

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

**FINANCIAL REPORT**

**DECEMBER 31, 2013**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners  
The Housing and Redevelopment Commission  
of the City of Watertown, South Dakota  
Watertown, South Dakota

**Report on Compliance for Each Major Federal Program**

We have audited The Housing and Redevelopment Commission of the City of Watertown, South Dakota, a component unit of the City of Watertown, South Dakota ("Commission") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended December 31, 2013. The Commission's major federal program is 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 Commission'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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Commission'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 Commission's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Commission 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 year ended December 31, 2013.

**Report on Internal Control Over Compliance**

Management of the Commission 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 Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order 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 OMB Circular A-133, 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 Commission'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, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified 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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2013-01 to be a material weakness.

The Commission's response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Commission'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. 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.

*Vilhauer Raul | Snyder P.C.*

Watertown, South Dakota  
August 4, 2014

**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***

To the Board of Commissioners  
The Housing and Redevelopment Commission  
of the City of Watertown, South Dakota  
Watertown, 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 business-type activities of The Housing and Redevelopment Commission of the City of Watertown, South Dakota, a component unit of the City of Watertown, South Dakota ("Commission") as of December 31, 2013, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated August 4, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of current audit findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2013-01 to be a material weakness over financial reporting.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Commission's Response to Findings**

The Commission's response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 Commission'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.

Vilhauer Ral & Snyder P.C.

Watertown, South Dakota  
August 4, 2014

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

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

**December 31, 2013**

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**Prior Other Audit Findings**

2012-01

A significant deficiency and material weakness was reported for a lack of segregation of duties. This lack of segregation of duties continues to exist and is restated under current other audit findings as finding number 2013-01.

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

**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
December 31, 2013**

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**Summary of the Independent Auditor's Results**

**Financial Statements**

- a. An unmodified opinion was issued on the financial statements of the business-type activity of the Housing and Redevelopment Commission of the City of Watertown, South Dakota, a component unit of the City of Watertown, South Dakota.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties as discussed in finding number 2013-01.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

**Federal Awards**

- d. A material weakness was disclosed for internal control over major federal programs for a lack of segregation of duties affecting all compliance requirements as discussed in finding number 2013-01.
- e. An unmodified opinion was issued on compliance with requirements applicable to the major program.
- f. Our audit disclosed audit findings that are required to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a). See finding number 2013-01.
- g. The federal award tested as a major program was CFDA No. 14.871, Section 8 Housing Choice Vouchers.
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- i. The Housing and Redevelopment Commission of the City of Watertown, South Dakota, a component unit of the City of Watertown, South Dakota did not qualify as a low-risk entity.

**Current Federal Audit Findings**

**Internal Control Related Findings-Material Weakness**

2013-01

Condition: A material weakness was reported for a lack of segregation of duties for the revenue, expenditure and payroll functions. This finding was also reported as a material weakness for internal control over major federal programs.

Criteria: Misstatements in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Cause: This comment is a result of the size of the Commission, which precludes staffing at a level sufficient to provide an ideal environment for internal controls.

Effect: The possible asserted effect of this condition is the misappropriation of cash or other assets.

Recommendation: We recommend management continue to monitor its delegation of duties and segregate sensitive functions as much as possible.

Views of Responsible Officials and Planned Corrective Actions: Mary A. Goldade, Executive Director, is the contact person at the Commission responsible for the corrective action plan for this comment. The governing board has determined it is not cost beneficial to employ additional personnel for the sole purpose of adequately segregating duties. The Commission is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties continues to exist.

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
The Housing and Redevelopment Commission  
of the City of Watertown, South Dakota  
Watertown, South Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity of The Housing and Redevelopment Commission of the City of Watertown, South Dakota, a component unit of the City of Watertown, South Dakota ("Commission") as of December 31, 2013 and 2012 and for each of the years then ended, 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

The Commission'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 audits. We conducted our audits 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 Commission'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, 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity of the Commission as of December 31, 2013 and 2012, and the results of its operations, changes in net position and cash flows for the years 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 (MD&A) on pages 9-11 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 the 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.

#### **Supplementary Information**

The listing of the members of the board of commissioners on page 19 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's financial statements. The schedule of expenditures of federal awards on page 20, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the supplemental financial data schedules on pages 21-27 are presented for purposes of additional analysis and are not a 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 financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated August 4, 2014, on our consideration of the Commission'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 Commission's internal control over financial reporting and compliance.

Vilhauer Ral & Snyder P.C.

Watertown, South Dakota  
August 4, 2014

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

**Management's Discussion and Analysis (Unaudited)**

**December 31, 2013**

This section of the Housing and Redevelopment Commission of the City of Watertown, South Dakota's ("the Authority") annual financial report presents management's discussion and analysis of the Authority's financial performance during the year ended December 31, 2013. This analysis is meant to provide additional insight into the Authority's activities and should be read in conjunction with the Independent Auditor's Report, financial statements, notes to the financial statements and supplementary information.

