make up a fund. Basis of accounting refers to when revenues and expenses are recognized by a fund and reported in the financial statements.

Enterprise Funds:

Measurement Focus - All enterprise funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with a fund are included in its statement of net position. Enterprise fund operating statements present increases (revenues) and decreases (expenses) in total net position.

Basis of Accounting - All enterprise funds are accounted for using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash is received or paid. Revenues from grants, entitlements, and donations are recognized in the year in which all eligibility requirements are satisfied.

d. Capital Assets and Depreciation:

Capital assets must cost at least \$500. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date donated.

Approximately 0% of the June 30, 2014 enterprise fund capital assets are determined by estimates of historical cost.

The cost of normal maintenance and repairs that do not add value of the assets, or materially extend asset lives, are not capitalized. Improvements that add value, or materially extend asset lives, are capitalized.

Depreciation of all exhaustible capital assets used by the enterprise funds is charged as an expense against that fund's operation. Depreciation has been provided over estimated useful life using the straight-line method. Buildings and improvements are given a useful life of 5 to 40 years. Equipment is given a useful life of 5 to 15 years. Accumulated depreciation is reported on the statement of net position.

Interest cost incurred during construction of capital assets is capitalized along with other capital asset costs.

e. Operating and Nonoperating Revenues:

Operating revenues are those associated with tenant activity such as rents, utilities, and laundry. Nonoperating revenues are those not associated with tenant activity such as the HUD subsidy, interest income and interest expense.

Tenant rent generally is based on the higher of 30% of their adjusted gross income (based on HUD guidelines) or 10% of their gross income. HUD pays the remainder of the rent either through public housing program subsidies or through a Housing Assistance Payment (HAP) based on a voucher.

f. Net Position Classifications:

Net position is displayed in three components:

1. Net Invested in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation 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 by either (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - All other net position that do not meet the criteria of 1 or 2 above.

g. Application of Net Position:

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

h. Interfund Transactions:

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

i. Accounting Estimates:

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

- * Allowance for doubtful accounts -- estimated uncollectables
- * Depreciation -- estimated service lives

2. CASH, DEPOSITS, INVESTMENTS AND CASH FLOWS

Deposits - The Commission deposits are made in qualified public depositories as defined by SDCL 4-6A-1. 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 that

exceed deposit insurance such as 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 better, or a qualified public depository may furnish a corporate surety bond from a corporation authorized to do business in South Dakota.

Deposits are reported at costs, plus interest, if the account is of the add-on type.

The actual bank balances at June 30, 2014 were: Insured \$269,750.12 and Collateralized** \$0.00 for a total of \$269,750.12.

** Uninsured, collateral jointly held by state's/Commission's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at June 30, 2014 was \$269,618.82.

Investments - In general, SDCL 11-7-31 permits Housing & Redevelopment Commission funds "...to invest any funds held in reserves or debt service funds, or any funds not required for immediate disbursement, in property or securities in which savings banks may legally invest funds subject to their control."

Additionally, SDCL 4-5-6 permits Housing & Redevelopment Commission 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 safe-keeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

The Commission had no investments during the year ending June 30, 2014 because certificates of deposit are insured or collateralized.

Investment Risk - State law limits eligible investments for the Commission as discussed above. The Commission has no investment policy that would further limit its investment choices.

Interest Rate Risk - The Commission 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. All certificates of deposits are at fixed interest rates for a specified term.

Concentration of Credit Risk - The Commission places no limit on the amount that may be deposited or invested in any one institution. At June 30, 2014 all of the Commission's cash and certificates of deposit are deposited in Farmers State Bank of Canton.

Credit Risk - The Commission had no credit risks because the Commission had no investments during the year ending June 30, 2014.

Custodial Risk - The risk that, in the event of a depository failure, the Commission's deposits may not be returned to it. At June 30, 2014, the Commission's deposits in financial institutions were not exposed to custodial credit risk because all deposits are fully FDIC insured.

Restricted Cash - The Commission has restricted checking account cash to make Housing Assistance Payments (HAP) for the Existing Housing Choice Voucher program, with a restricted book balance of \$27,979.46 at June 30, 2014.

Cash Flows - For the purposes of the statement of cash flows, the Commission considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents.

3. RECEIVABLES AND PREPAID EXPENSES

Receivables are not aggregated in these financial statements. The Commission expects to collect all receivables within one year.

The premiums on all major insurance policies are charged to prepaid insurance and amortized (expensed) over the life of the policy on a monthly basis.

