



Financial Statements
December 31, 2018 and 2017

**The Housing and Redevelopment
Commission of the City of Aberdeen,
South Dakota**

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

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December 31, 2018 and 2017

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Independent Auditor's Report

The Board of Commissioners
The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
(A Component Unit of the City of Aberdeen, South Dakota)
Aberdeen, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Housing and Redevelopment Commission of Aberdeen of the City of Aberdeen, South Dakota (the "Commission"), a component unit of the City of Aberdeen, South Dakota, as of and for the years ended December 31, 2018 and 2017, 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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 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 entity'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commission as of December 31, 2018 and 2017, and the respective changes in financial position and cash flows thereof 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 on pages 4 through 10 and the Schedule of Net Pension Liability (Asset) and Schedule of Pension Contributions on pages 58 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audits 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.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's financial statements. The accompanying supplementary schedules on pages 61 through 65 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 accompanying schedule of expenditures of federal awards on page 70 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the financial statements.

The supplementary schedules on pages 61 through 65 and schedule of expenditures of federal awards on page 70 are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits 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, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 25, 2019, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the Commission's 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.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in dark ink and is positioned above the typed address and date.

Aberdeen, South Dakota
April 25, 2019

Introduction

This section of The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota's annual financial report presents management's discussion and analysis of the Commission's financial performance during the years ended December 31, 2018 and 2017. This analysis is meant to provide additional insight into the Commission's significant financial issues and concerns and should be read in conjunction with the independent auditor's report, financial statements, notes to the financial statements and supplementary information.

The Commission was established in 1969 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 Commission operates four separate programs for low income housing. These programs are Public Housing, Section 8 Housing Choice Voucher Program, the Sherman Apartments which is a Section 8 New Construction project, and Aberdeen Housing Management. The Commission also manages Dakota Square Operations, Lawson View Townhomes, Sunshine Park Townhomes, Meadow Wood Townhomes, Jackson Heights, and Central Villas. Dakota Square Operations is a multifamily HUD property. Lawson View Townhomes is also a multifamily HUD property which also has Tax Credits and Home Funds. Sunshine Park Townhomes, Meadow Wood Townhomes, Jackson Heights and Central Villas are Tax Credit and Home Fund properties. Management fees derived from these properties are reflected in the AHA Management account. For a detailed description of each program, please see Note 1 of the notes to the financial statements. A breakdown of the individual programs' financial information can be found in the supplementary information section of the following financial statements.

These financial statements present the Commission and its blended component units, Aberdeen Housing, LLC, Lawson Developers, LLC, AHA Housing, LLC, and Meadow Wood Housing, LLC. These entities were created to assist in the development and management of the Lawson View Townhomes Limited Partnership, of which Aberdeen Housing, LLC is a special limited partner, Sunshine Park Limited Partnership, of which AHA Housing, LLC is a general partner, and Meadow Wood Townhomes Limited Partnership, of which Meadow Wood Housing, LLC is a general partner.

The financial statements also present the financial information of the aforementioned Lawson View Townhomes, LP, Sunshine Park, LP, Meadow Wood Townhomes, LP, Jackson Heights Apartments, LP, and Central Villas, LP, as discretely presented component units. For all five of these entities, the Commission or one of its blended component units is a partner and management agent for the limited partnership.

All of the Commission's core programs are accounted for as one enterprise fund for financial reporting purposes. The Commission's blended component units are also reported as enterprise funds. The Commission also maintains a fiduciary fund for assets held for others. The Commission is a component unit of the City of Aberdeen, South Dakota, and its financial statements are included in the Annual Report of the City of Aberdeen.

Financial Highlights for 2018

- Total assets and deferred outflows of resources of the Commission decreased \$97,077 (or 1.6%) as of December 31, 2018.
- Total liabilities and deferred inflows of resources of the Commission decreased \$113,363 (or 16.4%) as of December 31, 2018.
- Net position of the Commission increased \$16,286 (or 0.3%) as of December 31, 2018.
- Unrestricted cash of the Commission increased \$160,720 (or 16.3%) as of December 31, 2018.
- Noncurrent portion of long-term debt outstanding of the Commission decreased \$145,381 (or 38.9%) as of December 31, 2018.
- Operating revenue of the Commission decreased by \$8,856 (or 0.3%) from 2017 to 2018.
- Operating expenses of the Commission increased by \$265,095 (or 8.9%) from 2017 to 2018.
- Non-operating revenues and expenses decreased by \$10,317 (or 66.8%) from 2017 to 2018.
- Capital contributions increased by \$57,891 (or 60.0%) from 2017 to 2018.

Financial Highlights for 2017

- Total assets and deferred outflows of resources of the Commission decreased \$113,393 (or 1.9%) as of December 31, 2017.
- Total liabilities and deferred inflows of resources of the Commission decreased \$335,422 (or 32.7%) as of December 31, 2017.
- Net position of the Commission increased \$222,029 (or 4.4%) as of December 31, 2017.
- Unrestricted cash of the Commission increased \$78,652 (or 8.7%) as of December 31, 2017.
- Noncurrent portion of long-term debt outstanding of the Commission decreased \$237,748 (or 38.9%) as of December 31, 2017.
- Operating revenue of the Commission increased by \$113,464 (or 3.8%) from 2016 to 2017.
- Operating expenses of the Commission decreased by \$165,415 (or 5.2%) from 2016 to 2017.
- Non-operating revenues and expenses decreased by \$13,747 (or 47.1%) from 2016 to 2017.
- Capital contributions decreased by \$4,895 (or 4.8%) from 2016 to 2017.

Commission's Financial Statements

Enterprise Funds

The Commission is presenting its discussion and analysis based on the financial results of its enterprise funds in three basic financial statements – the statements of net position; the statements of revenues, expenses and changes in net position; and the statements of cash flows. The statements of net position report all financial and capital assets of the Commission and is presented in a format where assets equal liabilities plus net position and also serves as the basis for analysis of the soundness and liquidity of the Commission. Net position is broken down into the following three categories:

- Net Investment in Capital Assets - Consists of all capital assets net of accumulated depreciation, reduced by the outstanding balances of mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- Restricted Net Position - Consists of assets that are restricted by constraints placed on the asset by external parties, such as creditors, grantors, contributors, laws, or regulations, reduced by liabilities payable from such assets.

- Unrestricted Net Position - Consist of net position that does not meet the definition of net investment in capital assets or unrestricted net position.

The statements of revenues, expenses and changes in net position includes operating revenues, such as rental income and grant revenue; operating expenses, such as administrative, utilities, maintenance, and depreciation; non-operating revenues and expenses, such as investment income, interest expense; and capital contributions. The statements' focus is in the change in net position which is similar to net income and loss and summarizes the Commission's operating performance for the year.

Finally, a statements of cash flows is included, which discloses net cash flows from operating activities, capital and related financing activities, investing activities and non-capital investing and financing activities.

These basic financial statements utilize the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period when they are incurred.

Fiduciary Fund

The financial statements also include a fiduciary fund that provides information about a financial relationship in which the Commission acts solely as a trustee or agent for the benefit of others to whom the resources held belong. The fiduciary fund of the Commission is an agency fund. Agency funds are custodial in nature and do not involve measurement of results of operations.

Capital Assets

As of December 31, 2018 and 2017, the Commission's capital assets for its business-type activities was \$3,066,533 and \$3,205,763 (net of accumulated depreciation), respectively. Capital assets include buildings, improvements, and equipment.