The Authority

The Authority was established in 1971 for the purpose of providing housing and housing assistance to the low and very low income, elderly family and disabled, through low rent housing programs designated to provide decent, safe, affordable and sanitary housing. The Authority operates three separate programs for low-income housing. These programs are Public Housing, Section 8 Housing Choice Voucher Program, and Governors houses. A breakdown of the individual programs' financial information can be found in the supplementary information section of the following financial statements.

The Authority's financial statements include the operation of funds that the Authority has established to achieve its purpose. The activity of the Authority is accounted for as a proprietary type fund. The Authority is a component unit of the City of Watertown, South Dakota and its financial statements are included in the Annual Report of the City of Watertown.

Financial Highlights

- Total assets of the Authority decreased \$28,981 as of December 31, 2013.
- Total liabilities of the Authority decreased \$984 as of December 31, 2013.
- Net assets of the Authority decreased \$27,997 as of December 31, 2013.
- Cash and cash equivalents of the Authority increased \$58,160 as of December 31, 2013.
- Unrestricted net position of the Authority increased by \$61,001 as of December 31, 2013.

CAPITAL ASSETS

As of December 31, 2013, the Authority's investment in capital assets for its business-type activities was \$880,599 (net of accumulated depreciation). This investment in capital assets includes buildings, improvements and equipment.

The Authority withdrew \$92,380 in Capital Funds in the year 2013. This money was used for operating costs.

LONG-TERM LIABILITIES

As of December 31, 2013 there were no long-term liabilities. The entire amount of debt was paid in full in 2013.

PROGRAM REVENUES AND EXPENSES BY MAJOR SOURCE AND CATEGORY

PUBLIC HOUSING

Total revenues decreased by \$29,750 and expenses decreased by \$18,018. The decrease in revenue is due to a decrease in rent collection and a decrease in operating grants. Fewer tenants were employed full time and more attended school and paid less rent. The decrease in expenses comes from a decrease in salary expense and maintenance materials and less bad debt write-off.

### CAPITAL FUNDS

Capital funds in the amount of \$92,380 were received in 2013. The Capital Funds drawn down were from the year 2011 grant amount. This amount was an increase of \$52,793 from December 31, 2012. The Authority has drawn down the 2012 Capital Fund grant in 2014.

### SECTION 8 VOUCHERS

Total revenues increased by \$209,298 and total expenses decreased by \$124,176 from the prior year. The revenue increase is due to an increase in HUD housing assistance payments. The decrease in expenses is due to a decrease in salaries and benefits and a decrease in HAP payments.

### BUSINESS ACTIVITIES

Total operating revenue increased by \$545 and the total expenses increased by \$2,920 from the prior year. Revenues and expenses in Business Activities currently only include the three Governors Houses owned by the Housing Authority.

### TOTAL REVENUES AND EXPENSES

Total revenues for 2013 increased by \$232,886 due to an increase in funding from HUD. Total expenses decreased by \$139,274. The costs for utilities and insurance all increased while the decrease in salaries and benefits, bad debt write-offs and HAP payments helped cover these increases.

### Financial Statements

The discussion and analysis are intended to serve as an introduction to the Authority's financial statements. The Authority is accounted for utilizing fund accounting. Note 1 to the financial statements provides a description of the organization, funds and significant accounting policies. The financial statements of the Authority provide accounting information similar to that of many other business entities. The Statement of Net Position summarizes the assets and liabilities, the difference between the two reported as net position. It also serves as the basis for analysis of the soundness and liquidity of the Authority. The Statement of Revenues, Expenses and Changes in Net Position summarizes the Authority's operating performance for the year. The Statement of Cash Flows summarizes the flow of cash through the Authority as it conducts its business.

#### Statements of Net Position

	<u>2013</u>	<u>2012</u>	<u>Difference</u>
<b>ASSETS</b>			
Current assets	\$ 387,592	\$ 337,396	\$ 50,196
Capital assets	<u>880,599</u>	<u>959,776</u>	<u>(79,177)</u>
Total assets	<u>\$ 1,268,191</u>	<u>\$ 1,297,172</u>	<u>\$ (28,981)</u>
<b>LIABILITIES</b>			
Current liabilities	\$ <u>43,467</u>	\$ <u>44,451</u>	\$ <u>(984)</u>
Total liabilities	<u>43,497</u>	<u>44,451</u>	<u>(984)</u>
<b>NET POSITION</b>			
Net investment in capital assets	880,599	959,776	(79,177)
Unrestricted net position	309,223	248,222	61,001
Restricted for housing assistance payments	<u>34,902</u>	<u>44,723</u>	<u>(9,821)</u>
Total net position	<u>1,224,724</u>	<u>1,252,721</u>	<u>(27,997)</u>
Total liabilities and net position	<u>\$ 1,268,191</u>	<u>\$ 1,297,172</u>	<u>\$ (28,981)</u>