4. PAYABLES, ACCRUED EXPENSES, AND SECURITY DEPOSITS

Payables are not aggregated in these financial statements. Payables are for amounts due to vendors and contractors of \$2,664.91. Tenant security deposits of \$6,896.00 is payable from checking cash.

5. CHANGES IN CAPITAL ASSETS (see schedule one)

A summary of the changes in capital assets for the one year ending June 30, 2014 is presented in schedule one at the end of these footnotes.

At June 30, 2014 the Commission had invested \$202,531.37 in land, buildings, improvements, and equipment. This is a net decrease (including additions and deductions) of \$29,809.32 or 12.83% from June 30, 2013.

During the year ending June 30, 2014 the Commission made the following significant capital asset additions and deletions.

Flooring in unit #18	1,589.89
Replace 2 ranges	724.92
Depreciation	(32,124.13)
Obsolete items removed	(1,712.57)
Related depreciation removed	1,712.57

Net decrease	(29,809.32)

There is no construction-in-progress at June 30, 2014.

6. CHANGES IN LONG-TERM DEBT

The Commission has no debt. It does, however, accrue long-term accrued leave which increased by \$2,692.59 to \$6,825.82 in FY14. Accrued leave is paid by the Public Housing Fund.

7. INTERPROGRAM BALANCES

The cost associated with administration are prorated between Public Housing and the Existing Housing Choice Voucher programs using a revolving account. The proration is determined monthly, set up as a receivable or payable, and collected or paid in the following month.

8. PRE-2004 EARNINGS - EXISTING HOUSING CHOICE VOUCHER PROGRAM

HUD guidelines allow pre-2004 earnings from the Existing Housing Choice Voucher Program to be donated to community organizations. Earnings from 2004 and thereafter cannot be donated to community organizations. During the year ending June 30, 2014 the Commission's pre-2004 earnings of \$3,976.89 were use up.

9. SECTION-8 VOUCHER NET POSITION

A recap of the Section-8 Voucher Net Position is as follows:

	Restricted (HAP Equity)	Post-2003 Unrestricted (Administration)	Pre-2004 Unrestricted (Community)
HUD - HAP	241,940.00		
HUD - administrative fees		34,174.00	
Other income - portables	12,907.67		
HAP to landlords	(247,850.00)		
HAP to landlords - portables	(11,966.00)		
Portables - administrative fee	(941.67)	941.67	
Administration expenses		(35,660.45)	(3,976.89)
General expenses		(1,642.90)	
Interest earned		209.03	
Fraud recovery	306.00	306.00	
Prior period adjustment (interest)	(655.00)	200.00	
	-----	-----	-----
Change in net position	(6,259.00)	(1,472.65)	(3,976.89)
Net Position:			
June 30, 2013	34,238.46	19,479.48	3,976.89
	-----	-----	-----
June 30, 2014	27,979.46	18,006.83	0.00
	=====	=====	=====

10. PAYMENTS IN LIEU OF TAXES

Housing and Redevelopment Commissions do not pay property taxes based on normal property value assessments and tax levies for real property owned by the Commissions. Instead, they make payments in lieu of taxes (PILOT) based on 10% of gross rents less utility costs.

Payments in lieu of taxes for the year ending June 30, 2014 were determined as follows:

	Total	Public Housing	Section-8 Vouchers
Rental income	\$ 73,462.00	\$ 73,462.00	\$ 0.00
Less: allowable utility costs	(16,739.65)	(16,739.65)	0.00
	-----	-----	-----
Net shelter rent	\$ 56,722.35	\$ 56,722.35	\$ 0.00
	=====	=====	=====
PILOT for FY14 (10% of net shelter rent)	\$ 5,672.24	\$ 5,672.24	\$ 0.00
	=====	=====	=====

11. RETIREMENT PLAN

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

Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The Commission's share of required contributions to the SDRS for the years ending June 30, 2014, 2013 and 2012 were \$3,497.33 \$2,821 and \$2,599 respectively (employer's share) equal to the required contribution.

12. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees' and natural disasters. During the year ending June 30, 2014 the Commission managed its risks as follows:

Health insurance:

The Commission maintains health insurance through a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability, fire, and worker's compensation insurance:

The Commission maintains liability, fire, and worker's compensation insurance through a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment benefits:

The Commission maintains unemployment insurance through the State of South Dakota. No unemployment benefits were paid during the year ending June 30, 2014 and no payments are expected in the near future.

13. COMMITMENTS AND CONTINGENCIES

Litigation: At June 30, 2014 the Commission was not involved in any threatened litigation.