Major capital asset purchases during the year ended December 31, 2018 include the following:

- Capital expenditures of \$107,074 for building improvements in Public Housing.
- Capital expenditures of \$419 for furniture and fixtures at the Sherman Apartments.
- Capital expenditures of \$18,140 for furniture and fixtures in Public Housing.
- Capital expenditures of \$11,240 for furniture and fixtures in the Section 8 Voucher program.

Major capital assets purchases during the year ended December 31, 2017 include the following:

- Capital expenditures of \$2,401 for furniture and fixtures in Public Housing.

Additional information on the Commission's capital assets can be found in Note 3 of this report.

Long-Term Liabilities

As of December 31, 2018 and 2017, long-term liabilities totaled \$228,001 and \$373,382, respectively, which is the non-current portion of the financing on the Sherman Apartment Project. There was no new long-term debt issued during 2018 or 2017.

Program Revenues and Expenses by Major Source and Category

Aberdeen Housing Commission – Primary Government Enterprise Fund

Significant information relating to the revenues and expenses of the subfunds of the Aberdeen Housing Commission enterprise fund is presented below.

Aberdeen Housing Commission – Public Housing

Year Ended December 31, 2018:

Total operating revenue increased by \$13,585 from 2017 to 2018. Total operating expenses increased by \$28,460. Total non-operating revenues/expenses increased by \$270. Capital contributions increased by \$57,891.

Year Ended December 31, 2017:

Total operating revenue increased by \$16,685 from 2016 to 2017. Total operating expenses decreased by \$67,283. Total non-operating revenues/expenses decreased by \$1,788. Capital contributions decreased by \$4,895.

Aberdeen Housing Commission – Section 8 Vouchers

Year Ended December 31, 2018:

Total operating revenue increased by \$26,553 from 2017 to 2018. Total operating expenses increased by \$94,860.

Year Ended December 31, 2017:

Total operating revenue increased by \$2,182 from 2016 to 2017. Total operating expenses decreased by \$11,047.

Aberdeen Housing Commission – Section 8 New Construction

Year Ended December 31, 2018:

Total operating revenue increased by \$206 from 2017 to 2018. Total operating expenses increased by \$8,819. Total non-operating revenues/expenses decreased by \$9,716.

Year Ended December 31, 2017:

Total operating revenue increased by \$6,904 from 2016 to 2017. Total operating expenses decreased by \$13,310. Total non-operating revenues/expenses decreased by \$12,928.

Aberdeen Housing Commission – Management Account

Year Ended December 31, 2018:

Total operating revenue decreased by \$131,128 from 2017 to 2018 due to developer fee income from the Central Villas project in 2017. Total operating expenses increased by \$76,028, primarily due to an increase in pension expense and administrative salaries. Total non-operating revenues increased by \$332.

Year Ended December 31, 2017:

Total operating revenue increased by \$116,247 from 2016 to 2017 due to developer fee income from the Central Villas project in 2017. Total operating expenses decreased by \$45,221, primarily due to a decrease in pension expense. Total non-operating revenues decreased by \$971.

Significant information pertaining to the four blended component units of the Aberdeen Housing Commission is presented below.

Aberdeen Housing, LLC

Aberdeen Housing, LLC had limited activity during 2017 and 2018. Total operating revenues were \$0. Total operating expenses were \$50 for the years ended December 31, 2018 and 2017.

Lawson Developers, LLC

Lawson Developers, LLC had limited activity during 2017 and 2018. Total operating revenues were \$0. Total operating expenses were \$50 for the years ended December 31, 2018 and 2017.

AHA Housing, LLC

Aberdeen Housing, LLC had limited activity during 2017 and 2018. Total operating revenues were \$0. Total operating expenses were \$50 for the years ended December 31, 2018 and 2017.

Meadow Wood Housing, LLC

Meadow Wood Housing, LLC had limited activity during 2017 and 2018. Total operating revenues were \$25,000. Total operating expenses and transfers were \$24,950 and \$50 for the years ended December 31, 2018 and 2017, respectively.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Management's Discussion and Analysis
December 31, 2018 and 2017

Condensed Financial Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets			
Current assets	\$ 1,256,679	\$ 1,175,163	\$ 1,045,771
Capital assets	3,066,533	3,205,763	3,509,392
Other assets	<u>1,347,604</u>	<u>1,334,186</u>	<u>1,316,352</u>
Total assets	<u>5,670,816</u>	<u>5,715,112</u>	<u>5,871,515</u>
Deferred Outflows of Resources	<u>226,178</u>	<u>278,959</u>	<u>235,949</u>
Total assets and deferred outflows	<u>\$ 5,896,994</u>	<u>\$ 5,994,071</u>	<u>\$ 6,107,464</u>
Liabilities			
Current liabilities	\$ 293,181	\$ 259,672	\$ 408,663
Long-term liabilities	<u>228,001</u>	<u>373,382</u>	<u>611,130</u>
Total liabilities	<u>521,182</u>	<u>633,054</u>	<u>1,019,793</u>
Deferred Inflows of Resources	<u>54,871</u>	<u>56,362</u>	<u>5,045</u>
Net Position			
Net investment in capital assets	2,693,148	2,698,804	2,879,671
Restricted net position	565,460	545,918	508,031
Restricted for pension	172,006	225,343	126,733
Unrestricted net position	<u>1,890,327</u>	<u>1,834,590</u>	<u>1,568,191</u>
Total net position	<u>5,320,941</u>	<u>5,304,655</u>	<u>5,082,626</u>
Total liabilities, deferred inflows and net position	<u>\$ 5,896,994</u>	<u>\$ 5,994,071</u>	<u>\$ 6,107,464</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Management's Discussion and Analysis
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating Revenues			
Dwelling rental income	\$ 785,983	\$ 780,042	\$ 755,605
HUD subsidies	1,976,801	1,939,194	1,931,052
Management and administration fees	294,010	398,163	311,456
Other	10,121	15,120	20,942
Total operating revenues	<u>3,066,915</u>	<u>3,132,519</u>	<u>3,019,055</u>
Operating Expenses			
Rental assistance payments	1,649,623	1,609,875	1,586,213
General and administrative	1,550,216	1,381,617	1,570,694
Total operating expenses	<u>3,199,839</u>	<u>2,991,492</u>	<u>3,156,907</u>
Operating Income (Loss)	(132,924)	141,027	(137,852)
Nonoperating Expense	<u>(5,130)</u>	<u>(15,447)</u>	<u>(29,194)</u>
Capital Contributions	<u>154,340</u>	<u>96,449</u>	<u>101,344</u>
Change in Net Position	<u>16,286</u>	<u>222,029</u>	<u>(65,702)</u>
Net Position, Beginning	<u>5,304,655</u>	<u>5,082,626</u>	<u>5,148,328</u>
Net Position, End of Year	<u>\$ 5,320,941</u>	<u>\$ 5,304,655</u>	<u>\$ 5,082,626</u>

Economic Factors and Future Development

Significant economic factors that can affect the Aberdeen Housing Authority are as follows:

- Federal funding appropriations provided by Congress to HUD
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary, and employment trends, which can affect resident incomes and, therefore, the amount of rental income
- Inflationary pressure on utility rates, supplies, and other costs

Contacting the Commission's Financial Management

This report is presented to provide additional information regarding the operations of the Commission 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 Commission's operations, along with the Commission'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 Aberdeen Housing Commission, 310 South Roosevelt Street, Aberdeen, SD 57401.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Statements of Net Position
 December 31, 2018 and 2017