**Statements of Revenues, Expenses and Changes in Net Position**

	<u>2013</u>	<u>2012</u>	<u>Difference</u>
<b>OPERATING REVENUES:</b>			
Dwelling rental income	\$ 274,114	\$ 262,601	\$ 11,513
Other	<u>8,923</u>	<u>28,456</u>	<u>(19,533)</u>
Total operating revenues	<u>283,037</u>	<u>291,057</u>	<u>(8,020)</u>
<b>OPERATING EXPENSES:</b>			
Rental assistance payments	568,607	681,056	(112,449)
General and administrative	<u>598,228</u>	<u>625,053</u>	<u>(26,825)</u>
Total operating expenses	<u>1,166,835</u>	<u>1,306,109</u>	<u>(139,274)</u>
<b>OPERATING LOSS</b>	(883,798)	(1,015,052)	131,254
<b>NET NONOPERATING REVENUES</b>	<u>855,801</u>	<u>614,895</u>	<u>240,906</u>
<b>CHANGE IN NET POSITION</b>	(27,997)	(400,157)	372,160
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>1,252,721</u>	<u>1,652,878</u>	<u>(400,157)</u>
<b>NET POSITION, END OF YEAR</b>	\$ <u>1,224,724</u>	\$ <u>1,252,721</u>	\$ <u>\$(27,997)</u>

Contacting the Authority's Financial Management

This report is presented to provide additional information regarding the operations of the Authority and to meet the requirements of GASB Statement No. 34.

The information in this report is intended to provide the reader with an overview of the Authority's operations along with the Authority's accountability for those operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Watertown Housing Authority, 24 West Kemp, Watertown, SD.

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

**STATEMENTS OF NET POSITION  
December 31, 2013 and 2012**

<b>ASSETS</b>	2013	2012
<b>Current Assets</b>		
Cash	\$ 326,503	\$ 268,343
Certificates of deposit	35,000	35,000
Accrued interest receivable	8	22
Accounts receivable	2,042	2,875
Prepaid expenses	24,039	31,156
<b>Total Current Assets</b>	<b>387,592</b>	<b>337,396</b>
<b>Property and Equipment</b>		
Land and land improvements	145,152	145,152
Dwelling structures	2,750,274	2,750,274
Dwelling equipment	318,130	311,242
Other equipment and improvements	117,946	115,600
	3,331,502	3,322,268
Accumulated depreciation	(2,450,903)	(2,362,492)
	880,599	959,776
<b>Total Assets</b>	<b>\$ 1,268,191</b>	<b>\$ 1,297,172</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ -	\$ 4,995
Accounts payable	8,133	7,796
Accrued expenses	9,173	8,879
Payment in lieu of taxes	12,321	11,767
Tenant security deposits	13,840	11,014
<b>Total Current Liabilities</b>	<b>43,467</b>	<b>44,451</b>
<b>Total Liabilities</b>	<b>43,467</b>	<b>44,451</b>
<b>Net Position</b>		
Net investment in capital assets	880,599	959,776
Restricted for housing assistance payments	34,902	44,723
Unrestricted net position	309,223	248,222
<b>Total Net Position</b>	<b>1,224,724</b>	<b>1,252,721</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,268,191</b>	<b>\$ 1,297,172</b>

*See Notes to Financial Statements.*

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

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
Years Ended December 31, 2013 and 2012**

	2013	2012
<b>Operating Revenues</b>		
Dwelling rental	\$ 274,114	\$ 262,601
Other income	8,923	28,456
<b>Total Operating Revenues</b>	<b>283,037</b>	<b>291,057</b>
<b>Operating Expenses</b>		
Administration	163,226	191,764
Depreciation	95,210	99,854
Utilities	64,954	60,452
Ordinary maintenance and operation	120,407	131,835
General	78,484	101,075
Rental assistance payments	568,607	681,056
Nonroutine maintenance	75,947	40,073
<b>Total Operating Expenses</b>	<b>1,166,835</b>	<b>1,306,109</b>
<b>Operating Loss</b>	<b>(883,798)</b>	<b>(1,015,052)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Department of HUD operating subsidy	854,883	613,724
Interest income	918	1,171
<b>Total Nonoperating Revenue</b>	<b>855,801</b>	<b>614,895</b>
<b>Change in Net Position</b>	<b>(27,997)</b>	<b>(400,157)</b>
Net position, beginning	1,252,721	1,652,878
<b>Net Position, Ending</b>	<b>\$ 1,224,724</b>	<b>\$ 1,252,721</b>

*See Notes to Financial Statements.*

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

STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2013 and 2012

	2013	2012
<b>Cash Flows from Operating Activities</b>		
Cash received from tenants	\$ 277,773	\$ 261,706
Cash payments to suppliers for general supplies and services	(333,310)	(321,356)
Cash payments to housing owners for housing assistance	(568,607)	(681,056)
Cash payments to employees for services	(161,960)	(191,052)
Payment in lieu of taxes	554	616
Other operating revenues	8,923	28,456
<b>Net Cash from Operating Activities</b>	<b>(776,627)</b>	<b>(902,686)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Cash received from Department of HUD	854,883	623,709
<b>Cash Flows from Capital and Related Financing Activities</b>		
Principal payments on long-term borrowings	(4,995)	(6,660)
Acquisition of property and equipment	(16,033)	(6,705)
<b>Net Cash from Capital and Related Financing Activities</b>	<b>(21,028)</b>	<b>(13,365)</b>
<b>Cash Flows from Investing Activities</b>		
Interest on cash and cash equivalents	625	856
Interest on certificates of deposit	307	315
<b>Net Cash from Investing Activities</b>	<b>932</b>	<b>1,171</b>
<b>Net Change in Cash</b>	<b>58,160</b>	<b>(291,171)</b>
Cash, beginning	268,343	559,514
<b>Cash, Ending</b>	<b>\$ 326,503</b>	<b>\$ 268,343</b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (883,798)	\$ (1,015,052)
<b>Adjustments to Operating Loss</b>		
Depreciation	95,210	99,854
Changes in assets and liabilities:		
Accounts receivable	833	55
Prepaid expenses	7,117	9,577
Accrued annual leave	294	7,890
Accounts payable	337	(4,676)
Tenant security deposits	2,826	(950)
Payment in lieu of taxes	554	616
<b>Net Cash from Operating Activities</b>	<b>\$ (776,627)</b>	<b>\$ (902,686)</b>