Examinations: The Commission is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing grants given to the Commission in the current and prior years. For the June 30, 2013 year the Commission received a score of 93 from HUD's Section 8 Management Assessment Program (SEMAP) review of the Commission.

Grant Disallowances: Amounts received or receivable from HUD are subject to audit and adjustments by HUD. Any disallowed claims, including amounts already collected, may constitute a liability of the Commission. The amounts, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Commission expects such amounts, if any, to be immaterial.

14. ECONOMIC DEPENDENCY

For the June 30, 2014 year the Commission receives approximately 75% of its revenue from HUD. If the amount of revenue received from HUD falls below critical levels, the Commission's operations could be adversely affected.

15. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

HUD requires the Commission to account for money recovered from tenants for misrepresentation or other actions as fraud recovery. Fraud recovery is shared equally between the Commission and HUD.

In FY15 the Commission implemented a policy to increase flat rents to 80% of HUD guidelines.

CANTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
CHANGES IN CAPITAL ASSETS
FOR THE YEAR ENDING JUNE 30, 2014

	Beginning 6-30-13	Book Adjustments	Additions	(Deletions)	Ending 6-30-14	Accumulated Depreciation 6-30-13	Book Adjustments	(Additions)	Delations	Ending 6-30-14	Remaining Cost 6-30-14
Public Housing:											
Land	25,811.20				25,811.20	-				-	25,811.20
Buildings	764,722.90		1,589.89		766,312.79	(571,658.40)		(27,877.75)		(599,536.15)	166,776.64
Improvements	8,216.58				8,216.58	(3,286.62)		(547.77)		(3,834.39)	4,382.19
Equipment - dwellings	15,303.07		724.92	(371.82)	15,656.17	(10,217.85)		(1,643.23)	371.82	(11,489.26)	4,166.91
Equipment - administration	20,515.54			(1,340.75)	19,174.79	(17,065.73)		(2,055.38)	1,340.75	(17,780.36)	1,394.43
	<u>834,569.29</u>	<u>-</u>	<u>2,314.81</u>	<u>(1,712.57)</u>	<u>835,171.53</u>	<u>(602,228.60)</u>	<u>-</u>	<u>(32,124.13)</u>	<u>1,712.57</u>	<u>(632,640.16)</u>	<u>202,531.37</u>
Section-8 Existing Housing Choice Voucher:											
Buildings	-				-	-				-	-
Improvements	-				-	-				-	-
Equipment - dwellings	-				-	-				-	-
Equipment - administration	408.99				408.99	(408.99)				(408.99)	-
	<u>408.99</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>408.99</u>	<u>(408.99)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(408.99)</u>	<u>-</u>

CANTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA
JUNE 30, 2014

Financial Data Schedule

Financial Data Schedule (FDS)		Audit		Low Rent	Public
For the One Year Ending June 30, 2014				Public	Housing
Required by the Dept. of Housing				Housing	Capital Fund
and Urban Development (HUD)				Program	Program
Line		Low Rent	Reclass	CFDA #	CFDA #
Item #		Public		14.850	14.872
-----	ASSETS	Housing		6-30-14	6-30-14
		6-30-14			
	Current assets:				
111.00	Cash - unrestricted	43,897		43,897	
114.00	Cash - tenant security deposits	6,896		6,896	
126.00	Accounts receivable - tenant	270		270	
126.10	Allowance for doubtful accts - tenants	(202)		(202)	
129.00	Accrued interest receivable	377		377	
131.00	Investments - unrestricted	167,803		167,803	
142.00	Prepaid expenses and other assets	1,531		1,531	
144.00	Interprogram due from	4,595		4,595	
		-----	-----	-----	-----
150.00	Total current assets:	225,167	0	225,167	0
		-----	-----	-----	-----
	Noncurrent assets:				
161.00	Land	25,811		25,811	
162.00	Buildings and improvements	774,529		774,529	
163.00	Furniture, equipment - dwellings	15,656		15,656	
164.00	Furniture, equipment - administration	19,175		19,175	
166.00	Accumulated depreciation	(632,640)		(632,640)	
		-----	-----	-----	-----
160.00	Total non-current assets:	202,531	0	202,531	0
		-----	-----	-----	-----
		-----	-----	-----	-----
190.00	Total assets	427,698	0	427,698	0
		=====	=====	=====	=====
	LIABILITIES				
	Current liabilities:				
312.00	Accounts payable <= 90 days	2,665		2,665	
321.00	Accrued wage/payroll taxes	1,249		1,249	
322.00	Accrued compensated absences - current	4,200		4,200	
333.00	Accounts payable - other government	5,672		5,672	
341.00	Tenant security deposits	6,896		6,896	
342.00	Unearned revenue	242		242	
346.00	Accrued liabilities - other	1,342		1,342	
		-----	-----	-----	-----
310.00	Total current liabilities	22,266	0	22,266	0
		-----	-----	-----	-----
	Noncurrent liabilities:				
354.00	Accrued compensated absences	6,826		6,826	
		-----	-----	-----	-----
300.00	Total liabilities	29,092	0	29,092	0
		-----	-----	-----	-----
	NET POSITION				
508.10	Net invested in capital assets	202,531		202,531	
512.10	Unrestricted net position	196,075		196,075	
		-----	-----	-----	-----
513.00	Total net position	398,606	0	398,606	0
		-----	-----	-----	-----
		-----	-----	-----	-----
	Total liabilities and net position	427,698	0	427,698	0
		=====	=====	=====	=====

CANTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA
JUNE 30, 2014

Financial Data Schedule

Financial Data Schedule (FDS)
For the One Year Ending June 30, 2014
Required by the Dept. of Housing
and Urban Development

Line Item #	Audit	Reclass	Low Rent Public Housing Program CFDA # 14.850 6-30-14	Public Housing Capital Fund Program CFDA # 14.872 6-30-14
REVENUE				
703.00	Net tenant rental revenue	73,462	73,462	
706.00	HUD PHA operating grant	0	15,093	14,977
711.00	Investment income - unrestricted	0	2,504	
715.00	Other revenue	2,751	2,751	
700.00	Total revenue	76,213	93,810	14,977
EXPENSES				
Administrative:				
911.00	Salaries	24,569	2,428	22,141
912.00	Auditing fees	2,000		2,000
915.00	Employee benefit contributions	7,578		7,578
916.00	Office expense	5,186		5,186
918.00	Travel	347		347
919.00	Other revenue	1,560		1,560
921.00	Tenant services - salaries	2,280		2,280
924.00	Tenant services - other	341		341
931.00	Utilities - Water	1,165		1,165
932.00	Utilities - Electricity	7,837		7,837
933.00	Utilities - Gas	5,970		5,970
936.00	Utilities - Sewer	1,768		1,768
Expenses - ordinary maint. & operation:				
941.00	Labor	7,005		7,005
942.00	Materials and other	1,443		1,443
943.00	Contract costs	8,460		8,460
945.00	Employee benefit contributions	517		517
Expenses - general:				
961.10	Property insurance	3,914		3,914
961.20	Liability insurance	739		739
961.30	Workmen's Compensation	657		657
962.10	Compensated absences	0	(2,428)	2,428
963.00	Payment in lieu of taxes	5,672		5,672
964.00	Bad debt - tenant rents	0		0
Other expenses:				
974.00	Depreciation	32,124		32,124
900.00	Total expenses	121,132	0	121,132
Other financing sources (uses):				
706.00	HUD PHA operating grant	15,093	15,093	
711.00	Investment income - unrestricted	2,504	2,504	
100.10	Operating transfer in	0	(14,977)	14,977
100.20	Operating transfer out	0	14,977	(14,977)
101.00	Total other financing sources (uses):	17,597	17,597	14,977
Net income (loss) before contributions, extraordinary item, losses, and transfers				
		(27,322)	(14,977)	(12,345)
706.10	HUD capital grants	14,977	14,977	0
Change in net position				
		(12,345)	0	(12,345)
110.30	NET POSITION - beginning	410,951		410,951
513.00	NET POSITION - ending	398,606	0	398,606

CANTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA
JUNE 30, 2014

Financial Data Schedule (FDS)

For the One Year Ending June 30, 2014
Required by the Dept. of Housing
and Urban Development (HUD)

Financial Data Schedule

Line Item #	ASSETS	Audit		Financial Data Schedule	
		Section-8 Housing Choice Vouchers 6-30-14	Reclass	Section-8 Housing Choice Vouchers CFDA # 14.871 6-30-14	Formula Capital Fund Stimulus Program CFDA # 14.885 6-30-14
	Current assets:				
111.00	Cash - unrestricted	7,901		7,901	
113.00	Cash - restricted	27,979		27,979	
129.00	Accrued interest receivable	13		13	
131.00	Investments - unrestricted	15,143		15,143	
150.00	Total current assets:	51,036	0	51,036	0
	Noncurrent assets:				
162.00	Buildings	0		0	
163.00	Furniture, equipment - dwellings	0		0	
164.00	Furniture, equipment - administration	409		409	
166.00	Accumulated depreciation	(409)		(409)	
160.00	Total non-current assets:	0	0	0	0
190.00	Total assets	51,036	0	51,036	0
	LIABILITIES				
	Current liabilities:				
331.00	Accounts payable - HUD PHA programs	455		455	
347.00	Interprogram - Due to	4,595		4,595	
310.00	Total current liabilities	5,050	0	5,050	0
	Noncurrent liabilities:				
	None	0		0	
300.00	Total liabilities	5,050	0	5,050	0
	NET POSITION				
508.10	Net invested in capital assets	0		0	
511.10	Restricted net position	27,979		27,979	
512.10	Unrestricted net position	18,007		18,007	
513.00	Total net position	45,986	0	45,986	0
	Total liabilities and net position	51,036	0	51,036	0

CANTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA
JUNE 30, 2014

Financial Data Schedule

Financial Data Schedule (FDS)
For the One Year Ending June 30, 2014
Required by the Dept. of Housing
and Urban Development

Line Item #	Audit	Section-8 Housing Choice Vouchers 6-30-14	Reclass	Financial Data Schedule	
				Section-8 Housing Choice Vouchers CFDA # 14.871 6-30-14	Formula Capital Fund Stimulus Program CFDA # 14.885 6-30-14
REVENUE					
706.00	HUD operating grant (HAP)	0	(276,114)	276,114	
711.00	Investment income - unrestricted	0	(76)	76	
714.00	Fraud recovery	612		612	
715.00	Other revenue	12,908		12,908	
700.00	Total revenue	13,520	(276,190)	289,710	0
EXPENSES					
Expenses - administrative:					
911.00	Salaries	23,557		23,557	
912.00	Auditing fees	1,000		1,000	
915.00	Employee benefit contributions	7,792		7,792	
916.00	Office expense	3,171		3,171	
918.00	Travel	714		714	
919.00	Other	3,404		3,404	
Expenses - general:					
961.20	Liability insurance	792		792	
961.30	Workmen's compensation	693		693	
962.00	Other general expenses	158		158	
Other expenses:					
973.00	Housing Assistance Payments	247,850		247,850	
973.50	HAP Portability-In	11,966		11,966	
900.00	Total expenses	301,097	0	301,097	0
Other financing sources (uses):					
706.00	HUD operating grant (HAP)	276,114	276,114		
711.00	Investment income - unrestricted	209	209		
1010.00	Total other financing sources (uses):	276,323	276,323	0	0
Net income (loss) before contributions, extraordinary item, and transfers					
		(11,254)	133	(11,387)	0
110.40	Prior period adjustments	(455)	(133)	(322)	
Change in net position					
		(11,709)	0	(11,709)	0
1103.00	NET POSITION - beginning	57,695		57,695	0
513.00	NET POSITION - ending	45,986	0	45,986	0

CANTON HOUSING AND REDEVELOPMENT COMMISSION
 A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA

Project Code: SD 039
 Annual Contribution Contract Number: DEN 226

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDING JUNE 30, 2014

	Federal CFDA Number	FY14 Expenditures
Direct Federal Programs:		
U.S. Department of Housing and Urban Development:		
Low-Rent Public Housing:		
Operating subsidy	14.850	15,093
Capital Funding Program	14.872	14,977

		30,070

Existing Housing Choice Voucher Program:		
Existing Housing Choice Vouchers	14.871	276,114

		276,114

Indirect Federal Programs:		
None		0

Total: Dept of Housing and Urban Development		306,184
		=====

Note 1:
 The above Schedule of Expenditures of Federal Awards includes the federal grant activity of the Canton Housing and Redevelopment Commission. It is presented on the full accrual basis of accounting and represents the federal financial assistance earned based on specific program expenditures.

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

Board of Commissioners
Canton Housing & Redevelopment Commission
Canton, South Dakota

Independent Auditor's Report

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund of the Canton Housing & Redevelopment Commission (Commission), a component unit of the City of Canton, South Dakota, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued my unqualified report thereon dated January 15, 2015.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed no instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting:

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

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

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 the attention of those charged with governance.

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

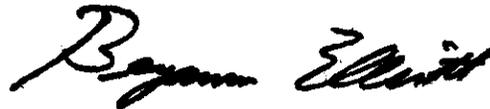
I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of Canton Housing & Redevelopment Commission in a separate Letter of Comments dated January 15, 2015.

Purpose of the Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's compliance or on its internal control. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's compliance and internal control. 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.

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

A handwritten signature in black ink that reads "Benjamin Elliott". The signature is written in a cursive, flowing style.

January 15, 2015

SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

There are no current written audit findings.