	2018					Total	Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units			Meadow Wood Housing, LLC		
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC			
Assets							
Current Assets							
Cash and cash equivalents	\$ 1,102,613	\$ -	\$ -	\$ -	\$ -	\$ 1,102,613	\$ 573,330
Tenant accounts receivable	4,772	-	-	-	-	4,772	23,696
Funded security deposits	43,910	-	-	-	-	43,910	89,142
Other accounts receivable	53,581	-	-	-	-	53,581	-
Accrued interest receivable	34,606	-	-	-	-	34,606	-
Prepaid expenses	17,021	-	-	-	-	17,021	24,550
Due from other funds	176	-	-	-	-	176	-
Total current assets	1,256,679	-	-	-	-	1,256,679	710,718
Property and Equipment							
Land and land improvements	535,928	-	-	-	-	535,928	715,043
Buildings	9,831,870	-	-	-	-	9,831,870	20,601,984
Furniture, equipment and machinery - dwellings	298,779	-	-	-	-	298,779	1,203,299
Furniture, equipment and machinery - nondwelling	293,513	-	-	-	-	293,513	-
	10,960,090	-	-	-	-	10,960,090	22,520,326
Less accumulated depreciation	(7,893,557)	-	-	-	-	(7,893,557)	(5,400,294)
Total property and equipment	3,066,533	-	-	-	-	3,066,533	17,120,032
Other Assets							
Restricted deposits and funded reserves	765,460	-	-	-	-	765,460	943,887
Note receivable - related party	390,487	-	-	-	-	390,487	-
Other non-current receivables - related party	-	-	51,997	-	-	51,997	-
Investment in limited partnerships	138,653	100	-	10	198	138,961	-
Net pension asset	699	-	-	-	-	699	-
Tax credit fees, at cost, net of accumulated amortization	-	-	-	-	-	-	131,938
Total other assets	1,295,299	100	51,997	10	198	1,347,604	1,075,825
Deferred Outflows of Resources							
Pension related deferred outflows	226,178	-	-	-	-	226,178	-
	\$ 5,844,689	\$ 100	\$ 51,997	\$ 10	\$ 198	\$ 5,896,994	\$ 18,906,575

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Statements of Net Position
 December 31, 2018 and 2017

	2018					Total	Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units			Meadow Wood Housing, LLC		
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC			
Liabilities and Net Position							
Current Liabilities							
Current portion of long-term debt	\$ 145,384	\$ -	\$ -	\$ -	\$ -	\$ 145,384	\$ 198,705
Accounts payable	9,953	-	-	-	-	9,953	78,526
Due to other governments	29,992	-	-	-	-	29,992	-
Tenant security deposits	44,422	-	-	-	-	44,422	89,004
Accrued liabilities:							
Wages and payroll taxes payable	18,216	-	-	-	-	18,216	-
Interest	2,645	-	-	-	-	2,645	44,972
Vacation pay	31,764	-	-	-	-	31,764	-
Unearned revenues	10,805	-	-	-	-	10,805	-
Other	-	-	-	-	-	-	25,359
Total current liabilities	293,181	-	-	-	-	293,181	436,566
Non-Current Liabilities							
Long-term debt, net of current portion and unamortized debt issuance costs	228,001	-	-	-	-	228,001	5,094,277
Other non-current payable	-	-	-	-	-	-	216,373
Total non-current liabilities	228,001	-	-	-	-	228,001	5,310,650
Total liabilities	521,182	-	-	-	-	521,182	5,747,216
Deferred Inflows of Resources							
Pension related deferred inflows	54,871	-	-	-	-	54,871	-
Net Position							
Net investment in capital assets	2,693,148	-	-	-	-	2,693,148	11,785,395
Restricted for HUD Voucher Program	-	-	-	-	-	-	-
Restricted for mortgage escrows (see Note 2)	565,460	-	-	-	-	565,460	943,887
Restricted for pension (see Note 8)	172,006	-	-	-	-	172,006	-
Unrestricted net position	1,838,022	100	51,997	10	198	1,890,327	430,077
Total net position	5,268,636	100	51,997	10	198	5,320,941	13,159,359
	\$ 5,844,689	\$ 100	\$ 51,997	\$ 10	\$ 198	\$ 5,896,994	\$ 18,906,575

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Statements of Net Position
 December 31, 2018 and 2017

	2017						Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units				Total	
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC		
Assets							
Current Assets							
Cash and cash equivalents	\$ 942,638	\$ -	\$ -	\$ -	\$ -	\$ 942,638	\$ 573,973
Tenant accounts receivable	3,066	-	-	-	-	3,066	25,103
Funded security deposits	43,165	-	-	-	-	43,165	86,638
Other accounts receivable	146,624	-	-	-	-	146,624	-
Accrued interest receivable	22,334	-	-	-	-	22,334	-
Prepaid expenses	17,336	-	-	-	-	17,336	22,285
Total current assets	<u>1,175,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,175,163</u>	<u>707,999</u>
Property and Equipment							
Land and land improvements	535,928	-	-	-	-	535,928	715,043
Buildings	9,724,796	-	-	-	-	9,724,796	20,583,580
Furniture, equipment and machinery - dwellings	282,193	-	-	-	-	282,193	1,147,001
Furniture, equipment and machinery - nondwelling	300,378	-	-	-	-	300,378	-
	10,843,295	-	-	-	-	10,843,295	22,445,624
Less accumulated depreciation	(7,637,532)	-	-	-	-	(7,637,532)	(4,466,211)
Total property and equipment	<u>3,205,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,205,763</u>	<u>17,979,413</u>
Other Assets							
Restricted deposits and funded reserves	741,328	-	-	-	-	741,328	896,633
Note receivable - related party	390,487	-	-	-	-	390,487	-
Other non-current receivables - related party	-	-	60,664	-	-	60,664	-
Investment in limited partnerships	138,653	100	-	10	198	138,961	-
Net pension asset	2,746	-	-	-	-	2,746	-
Tax credit fees, at cost, net of accumulated amortization	-	-	-	-	-	-	143,155
Total other assets	<u>1,273,214</u>	<u>100</u>	<u>60,664</u>	<u>10</u>	<u>198</u>	<u>1,334,186</u>	<u>1,039,788</u>
Deferred Outflows of Resources							
Pension related deferred outflows	278,959	-	-	-	-	278,959	-
	<u>\$ 5,933,099</u>	<u>\$ 100</u>	<u>\$ 60,664</u>	<u>\$ 10</u>	<u>\$ 198</u>	<u>\$ 5,994,071</u>	<u>\$ 19,727,200</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Statements of Net Position
 December 31, 2018 and 2017