*See Notes to Financial Statements.*

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2013**

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**1. Nature of Business and Significant Accounting Policies**

*Nature of business*

The Housing and Redevelopment Commission of the City of Watertown, South Dakota, a component unit of the City of Watertown, South Dakota ("Commission") operates a public housing project ("PHA") comprised of a five story low-rent housing facility consisting of 60 units for elderly or disabled individuals and 25 separate single family low-rent units, provides Section 8 rental assistance payments ("HAP") for approximately 160 low-income families and rents three houses to elderly or disabled individuals in the Watertown, South Dakota area. The majority of the Commission's operating funds come from the Department of Housing and Urban Development ("HUD").

The five members of the Commission's board are appointed by the mayor, with the approval of City Council. The Commission elects its own chairperson and recruits and employs its own management personnel and other employees. However, the City of Watertown retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the City of Watertown the ability to impose its will on the Commission; therefore, the Commission is a component unit of the City of Watertown.

A summary of the Commission's significant accounting policies follows:

*Basis of accounting*

The Commission is considered a single enterprise fund for financial reporting purposes. The activities of the Commission are recorded under various programs established for the administration of the Commission's operations. The Commission's financial statements have been prepared on the basis of the governmental proprietary fund concept which pertains to financial activities that operate in a manner similar to private business enterprises and are financed through tenant rental and federal housing assistance programs. The Commission's financial statements are presented on the accrual basis of accounting; revenues are recognized when earned and expenses are recognized when incurred. The Commission applies all applicable Government Accounting Standards Board ("GASB") pronouncements.

In the statement of revenues, expenses and changes in fund 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 are capital and related financing activities, noncapital financing activities or investing activities are not reported as components of operating revenues or expenses.

Substantial operating losses result from the essential services that the Commission provides, and such operating losses will continue in the foreseeable future. To meet the funding requirements of these operating losses, the Commission receives subsidies from the federal government, primarily the U.S. Department of Housing and Urban Development, in the form of annual grants for operating assistance and contributions for capital improvements.

*Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2013**

**1. Nature of Business and Significant Accounting Policies (Continued)**

*Deposits and investments*

Deposits: The Commission's deposits are made in qualified public depositories as defined by SDCL 4-6A-1 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 110 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.

The actual bank balances at December 31, 2013, were as follows:

Insured (FDIC/NCUA)	\$ 288,100
Uninsured, collateral jointly held by state's/Commission's agent in the name of the state and the pledging financial institution	98,570
	<b>\$ 386,670</b>

The carrying amount of cash and certificate of deposit on the December 31, 2013, statement of net position was \$361,503.

In general, SDCL 11-7-31 permits the Commission 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.

Investments: In general, SDCL 4-5-6 permits Commission funds to be invested 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); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall 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.

*Property and equipment*

The Commission defines property and equipment as assets with an initial investment of more than \$5,000 and an estimated useful life in excess of one year. Property and equipment is stated at cost. Depreciation is computed by the straight-line method over the following estimated useful lives:

	Years
Land improvements	40
Dwelling structures	7-40
Dwelling equipment	7
Other equipment and improvements	3-20

Because of its permanent nature, any amount spent to acquire land and land rights is capitalized and because it is an inexhaustible capital asset, land is not depreciated.

*Fair value of financial instruments*

Unless otherwise indicated, the fair value of all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2013**

**1. Nature of Business and Significant Accounting Policies (Continued)**

*Payment in lieu of taxes*

The Commission is not required to pay property taxes based on valuations established by the County Commissioners. Instead, payments are made in lieu of taxes, computed at 5% of rent collected.

*Cash flows*

For purposes of reporting cash flows, the Commission considers all cash accounts and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

*Advertising costs*

The Commission expenses advertising costs as incurred. The advertising costs as of December 31, 2013 and 2012, were \$456 and \$315, respectively.

*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 for purposes for which both restricted and unrestricted net position are available.

**2. Capital Assets**

Capital asset activity for the year ended December 31, 2013, was as follows:

	01/01/13	Additions	Deletions	12/31/13
Land and land improvements	\$ 145,152	\$ -	\$ -	\$ 145,152
Dwelling structures	2,750,274	-	-	2,750,274
Dwelling equipment	311,242	11,856	(4,968)	318,130
Other equipment and improvements	115,600	4,177	(1,831)	117,946
Accumulated depreciation	(2,362,492)	(95,210)	6,799	(2,450,903)
	\$ 959,776	\$ (79,177)	\$ -	\$ 880,599

**3. Long-Term Debt**

In September, 2010, the Commission entered into a loan agreement with the City of Watertown to obtain funding to support the Housing Development Project. The loan was to be repaid in thirty six monthly installments of \$555, without interest. The loan balance was \$4,995 at December 31, 2012, and was paid off in 2013.