	2017					Total	Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units			Meadow Wood Housing, LLC		
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC			
Liabilities and Net Position							
Current Liabilities							
Current portion of long-term debt	\$ 133,577	\$ -	\$ -	\$ -	\$ -	\$ 133,577	\$ 243,743
Accounts payable	9,140	-	-	-	-	9,140	121,393
Due to other governments	30,097	-	-	-	-	30,097	-
Tenant security deposits	43,165	-	-	-	-	43,165	86,371
Accrued liabilities:							
Wages and payroll taxes payable	13,709	-	-	-	-	13,709	-
Interest	3,591	-	-	-	-	3,591	29,287
Vacation pay	22,425	-	-	-	-	22,425	-
Unearned revenues	3,968	-	-	-	-	3,968	-
Other	-	-	-	-	-	-	15,659
Total current liabilities	259,672	-	-	-	-	259,672	496,453
Non-Current liabilities							
Long-term debt, net of current portion and unamortized debt issuance costs	373,382	-	-	-	-	373,382	5,289,528
Other non-current payable - related party	-	-	-	-	-	-	435,825
Total non-current liabilities	373,382	-	-	-	-	373,382	5,725,353
Total liabilities	633,054	-	-	-	-	633,054	6,221,806
Deferred Inflows of Resources							
Pension related deferred inflows	56,362	-	-	-	-	56,362	-
Net Position							
Net investment in capital assets	2,698,804	-	-	-	-	2,698,804	12,401,033
Restricted for HUD Voucher Program	4,590	-	-	-	-	4,590	-
Restricted for mortgage escrows (see Note 2)	541,328	-	-	-	-	541,328	896,633
Restricted for pension (see Note 8)	225,343	-	-	-	-	225,343	-
Unrestricted net position	1,773,618	100	60,664	10	198	1,834,590	207,728
Total net position	5,243,683	100	60,664	10	198	5,304,655	13,505,394
	\$ 5,933,099	\$ 100	\$ 60,664	\$ 10	\$ 198	\$ 5,994,071	\$ 19,727,200

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Statements of Revenues, Expenses and Changes in Net Position
 Years Ended December 31, 2018 and 2017

	2018					Total	Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units			Meadow Wood Housing, LLC		
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC			
Operating Revenues							
Dwelling rental income	\$ 785,983	\$ -	\$ -	\$ -	\$ -	\$ 785,983	\$ 1,323,261
HUD subsidies	1,976,801	-	-	-	-	1,976,801	-
Management and administration fees	269,010	-	-	-	25,000	294,010	30,219
Other revenue	10,121	-	-	-	-	10,121	6,563
Total operating revenues	3,041,915	-	-	-	25,000	3,066,915	1,360,043
Operating Expenses							
Administrative	750,884	50	50	50	50	751,084	330,316
Tenant services	44,478	-	-	-	-	44,478	-
Utilities	130,333	-	-	-	-	130,333	175,404
Ordinary maintenance and operation	244,091	-	-	-	-	244,091	273,633
General expenses	71,147	-	-	-	-	71,147	59,239
Rental assistance payments	1,649,623	-	-	-	-	1,649,623	-
Depreciation and amortization	276,103	-	-	-	-	276,103	947,800
Extraordinary maintenance	32,980	-	-	-	-	32,980	-
Total operating expenses	3,199,639	50	50	50	50	3,199,839	1,786,392
Operating Income (Loss)	(157,724)	(50)	(50)	(50)	24,950	(132,924)	(426,349)
Nonoperating Revenue (Expense)							
Interest income	31,894	-	-	-	-	31,894	4,248
Interest expense	(37,024)	-	-	-	-	(37,024)	(152,979)
Total nonoperating revenue (expense)	(5,130)	-	-	-	-	(5,130)	(148,731)
Income (Loss) Before Other Revenues, Expenses, and Transfers	(162,854)	(50)	(50)	(50)	24,950	(138,054)	(575,080)
Capital contributions	154,340	-	-	-	-	154,340	238,341
Capital distributions	-	-	-	-	-	-	(9,296)
Transfer to (from) blended component units	33,467	50	(8,617)	50	(24,950)	-	-
Change in Net Position	24,953	-	(8,667)	-	-	16,286	(346,035)
Net Position, Beginning of Year	5,243,683	100	60,664	10	198	5,304,655	13,505,394
Net Position, End of Year	\$ 5,268,636	\$ 100	\$ 51,997	\$ 10	\$ 198	\$ 5,320,941	\$ 13,159,359

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

	2017						Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units				Total	
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC		
Operating Revenues							
Dwelling rental income	\$ 780,042	\$ -	\$ -	\$ -	\$ -	\$ 780,042	\$ 1,149,675
HUD subsidies	1,939,194	-	-	-	-	1,939,194	-
Management and administration fees	398,163	-	-	-	-	398,163	30,677
Other revenue	15,120	-	-	-	-	15,120	4,572
Total operating revenues	3,132,519	-	-	-	-	3,132,519	1,184,924
Operating Expenses							
Administrative	559,981	50	50	50	50	560,181	252,651
Tenant services	39,770	-	-	-	-	39,770	-
Utilities	128,450	-	-	-	-	128,450	161,181
Ordinary maintenance and operation	224,899	-	-	-	-	224,899	236,103
General expenses	79,001	-	-	-	-	79,001	56,628
Rental assistance payments	1,609,875	-	-	-	-	1,609,875	-
Depreciation and amortization	305,768	-	-	-	-	305,768	812,935
Extraordinary maintenance	43,548	-	-	-	-	43,548	-
Total operating expenses	2,991,292	50	50	50	50	2,991,492	1,519,498
Operating Income (Loss)	141,227	(50)	(50)	(50)	(50)	141,027	(334,574)
Nonoperating Revenue (Expense)							
Loss on disposal of property and equipment	32,728	-	-	-	-	32,728	2,275
Interest income	(47,913)	-	-	-	-	(47,913)	(122,119)
Interest expense	(262)	-	-	-	-	(262)	-
Total nonoperating revenue (expense)	(15,447)	-	-	-	-	(15,447)	(119,844)
Income (Loss) Before Other Revenues, Expenses, and Transfers	125,780	(50)	(50)	(50)	(50)	125,580	(454,418)
Capital contributions	96,449	-	-	-	-	96,449	3,834,166
Capital distributions	-	-	-	-	-	-	(3,000)
Transfer to (from) Blended Component Units	8,467	50	(8,617)	50	50	-	-
Change in Net Position	230,696	-	(8,667)	-	-	222,029	3,376,748
Net Position, Beginning of Year	5,012,987	100	69,331	10	198	5,082,626	10,128,646
Net Position, End of Year	\$ 5,243,683	\$ 100	\$ 60,664	\$ 10	\$ 198	\$ 5,304,655	\$ 13,505,394

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018						Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units			Meadow Wood Housing, LLC	Total	
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC			
Operating Activities							
Receipts from tenant payments	\$ 792,371	\$ -	\$ -	\$ -	\$ -	\$ 792,371	\$ 1,354,887
Receipts for management fees and other	372,174	-	8,667	-	25,000	405,841	6,563
Receipts from HUD subsidies	1,976,801	-	-	-	-	1,976,801	-
Payments to employees	(614,727)	-	-	-	-	(614,727)	-
Housing assistance payments	(1,649,623)	-	-	-	-	(1,649,623)	-
Payments to suppliers and others	(590,980)	(50)	(50)	(50)	(50)	(591,180)	(1,076,847)
Net Cash from (used for) Operating Activities	286,016	(50)	8,617	(50)	24,950	319,483	284,603
Noncapital Financing Activities							
Transfers from blended component unit	33,667	-	(8,667)	-	(25,000)	-	-
Transfers to blended component unit	(200)	50	50	50	50	-	-
HUD capital contributions	154,340	-	-	-	-	154,340	-
Net Cash from (used for) Noncapital Financing Activities	187,807	50	(8,617)	50	(24,950)	154,340	-
Capital and Related Financing Activities							
Purchase of property and equipment	(136,873)	-	-	-	-	(136,873)	(64,346)
Payment on other liabilities	-	-	-	-	-	-	(8,667)
Payments for interest	(37,970)	-	-	-	-	(37,970)	(149,525)
Payment of tax credit fees	-	-	-	-	-	-	(2,500)
Principal payments on long-term debt	(133,574)	-	-	-	-	(133,574)	(243,743)
Equity contributions	-	-	-	-	-	-	238,341
Equity distributions	-	-	-	-	-	-	(9,296)
Net Cash used for Capital and Related Financing Activities	(308,417)	-	-	-	-	(308,417)	(239,736)
Investing Activities							
Advance to another entity	(176)	-	-	-	-	(176)	-
Interest received	19,622	-	-	-	-	19,622	4,248
Net Cash from Investing Activities	19,446	-	-	-	-	19,446	4,248
Net Change in Cash and Cash Equivalents	184,852	-	-	-	-	184,852	49,115
Cash and Cash Equivalents, Beginning of Year	1,727,131	-	-	-	-	1,727,131	1,557,244
Cash and Cash Equivalents, End of Year	\$ 1,911,983	\$ -	\$ -	\$ -	\$ -	\$ 1,911,983	\$ 1,606,359