**4. Retirement Plans**

The Commission contributes to two retirement plans, the South Dakota Retirement System ("SDRS") and the Housing Renewal and Local Agency Retirement Plan.

All employees, working more than 30 hours per week, participate in the 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. 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 South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information.

The SDRS report may be obtained by writing to the 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2013**

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**4. Retirement Plans (Continued)**

Full-time employees hired prior to December 31, 2007, participate in the Housing Renewal and Local Agency Retirement Plan, a cost-sharing, multiple employer defined benefit pension plan established to provide retirement benefits for employees of housing and redevelopment commissions. The right to receive retirement benefits vests after five years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 11-7. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Housing Renewal and Local Agency, 462 South Fourth Avenue, Suite 1500, Louisville, KY 40202-3431. The Commission contributed 1.0% to the Housing Renewal and Local Agency Retirement Plan for the year ended December 31, 2013. Employees may also make elective contributions. The Commission's share of contributions to the Plans for the years ended December 31, 2013, 2012 and 2011, were \$9,950, \$10,725 and \$15,402, respectively.

**5. Risk Management**

The Commission 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 years ended December 31, 2013 and 2012, the Commission managed its risks as follows:

*Employee health insurance*

The Commission purchases health insurance for its employees from a commercial insurance carrier.

*Liability insurance*

The Commission purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier.

*Workmen's compensation*

The Commission purchases liability insurance for workmen's compensation from a commercial insurance carrier.

*Unemployment benefits*

The Commission provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

**6. Subsequent Events**

Management has evaluated subsequent events through August 4, 2014, the date the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

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

**MEMBERS OF THE BOARD OF COMMISSIONERS  
December 31, 2013**

<u>Member</u>	<u>Position</u>	<u>Term Expires</u>
Jackie Abel	Chairperson	June 30, 2018
Tom Linngren	Vice Chairperson	June 30, 2014
Russell DeVine	Secretary/Treasurer	June 30, 2015
Pam Raeder	Member	June 30, 2017
Joyce Aas	Member	June 30, 2016
Gerry Krech	Member	June 30, 2018
Dan Albertsen	City Liason	

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended December 31, 2013**

<b>Federal Grantor Program or Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>		
Direct Federal Funding:		
Public and Indian Housing	14.850	\$ 111,655
Section 8 Housing Choice Vouchers (Note 2)	14.871	650,848
Public Housing Capital Fund	14.872	92,380
<b>Grand Total</b>		<b>\$ 854,883</b>

Note 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Housing and Redevelopment Commission of the City of Watertown, South Dakota, a component unit of the City of Watertown, South Dakota, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from those amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: This represents a major federal financial assistance program.

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

SUPPLEMENTAL FINANCIAL DATA SCHEDULES

December 31, 2013

Line Item Number	Description	Project Totals	Program Totals	Total
<b>Assets</b>				
111	Cash-unrestricted	\$ 154,039	\$ 123,722	\$ 277,761
113	Cash-restricted	-	34,902	34,902
114	Cash-tenant security deposits	12,645	1,195	13,840
100	<b>Total Cash</b>	166,684	159,819	326,503
126	Accounts receivable-tenants	1,159	-	1,159
128	Fraud recovery	883	-	883
129	Accrued interest receivable	8	-	8
120	<b>Total Receivables, Net of Allowance for Doubtful Accounts</b>	2,050	-	2,050
131	Investments-unrestricted	35,000	-	35,000
142	Prepaid expenses and other assets	22,950	1,089	24,039
150	<b>Total Current Assets</b>	226,684	160,908	387,592
161	Land	145,152	-	145,152
162	Buildings	2,558,755	191,519	2,750,274
163	Furniture, equipment and machinery-dwellings	318,130	-	318,130
164	Furniture, equipment and machinery-administration	101,223	16,723	117,946
166	Accumulated depreciation	(2,315,111)	(135,792)	(2,450,903)
160	<b>Total Capital Assets, Net of Accumulated Depreciation</b>	808,149	72,450	880,599
180	<b>Total Non-Current Assets</b>	808,149	72,450	880,599
190	<b>Total Assets</b>	\$ 1,034,833	\$ 233,358	\$ 1,268,191
<b>Liabilities</b>				
312	Accounts payable due 90 days or earlier	\$ 8,082	\$ 51	\$ 8,133
322	Accrued compensated absences-current	7,780	1,393	9,173
333	Accounts payable-other government	12,321	-	12,321
341	Tenant security deposits	12,645	1,195	13,840
310	<b>Total Current Liabilities</b>	40,828	2,639	43,467
300	<b>Total Liabilities</b>	40,828	2,639	43,467
<b>Equity/Net Position</b>				
508.4	Net investment in capital assets	808,149	72,450	880,599
511.4	Restricted net position	-	34,902	34,902
512.4	Unrestricted net position	185,856	123,367	309,223
513	<b>Total Equity/Net Position</b>	994,005	230,719	1,224,724
600	<b>Total Liabilities and Equity/Net Position</b>	\$ 1,034,833	\$ 233,358	\$ 1,268,191