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Statements of Cash Flows
 Years Ended December 31, 2018 and 2017

	2018					Total	Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units					
	Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC			
Cash consists of:							
Cash	\$ 1,102,613	\$ -	\$ -	\$ -	\$ -	\$ 1,102,613	\$ 573,330
Funded security deposits	43,910	-	-	-	-	43,910	89,142
Restricted deposits	765,460	-	-	-	-	765,460	943,887
	<u>\$ 1,911,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,911,983</u>	<u>\$ 1,606,359</u>
Operating Activities							
Operating income (loss)	\$ (157,724)	\$ (50)	\$ (50)	\$ (50)	\$ 24,950	\$ (132,924)	\$ (426,349)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:							
Depreciation and amortization	276,103	-	-	-	-	276,103	947,800
Change in assets and liabilities:							
Rental accounts receivable	(1,706)	-	-	-	-	(1,706)	1,407
Other receivables	93,043	-	8,667	-	-	101,710	-
Prepaid expenses	315	-	-	-	-	315	(2,265)
Accounts payable and other accrued liabilities	14,554	-	-	-	-	14,554	(27,838)
Tenant security deposits	1,257	-	-	-	-	1,257	2,633
Developer fee payable	-	-	-	-	-	-	(210,785)
Pension asset/liability, deferred inflows and outflows	53,337	-	-	-	-	53,337	-
Unearned revenues	6,837	-	-	-	-	6,837	-
Net Cash from (used for) Operating Activities	<u>\$ 286,016</u>	<u>\$ (50)</u>	<u>\$ 8,617</u>	<u>\$ (50)</u>	<u>\$ 24,950</u>	<u>\$ 319,483</u>	<u>\$ 284,603</u>
Non Cash Investing and Financing Activities							
Purchase of property and equipment included in accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,355

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2017					Total	Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units			Meadow Wood Housing, LLC		
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC			
Operating Activities							
Receipts from tenant payments	\$ 628,861	\$ -	\$ -	\$ -	\$ -	\$ 628,861	\$ 1,175,538
Receipts for management fees and other	363,144	-	8,667	-	-	371,811	4,582
Receipts from HUD subsidies	1,939,194	-	-	-	-	1,939,194	-
Payments to employees	(600,696)	-	-	-	-	(600,696)	-
Housing assistance payments	(1,609,875)	-	-	-	-	(1,609,875)	-
Payments to suppliers and others	(582,892)	(50)	(50)	(50)	(50)	(583,092)	(1,061,966)
Net Cash from (used for) Operating Activities	137,736	(50)	8,617	(50)	(50)	146,203	118,154
Noncapital Financing Activities							
Transfers from blended component unit	8,667	-	(8,667)	-	-	-	-
Transfers to blended component unit	(200)	50	50	50	50	-	-
HUD capital contributions	96,449	-	-	-	-	96,449	-
Net Cash from (used for) Noncapital Financing Activities	104,916	50	(8,617)	50	50	96,449	-
Capital and Related Financing Activities							
Purchase of property and equipment	(2,401)	-	-	-	-	(2,401)	(1,581,716)
Payments on other liabilities	-	-	-	-	-	-	(8,670)
Payments for interest	(48,782)	-	-	-	-	(48,782)	(119,031)
Payment of tax credit fees	-	-	-	-	-	-	(47,432)
Principal payments on long-term debt	(122,762)	-	-	-	-	(122,762)	(4,296,681)
Net advances from (payments on) construction note	-	-	-	-	-	-	1,942,670
Proceeds from long term debt	-	-	-	-	-	-	365,792
Equity contributions	-	-	-	-	-	-	3,834,166
Equity distributions	-	-	-	-	-	-	(3,000)
Net Cash used for Capital and Related financing activities	(173,945)	-	-	-	-	(173,945)	86,098
Investing Activities							
Payments received on notes receivable	15,842	-	-	-	-	15,842	-
Interest received	33,700	-	-	-	-	33,700	2,275
Net Cash from Investing Activities	49,542	-	-	-	-	49,542	2,275
Net Change in Cash and Cash Equivalents	118,249	-	-	-	-	118,249	206,527
Cash and Cash Equivalents, Beginning of Year	1,608,882	-	-	-	-	1,608,882	1,350,717
Cash and Cash Equivalents, End of Year	\$ 1,727,131	\$ -	\$ -	\$ -	\$ -	\$ 1,727,131	\$ 1,557,244

See Notes to Financial Statements

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Statements of Cash Flows
 Years Ended December 31, 2018 and 2017

	2017					Total	Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units					
	Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC			
Cash consists of							
Cash	\$ 942,638	\$ -	\$ -	\$ -	\$ -	\$ 942,638	\$ 573,973
Funded security deposits	43,165	-	-	-	-	43,165	86,638
Restricted deposits	741,328	-	-	-	-	741,328	896,633
	<u>\$ 1,727,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,727,131</u>	<u>\$ 1,557,244</u>
Operating Activities							
Operating income (loss)	\$ 141,227	\$ (50)	\$ (50)	\$ (50)	\$ (50)	\$ 141,027	\$ (334,574)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:							
Depreciation and amortization	305,768	-	-	-	-	305,768	812,935
Change in assets and liabilities:							
Rental accounts receivable	(277)	-	-	-	-	(277)	(7,122)
Other receivables	(50,139)	-	8,667	-	-	(41,472)	10
Prepaid expenses	(1,296)	-	-	-	-	(1,296)	4,589
Accounts payable and other accrued liabilities	(8,033)	-	-	-	-	(8,033)	(378,596)
Tenant security deposits	2,548	-	-	-	-	2,548	20,912
Pension asset/liability, deferred inflows and outflows	(98,610)	-	-	-	-	(98,610)	-
Unearned revenues	(153,452)	-	-	-	-	(153,452)	-
Net Cash from (used for) Operating Activities	<u>\$ 137,736</u>	<u>\$ (50)</u>	<u>\$ 8,617</u>	<u>\$ (50)</u>	<u>\$ (50)</u>	<u>\$ 146,203</u>	<u>\$ 118,154</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Net Position – Discretely Presented Component Units
December 31, 2018 and 2017

	2018					Total
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	
Assets						
Current Assets						
Cash	\$ 145,404	\$ 174,138	\$ 161,439	\$ 29,340	\$ 63,009	\$ 573,330
Tenant accounts receivable	2,347	11,310	9,407	555	77	23,696
Funded security deposits	14,741	7,775	18,504	24,080	24,042	89,142
Prepaid expenses	5,262	9,152	1,632	5,624	2,880	24,550
Total current assets	167,754	202,375	190,982	59,599	90,008	710,718
Property and Equipment						
Land	100,774	40,369	142,900	292,500	138,500	715,043
Buildings	3,528,353	3,162,732	4,159,869	4,583,472	5,167,558	20,601,984
Furniture, equipment and machinery - dwellings	186,750	344,421	201,254	203,526	267,348	1,203,299
	3,815,877	3,547,522	4,504,023	5,079,498	5,573,406	22,520,326
Less accumulated depreciation	(1,336,951)	(1,515,795)	(1,248,067)	(942,808)	(356,673)	(5,400,294)
Total property and equipment	2,478,926	2,031,727	3,255,956	4,136,690	5,216,733	17,120,032
Other Assets						
Restricted deposits and funded reserves	252,242	223,677	174,864	203,318	89,786	943,887
Tax credit fees, at cost, net of accumulated amortization	18,993	7,065	29,391	31,162	45,327	131,938
Total other assets	271,235	230,742	204,255	234,480	135,113	1,075,825
	\$ 2,917,915	\$ 2,464,844	\$ 3,651,193	\$ 4,430,769	\$ 5,441,854	\$ 18,906,575

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Net Position – Discretely Presented Component Units
December 31, 2018 and 2017

	2018					
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Total
Liabilities and Net Position						
Current Liabilities						
Current portion of long-term debt	\$ 27,600	\$ 55,244	\$ 24,609	\$ 45,234	\$ 46,018	\$ 198,705
Accounts payable	10,454	22,231	22,696	12,064	11,081	78,526
Tenant security deposits	14,934	7,975	18,541	23,525	24,029	89,004
Accrued liabilities:						
Interest	24,306	13,716	-	3,262	3,688	44,972
Other	3,218	-	5,510	9,558	7,073	25,359
Total current liabilities	80,512	99,166	71,356	93,643	91,889	436,566
Non-Current Liabilities						
Long-term debt, net of current portion and unamortized debt issuance costs	1,100,295	1,008,276	208,906	1,414,946	1,361,854	5,094,277
Other non-current payable	-	51,997	-	164,376	-	216,373
Total non-current liabilities	1,100,295	1,060,273	208,906	1,579,322	1,361,854	5,310,650
Total liabilities	1,180,807	1,159,439	280,262	1,672,965	1,453,743	5,747,216
Net Position						
Net investment in capital assets	1,340,007	953,059	3,022,441	2,667,840	3,802,048	11,785,395
Restricted for mortgage escrows	252,242	223,677	174,864	203,318	89,786	943,887
Unrestricted net position	144,859	128,669	173,626	(113,354)	96,277	430,077
Total net position	1,737,108	1,305,405	3,370,931	2,757,804	3,988,111	13,159,359
	\$ 2,917,915	\$ 2,464,844	\$ 3,651,193	\$ 4,430,769	\$ 5,441,854	\$ 18,906,575

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Net Position – Discretely Presented Component Units
December 31, 2018 and 2017

	2017					
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Total
Assets						
Current Assets						
Cash	\$ 111,205	\$ 133,447	\$ 244,000	\$ 11,861	\$ 73,460	\$ 573,973
Tenant accounts receivable	5,927	12,966	3,879	2,319	12	25,103
Funded security deposits	14,444	8,032	18,723	22,299	23,140	86,638
Prepaid expenses	4,596	8,536	1,642	4,880	2,631	22,285
Total current assets	136,172	162,981	268,244	41,359	99,243	707,999
Property and Equipment						
Land	100,774	40,369	142,900	292,500	138,500	715,043
Buildings	3,528,353	3,154,532	4,159,869	4,573,268	5,167,558	20,583,580
Furniture, equipment and machinery - dwellings	169,876	336,144	178,812	194,821	267,348	1,147,001
	3,799,003	3,531,045	4,481,581	5,060,589	5,573,406	22,445,624
Less accumulated depreciation	(1,190,182)	(1,365,920)	(1,080,581)	(724,626)	(104,902)	(4,466,211)
Total property and equipment	2,608,821	2,165,125	3,401,000	4,335,963	5,468,504	17,979,413
Other Assets						
Restricted deposits and funded reserves	250,804	217,089	161,784	201,872	65,084	896,633
Tax credit fees, at cost, net of accumulated amortization	21,772	8,501	32,662	34,106	46,114	143,155
Total other assets	272,576	225,590	194,446	235,978	111,198	1,039,788
	\$ 3,017,569	\$ 2,553,696	\$ 3,863,690	\$ 4,613,300	\$ 5,678,945	\$ 19,727,200

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Net Position – Discretely Presented Component Units
December 31, 2018 and 2017

	2017					
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Total
Liabilities and Net Position						
Current Liabilities						
Current portion of long-term debt	\$ 27,600	\$ 22,155	\$ 95,098	\$ 48,793	\$ 50,097	\$ 243,743
Accounts payable	10,488	18,676	10,191	10,119	71,919	121,393
Tenant security deposits	14,434	7,932	18,714	22,179	23,112	86,371
Accrued liabilities:						
Interest	12,034	13,789	-	3,464	-	29,287
Other	-	-	5,000	5,638	5,021	15,659
Total current liabilities	64,556	62,552	129,003	90,193	150,149	496,453
Non-Current Liabilities						
Long-term debt, net of current portion and unamortized debt issuance costs	1,127,549	1,061,500	233,515	1,459,458	1,407,506	5,289,528
Other non-current payable	-	60,664	-	164,376	210,785	435,825
Total non-current liabilities	1,127,549	1,122,164	233,515	1,623,834	1,618,291	5,725,353
Total liabilities	1,192,105	1,184,716	362,518	1,714,027	1,768,440	6,221,806
Net Position						
Net investment in capital assets	1,442,302	1,064,302	3,072,387	2,818,320	4,003,722	12,401,033
Restricted for mortgage escrows	250,804	217,089	161,784	201,872	65,084	896,633
Unrestricted net position	132,358	87,589	267,001	(120,919)	(158,301)	207,728
Total net position	1,825,464	1,368,980	3,501,172	2,899,273	3,910,505	13,505,394
	\$ 3,017,569	\$ 2,553,696	\$ 3,863,690	\$ 4,613,300	\$ 5,678,945	\$ 19,727,200

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Revenues, Expenses and Changes in Net Position – Discretely Presented Component Units
Years Ended December 31, 2018 and 2017