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

SUPPLEMENTAL FINANCIAL DATA SCHEDULES (CONTINUED)  
December 31, 2013

Line Item Number	Description	Project Totals	Program Totals	Total
<b>Revenue</b>				
70300	Net tenant rental revenue	\$ 246,410	\$ 16,740	\$ 263,150
70400	Tenant revenue-other	10,941	23	10,964
70500	<b>Total Tenant Revenue</b>	<b>257,351</b>	<b>16,763</b>	<b>274,114</b>
70600	<b>HUD PHA Operating Grants</b>	<b>204,035</b>	<b>650,848</b>	<b>854,883</b>
71100	Investment income-unrestricted	667	182	849
71400	Fraud recovery	-	1,336	1,336
71500	Other revenue	7,587	-	7,587
72000	Investment income-restricted	-	69	69
70000	<b>Total Revenue</b>	<b>469,640</b>	<b>669,198</b>	<b>1,138,838</b>
<b>Expenses</b>				
91100	Administrative salaries	57,245	14,329	71,574
91200	Auditing fees	9,750	9,750	19,500
91310	Bookkeeping fees	5,750	5,750	11,500
91500	Employee benefit contributions-administrative	15,461	2,400	17,861
91600	Office expenses	20,993	17,486	38,479
91800	Travel	3,079	1,233	4,312
91000	<b>Total Operating-Administrative</b>	<b>112,278</b>	<b>50,948</b>	<b>163,226</b>
92100	Tenant services-salaries	23,075	-	23,075
92300	Employee benefit contributions-tenant services	6,232	-	6,232
92400	Tenant services-other	13,184	-	13,184
92500	<b>Total Tenant Services</b>	<b>42,491</b>	<b>-</b>	<b>42,491</b>
93100	Water	20,004	-	20,004
93200	Electricity	25,366	-	25,366
93300	Gas	19,584	-	19,584
93000	<b>Total Utilities</b>	<b>64,954</b>	<b>-</b>	<b>64,954</b>
94100	Ordinary maintenance and operations-labor	58,460	9,144	67,604
94200	Ordinary maintenance and operations-materials and other	10,865	387	11,252
94300	Ordinary maintenance and operations-contracts	21,634	2,596	24,230
94500	Employee benefit contribution-ordinary maintenance	15,788	1,533	17,321
94000	<b>Total Maintenance</b>	<b>106,747</b>	<b>13,660</b>	<b>120,407</b>
96110	Property insurance	13,974	669	14,643
96120	Liability insurance	1,084	1,084	2,168
96130	Workmen's compensation	2,797	1,315	4,112
96140	All other insurance	1,920	-	1,920
96100	<b>Total Insurance Premiums</b>	<b>19,775</b>	<b>3,068</b>	<b>22,843</b>
96200	Other general expenses	217	-	217
96300	Payment in lieu of taxes	12,321	-	12,321
96400	Bad debts-tenants	612	-	612
96000	<b>Total Other General Expenses</b>	<b>13,150</b>	<b>-</b>	<b>13,150</b>
96900	<b>Total Operating Expenses</b>	<b>359,395</b>	<b>67,676</b>	<b>427,071</b>
97000	<b>Excess of Revenue Over Operating Expenses</b>	<b>110,245</b>	<b>601,522</b>	<b>711,767</b>

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

SUPPLEMENTAL FINANCIAL DATA SCHEDULES (CONTINUED)  
December 31, 2013

Line Item		Project Totals	Program Totals	Total
Number	Description			
97100	Extraordinary maintenance	75,947	-	75,947
97300	Housing assistance payments	-	568,607	568,607
97400	Depreciation expense	89,533	5,677	95,210
90000	<b>Total Expenses</b>	<b>524,875</b>	<b>641,960</b>	<b>1,166,835</b>
10010	Operating transfer in	92,380	-	92,380
10020	Operating transfer out	(92,380)	-	(92,380)
10100	<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
10000	<b>Excess (Deficiency) of Revenue Over (Under) Expenses</b>	<b>\$ (55,235)</b>	<b>\$ 27,238</b>	<b>\$ (27,997)</b>
11030	Beginning equity	\$ 1,049,240	\$ 203,481	\$ 1,252,721
	<b>Total Ending Equity</b>	<b>\$ 994,005</b>	<b>\$ 230,719</b>	<b>\$ 1,224,724</b>
11190	Unit Months Available	1,020	3,816	4,836
11210	Unit Months Leased	1,006	1,913	2,919

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

SUPPLEMENTAL FINANCIAL DATA SCHEDULES (CONTINUED)