	2018					Total
	Sunshine Park LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas LP	
Operating Revenues						
Dwelling rental income	\$ 196,614	\$ 301,489	\$ 232,190	\$ 306,204	\$ 286,764	\$ 1,323,261
Management and administration fees	4,795	10,755	8,999	4,349	1,321	30,219
Other revenue	778	3,624	1,400	761	-	6,563
Total operating revenues	<u>202,187</u>	<u>315,868</u>	<u>242,589</u>	<u>311,314</u>	<u>288,085</u>	<u>1,360,043</u>
Operating Expenses						
Administrative	44,433	62,938	102,044	57,047	63,854	330,316
Utilities	30,917	27,857	22,282	64,124	30,224	175,404
Ordinary maintenance and operation	36,077	71,190	60,401	64,073	41,892	273,633
General expenses	17,552	9,866	11,148	8,802	11,871	59,239
Depreciation and amortization	149,548	151,311	170,757	221,126	255,058	947,800
Total operating expenses	<u>278,527</u>	<u>323,162</u>	<u>366,632</u>	<u>415,172</u>	<u>402,899</u>	<u>1,786,392</u>
Operating Loss	<u>(76,340)</u>	<u>(7,294)</u>	<u>(124,043)</u>	<u>(103,858)</u>	<u>(114,814)</u>	<u>(426,349)</u>
Nonoperating Revenue (Expense)						
Interest income	602	445	98	2,616	487	4,248
Interest expense	(12,618)	(53,726)	-	(40,227)	(46,408)	(152,979)
Total nonoperating revenue (expense)	<u>(12,016)</u>	<u>(53,281)</u>	<u>98</u>	<u>(37,611)</u>	<u>(45,921)</u>	<u>(148,731)</u>
Loss Before Other Revenues, Expenses, Gains, Losses, and Transfers	(88,356)	(60,575)	(123,945)	(141,469)	(160,735)	(575,080)
Capital contributions	-	-	-	-	238,341	238,341
Capital distributions	-	(3,000)	(6,296)	-	-	(9,296)
Change in Net Position	(88,356)	(63,575)	(130,241)	(141,469)	77,606	(346,035)
Net Position, Beginning of Year	<u>1,825,464</u>	<u>1,368,980</u>	<u>3,501,172</u>	<u>2,899,273</u>	<u>3,910,505</u>	<u>13,505,394</u>
Net Position, End of Year	<u>\$ 1,737,108</u>	<u>\$ 1,305,405</u>	<u>\$ 3,370,931</u>	<u>\$ 2,757,804</u>	<u>\$ 3,988,111</u>	<u>\$ 13,159,359</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Revenues, Expenses and Changes in Net Position – Discretely Presented Component Units
Years Ended December 31, 2018 and 2017

	2017					Total
	Sunshine Park LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas LP	
Operating Revenues						
Dwelling rental income	\$ 190,294	\$ 293,039	\$ 230,752	\$ 294,401	\$ 141,189	\$ 1,149,675
Management and administration fees	5,239	11,956	5,956	7,173	353	30,677
Other revenue	436	2,458	392	1,178	108	4,572
Total operating revenues	<u>195,969</u>	<u>307,453</u>	<u>237,100</u>	<u>302,752</u>	<u>141,650</u>	<u>1,184,924</u>
Operating Expenses						
Administrative	40,304	55,691	46,394	60,819	49,443	252,651
Utilities	28,856	24,789	21,117	68,811	17,608	161,181
Ordinary maintenance and operation	33,797	81,714	36,950	56,574	27,068	236,103
General expenses	15,927	9,460	10,411	9,877	10,953	56,628
Depreciation and amortization	147,103	148,662	190,616	220,334	106,220	812,935
Total operating expenses	<u>265,987</u>	<u>320,316</u>	<u>305,488</u>	<u>416,415</u>	<u>211,292</u>	<u>1,519,498</u>
Operating Loss	<u>(70,018)</u>	<u>(12,863)</u>	<u>(68,388)</u>	<u>(113,663)</u>	<u>(69,642)</u>	<u>(334,574)</u>
Nonoperating Revenue (Expense)						
Interest income	275	284	57	1,571	88	2,275
Interest expense	(12,380)	(54,582)	-	(42,540)	(12,617)	(122,119)
Total nonoperating revenue (expense)	<u>(12,105)</u>	<u>(54,298)</u>	<u>57</u>	<u>(40,969)</u>	<u>(12,529)</u>	<u>(119,844)</u>
Loss Before Other Revenues, Expenses, Gains, Losses, and Transfers	(82,123)	(67,161)	(68,331)	(154,632)	(82,171)	(454,418)
Capital contributions	-	-	-	-	3,834,166	3,834,166
Capital distributions	-	(3,000)	-	-	-	(3,000)
Change in Net Position	(82,123)	(70,161)	(68,331)	(154,632)	3,751,995	3,376,748
Net Position, Beginning of Year	<u>1,907,587</u>	<u>1,439,141</u>	<u>3,569,503</u>	<u>3,053,905</u>	<u>158,510</u>	<u>10,128,646</u>
Net Position, End of Year	<u>\$ 1,825,464</u>	<u>\$ 1,368,980</u>	<u>\$ 3,501,172</u>	<u>\$ 2,899,273</u>	<u>\$ 3,910,505</u>	<u>\$ 13,505,394</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Cash Flows – Discretely Presented Component Units
Years Ended December 31, 2018 and 2017

	2018					Total
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	
Operating Activities						
Receipts from tenant payments	\$ 204,989	\$ 313,900	\$ 235,661	\$ 312,317	\$ 288,020	\$ 1,354,887
Receipts for management fees and other	778	3,624	1,400	761	-	6,563
Payments to suppliers and others	(113,689)	(168,943)	(193,378)	(187,781)	(413,056)	(1,076,847)
Net Cash from (used for) Operating Activities	<u>92,078</u>	<u>148,581</u>	<u>43,683</u>	<u>125,297</u>	<u>(125,036)</u>	<u>284,603</u>
Capital and Related Financing Activities						
Purchase of property and equipment	(16,874)	(16,476)	(12,087)	(18,909)	-	(64,346)
Payment for other payable	-	(8,667)	-	-	-	(8,667)
Payments for interest	(12,272)	(51,706)	-	(39,505)	(46,042)	(149,525)
Payment of tax credit fees	-	-	-	-	(2,500)	(2,500)
Principal payments on long-term debt	(27,600)	(22,155)	(95,098)	(48,793)	(50,097)	(243,743)
Equity contributions	-	-	-	-	238,341	238,341
Equity distributions	-	(3,000)	(6,296)	-	-	(9,296)
Net Cash from (used for) Capital and Related Financing Activities	<u>(56,746)</u>	<u>(102,004)</u>	<u>(113,481)</u>	<u>(107,207)</u>	<u>139,702</u>	<u>(239,736)</u>
Investing Activities						
Interest received	602	445	98	2,616	487	4,248
Net Cash from Investing Activities	<u>602</u>	<u>445</u>	<u>98</u>	<u>2,616</u>	<u>487</u>	<u>4,248</u>
Net Change in Cash	35,934	47,022	(69,700)	20,706	15,153	49,115
Cash Beginning of Year	<u>376,453</u>	<u>358,568</u>	<u>424,507</u>	<u>236,032</u>	<u>161,684</u>	<u>1,557,244</u>
Cash End of Year	<u>\$ 412,387</u>	<u>\$ 405,590</u>	<u>\$ 354,807</u>	<u>\$ 256,738</u>	<u>\$ 176,837</u>	<u>\$ 1,606,359</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Cash Flows – Discretely Presented Component Units
Years Ended December 31, 2018 and 2017