December 31, 2013

Line Item Number	Description	Operating Fund Program	Capital Fund Program	Total Projects
<b>Assets</b>				
111	Cash-unrestricted	\$ 154,039	\$ -	\$ 154,039
114	Cash-tenant security deposits	12,645	-	12,645
100	<b>Total Cash</b>	166,684	-	166,684
126	Accounts receivable-tenants	1,159	-	1,159
128	Fraud recovery	883	-	883
129	Accrued interest receivable	8	-	8
120	<b>Total Receivables, Net of Allowance for Doubtful Accounts</b>	2,050	-	2,050
131	Investments-unrestricted	35,000	-	35,000
142	Prepaid expenses and other assets	22,950	-	22,950
150	<b>Total Current Assets</b>	226,684	-	226,684
161	Land	145,152	-	145,152
162	Buildings	2,558,755	-	2,558,755
163	Furniture, equipment and machinery-dwellings	318,130	-	318,130
164	Furniture, equipment and machinery-administration	101,223	-	101,223
166	Accumulated depreciation	(2,315,111)	-	(2,315,111)
160	<b>Total Capital Assets, Net of Accumulated Depreciation</b>	808,149	-	808,149
180	<b>Total Non-Current Assets</b>	808,149	-	808,149
190	<b>Total Assets</b>	\$ 1,034,833	\$ -	\$ 1,034,833
<b>Liabilities</b>				
312	Accounts payable due 90 days or earlier	\$ 8,082	\$ -	\$ 8,082
322	Accrued compensated absences-current	7,780	-	7,780
333	Accounts payable-other government	12,321	-	12,321
341	Tenant security deposits	12,645	-	12,645
310	<b>Total Current Liabilities</b>	40,828	-	40,828
300	<b>Total Liabilities</b>	40,828	-	40,828
<b>Equity/Net Position</b>				
508.4	Net investment in capital assets	808,149	-	808,149
512.4	Unrestricted net position	185,856	-	185,856
513	<b>Total Equity/Net Position</b>	994,005	-	994,005
600	<b>Total Liabilities and Equity/Net Position</b>	\$ 1,034,833	\$ -	\$ 1,034,833

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

SUPPLEMENTAL FINANCIAL DATA SCHEDULES (CONTINUED)

December 31, 2013

Line Item Number	Description	Operating Fund Program	Capital Fund Program	Total Projects
<b>Revenue</b>				
70300	Net tenant rental revenue	\$ 246,410	\$ -	\$ 246,410
70400	Tenant revenue-other	10,941	-	10,941
70500	<b>Total Tenant Revenue</b>	257,351	-	257,351
70600	<b>HUD PHA Operating Grants</b>	111,655	92,380	204,035
71100	Investment income-unrestricted	667	-	667
71500	Other revenue	7,587	-	7,587
70000	<b>Total Revenue</b>	377,260	92,380	469,640
<b>Expenses</b>				
91100	Administrative salaries	57,245	-	57,245
91200	Auditing fees	9,750	-	9,750
91310	Bookkeeping fees	5,750	-	5,750
91500	Employee benefit contributions-administrative	15,461	-	15,461
91600	Office expenses	20,993	-	20,993
91800	Travel	3,079	-	3,079
91000	<b>Total Operating-Administrative</b>	112,278	-	112,278
92100	Tenant services-salaries	23,075	-	23,075
92300	Employee benefit contributions-tenant services	6,232	-	6,232
92400	Tenant services-other	13,184	-	13,184
92500	<b>Total Tenant Services</b>	42,491	-	42,491
93100	Water	20,004	-	20,004
93200	Electricity	25,366	-	25,366
93300	Gas	19,584	-	19,584
93000	<b>Total Utilities</b>	64,954	-	64,954
94100	Ordinary maintenance and operations-labor	58,460	-	58,460
94200	Ordinary maintenance and operations-materials and other	10,865	-	10,865
94300	Ordinary maintenance and operations	21,634	-	21,634
94500	Employee benefit contribution-ordinary maintenance	15,788	-	15,788
94000	<b>Total Maintenance</b>	106,747	-	106,747
96110	Property insurance	13,974	-	13,974
96120	Liability insurance	1,084	-	1,084
96130	Workmen's compensation	2,797	-	2,797
96140	All other insurance	1,920	-	1,920
96100	<b>Total Insurance Premiums</b>	19,775	-	19,775
96200	Other general expenses	217	-	217
96300	Payment in lieu of taxes	12,321	-	12,321
96400	Bad debts-tenants	612	-	612
96000	<b>Total Other General Expenses</b>	13,150	-	13,150
96900	<b>Total Operating Expenses</b>	359,395	-	359,395
97000	<b>Excess (Deficiency) of Revenue Over (Under) Operating Expenses</b>	17,865	92,380	110,245
97100	Extraordinary maintenance	75,947	-	75,947
97400	Depreciation expense	89,533	-	89,533
90000	<b>Total Expenses</b>	524,875	-	524,875
10010	Operating transfer in	92,380	-	92,380
10020	Operating transfer out	-	(92,380)	(92,380)
10100	<b>Total Other Financing Sources (Uses)</b>	92,380	(92,380)	-
10000	<b>Excess (Deficiency) of Revenue Over (Under) Expenses</b>	\$ (55,235)	\$ -	\$ (55,235)
11030	Beginning Equity	\$ 1,049,240	\$ -	\$ 1,049,240
	<b>Total Ending Equity</b>	\$ 994,005	\$ -	\$ 994,005
11190	Unit Months Available	1,020	-	1,020
11210	Unit Months Leased	1,006	-	1,006

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

SUPPLEMENTAL FINANCIAL DATA SCHEDULES (CONTINUED)  
December 31, 2013

Line Item Number	Description	Business Activities	Housing Choice Vouchers	Total Programs
<b>Assets</b>				
111	Cash-unrestricted	\$ 66,586	\$ 57,136	\$ 123,722
113	Cash-restricted	-	34,902	34,902
114	Cash-tenant security deposits	1,195	-	1,195
100	<b>Total Cash</b>	<b>67,781</b>	<b>92,038</b>	<b>159,819</b>
142	Prepaid expenses and other assets	-	1,089	1,089
150	<b>Total Current Assets</b>	<b>67,781</b>	<b>93,127</b>	<b>160,908</b>
162	Buildings	147,521	43,998	191,519
164	Furniture, equipment and machinery-administration	-	16,723	16,723
166	Accumulated depreciation	(79,489)	(56,303)	(135,792)
160	<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>68,032</b>	<b>4,418</b>	<b>72,450</b>
180	<b>Total Non-Current Assets</b>	<b>68,032</b>	<b>4,418</b>	<b>72,450</b>
190	<b>Total Assets</b>	<b>\$ 135,813</b>	<b>\$ 97,545</b>	<b>\$ 233,358</b>
<b>Liabilities</b>				
312	Accounts payable due 90 days or earlier	\$ -	\$ 51	\$ 51
322	Accrued compensated absences-current	-	1,393	1,393
341	Tenant security deposits	1,195	-	1,195
310	<b>Total Current Liabilities</b>	<b>1,195</b>	<b>1,444</b>	<b>2,639</b>
300	<b>Total Liabilities</b>	<b>1,195</b>	<b>1,444</b>	<b>2,639</b>
<b>Equity/Net Position</b>				
508.4	Net investment in capital assets	68,032	4,418	72,450
511.4	Restricted net position	-	34,902	34,902
512.4	Unrestricted net position	66,586	56,781	123,367
513	<b>Total Equity/Net Position</b>	<b>134,618</b>	<b>96,101</b>	<b>230,719</b>
600	<b>Total Liabilities and Equity/Net Position</b>	<b>\$ 135,813</b>	<b>\$ 97,545</b>	<b>\$ 233,358</b>

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

SUPPLEMENTAL FINANCIAL DATA SCHEDULES (CONTINUED)

December 31, 2013

Line Item Number	Description	Business Activities	Housing Choice Vouchers	Total Programs
<b>Revenue</b>				
70300	Net tenant rental revenue	\$ 16,740	\$ -	\$ 16,740
70400	Tenant revenue-other	-	23	23
70500	<b>Total Tenant Revenue</b>	16,740	23	16,763
70600	<b>HUD PHA Operating Grants</b>	-	650,848	650,848
71100	Investment income-unrestricted	94	88	182
71400	Fraud recovery	-	1,336	1,336
72000	Investment income-restricted	-	69	69
70000	<b>Total Revenue</b>	16,834	652,364	669,198
<b>Expenses</b>				
91100	Administrative salaries	-	14,329	14,329
91200	Auditing fees	-	9,750	9,750
91310	Bookkeeping fees	-	5,750	5,750
91500	Employee benefit contributions-administrative	-	2,400	2,400
91600	Office expenses	-	17,486	17,486
91800	Travel	-	1,233	1,233
91000	<b>Total Operating-Administrative</b>	-	50,948	50,948
94100	Ordinary maintenance and operations-labor	-	9,144	9,144
94200	Ordinary maintenance and operations	387	-	387
94300	Ordinary maintenance and operations-contracts	2,596	-	2,596
94500	Employee benefit contribution-ordinary maintenance	-	1,533	1,533
94000	<b>Total Maintenance</b>	2,983	10,677	13,660
96110	Property insurance	669	-	669
96120	Liability insurance	-	1,084	1,084
96130	Workmen's compensation	-	1,315	1,315
96100	<b>Total Insurance Premiums</b>	669	2,399	3,068
96900	<b>Total Operating Expenses</b>	3,652	64,024	67,676
97000	<b>Excess of Revenue Over Operating Expenses</b>	13,182	588,340	601,522
97300	Housing assistance payments	-	568,607	568,607
97400	Depreciation expense	5,151	526	5,677
90000	<b>Total Expenses</b>	8,803	633,157	641,960
10000	<b>Excess (Deficiency) of Revenue Over (Under) Expenses</b>	\$ 8,031	\$ 19,207	\$ 27,238
11030	Beginning Equity	\$ 126,587	\$ 76,894	\$ 203,481
	<b>Total Ending Equity</b>	\$ 134,618	\$ 96,101	\$ 230,719
11170	Administrative Fee Equity	\$ -	\$ 61,199	\$ 61,199
11180	Housing Assistance Payments Equity	-	34,902	34,902
	<b>Total Ending Equity</b>	\$ -	\$ 96,101	\$ 96,101
11190	<b>Unit Months Available</b>	36	3,780	3,816
11210	<b>Unit Months Leased</b>	36	1,877	1,913