	2018					Total
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	
Cash consists of:						
Cash	\$ 145,404	\$ 174,138	\$ 161,439	\$ 29,340	\$ 63,009	\$ 573,330
Funded security deposits	14,741	7,775	18,504	24,080	24,042	89,142
Restricted deposits	252,242	223,677	174,864	203,318	89,786	943,887
	<u>\$ 412,387</u>	<u>\$ 405,590</u>	<u>\$ 354,807</u>	<u>\$ 256,738</u>	<u>\$ 176,837</u>	<u>\$ 1,606,359</u>
Operating Activities						
Operating loss	\$ (76,340)	\$ (7,294)	\$ (124,043)	\$ (103,858)	\$ (114,814)	\$ (426,349)
Adjustments to reconcile operating loss to net cash from (used for) operating activities:						
Depreciation and amortization	149,548	151,311	170,757	221,126	255,058	947,800
Change in assets and liabilities:						
Rental accounts receivable	3,580	1,656	(5,528)	1,764	(65)	1,407
Prepaid expenses	(666)	(616)	10	(744)	(249)	(2,265)
Accounts payable and other accrued liabilities	15,456	3,481	2,660	5,663	(55,098)	(27,838)
Tenant security deposits	500	43	(173)	1,346	917	2,633
Developer fee payable	-	-	-	-	(210,785)	(210,785)
Net Cash from (used for) Operating Activities	<u>\$ 92,078</u>	<u>\$ 148,581</u>	<u>\$ 43,683</u>	<u>\$ 125,297</u>	<u>\$ (125,036)</u>	<u>\$ 284,603</u>
Non Cash Investing and Financing Activities						
Purchase of property and equipment included in accounts payable	\$ -	\$ -	\$ 10,355	\$ -	\$ -	\$ 10,355

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Cash Flows – Discretely Presented Component Units
Years Ended December 31, 2018 and 2017

	2017					Total
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	
Operating Activities						
Receipts from tenant payments	\$ 191,653	\$ 301,926	\$ 236,391	\$ 303,017	\$ 142,551	\$ 1,175,538
Receipts for management fees and other	436	2,458	392	1,178	118	4,582
Payments to suppliers and others	(120,549)	(175,407)	(113,400)	(200,666)	(451,944)	(1,061,966)
Net Cash from (used for) Operating Activities	<u>71,540</u>	<u>128,977</u>	<u>123,383</u>	<u>103,529</u>	<u>(309,275)</u>	<u>118,154</u>
Capital and Related Financing Activities						
Purchase of property and equipment	(9,932)	(44,669)	-	-	(1,527,115)	(1,581,716)
Payment for other payable	-	(8,670)	-	-	-	(8,670)
Payments for interest	(12,034)	(52,562)	-	(41,818)	(12,617)	(119,031)
Payment of tax credit fees	-	-	-	-	(47,432)	(47,432)
Principal payments on long-term debt	(43,443)	(43,874)	(72,279)	(52,492)	(4,084,593)	(4,296,681)
Net advances from construction note payable	-	-	-	-	1,942,670	1,942,670
Proceeds from long-term debt	-	-	-	-	365,792	365,792
Equity contributions	-	-	-	-	3,834,166	3,834,166
Equity distributions	-	(3,000)	-	-	-	(3,000)
Net Cash from (used for) Capital and Related Financing Activities	<u>(65,409)</u>	<u>(152,775)</u>	<u>(72,279)</u>	<u>(94,310)</u>	<u>470,871</u>	<u>86,098</u>
Investing Activities						
Interest received	275	284	57	1,571	88	2,275
Net Cash from Investing Activities	<u>275</u>	<u>284</u>	<u>57</u>	<u>1,571</u>	<u>88</u>	<u>2,275</u>
Net Change in Cash	6,406	(23,514)	51,161	10,790	161,684	206,527
Cash Beginning of Year	370,047	382,082	373,346	225,242	-	1,350,717
Cash End of Year	<u>\$ 376,453</u>	<u>\$ 358,568</u>	<u>\$ 424,507</u>	<u>\$ 236,032</u>	<u>\$ 161,684</u>	<u>\$ 1,557,244</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Cash Flows – Discretely Presented Component Units
Years Ended December 31, 2018 and 2017

	2017					Total
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	
Cash consists of						
Cash	\$ 111,205	\$ 133,447	\$ 244,000	\$ 11,861	\$ 73,460	\$ 573,973
Funded security deposits	14,444	8,032	18,723	22,299	23,140	86,638
Restricted deposits	250,804	217,089	161,784	201,872	65,084	896,633
	<u>\$ 376,453</u>	<u>\$ 358,568</u>	<u>\$ 424,507</u>	<u>\$ 236,032</u>	<u>\$ 161,684</u>	<u>\$ 1,557,244</u>
Operating Activities						
Operating loss	\$ (70,018)	\$ (12,863)	\$ (68,388)	\$ (113,663)	\$ (69,642)	\$ (334,574)
Adjustments to reconcile operating loss to net cash from (used for) operating activities:						
Depreciation and amortization	147,103	148,662	190,616	220,334	106,220	812,935
Change in assets and liabilities:						
Rental accounts receivable	(3,880)	(3,069)	(317)	156	(12)	(7,122)
Other accounts receivable	-	-	-	-	10	10
Prepaid expenses	(450)	(286)	(296)	920	4,701	4,589
Accounts payable and other accrued liabilities	(1,089)	(1,659)	101	(2,285)	(373,664)	(378,596)
Tenant security deposits	(126)	(1,808)	1,667	(1,933)	23,112	20,912
Net Cash from (used for) Operating Activities	<u>\$ 71,540</u>	<u>\$ 128,977</u>	<u>\$ 123,383</u>	<u>\$ 103,529</u>	<u>\$ (309,275)</u>	<u>\$ 118,154</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Statements of Fiduciary Net Position – Fiduciary Fund
 December 31, 2018 and 2017

	Agency Fund	
	2018	2017
Assets		
Cash and cash equivalents	\$ 1,050	\$ -
	\$ 1,050	\$ -
Liabilities		
Due to other funds	\$ 176	
Amounts held for others	874	-
	\$ 1,050	\$ -

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota (the “Commission”), a public housing authority (PHA), was established on November 24, 1969. The Commission was organized 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 designed to provide decent, safe, affordable and sanitary housing. The Commission has been determined to be a component unit of the City of Aberdeen, South Dakota. The City of Aberdeen, South Dakota has legal authority to impose its will on the Commission.

The Commission is managed by a Board of Directors, which is composed of five members who are appointed to staggered five-year terms of office.

Blended Component Units

The Commission has four single-member LLCs: Aberdeen Housing, LLC, Lawson Developers, LLC, AHA Housing, LLC and Meadow Wood Housing LLC. As such, these financial statements present The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota (the primary government) and its blended component units, Aberdeen Housing, LLC; Lawson Developers, LLC; AHA Housing, LLC; and Meadow Wood Housing, LLC. As defined by GASB No. 61, component units are legally separate entities that are included in the Commission’s reporting entity because of the significance of their operating or financial relationships with the Commission. These entities were created to assist in the development and management of the Lawson View Townhomes Limited Partnership, of which Aberdeen Housing, LLC is a special limited partner; Sunshine Park Limited Partnership, of which AHA Housing, LLC is a co-general partner; and Meadow Wood Townhomes Limited Partnership, of which Meadow Wood Housing, LLC is a co-general partner. The Commission’s Board of Directors serves as the board of the component units. Although legally separate, these entities are reported as major enterprise funds of the Commission. Separate financial statements for the blended component units are not issued.

Discretely Presented Component Units

The aggregate discretely presented component units column of the combined financial statements include the financial data of the Commission’s discretely presented component units as of December 31, 2018 and 2017. These units are reported in a separate column to emphasize that they are legally separate from the Commission.

Lawson View Townhomes, LP (Lawson View) was formed for the purpose of owning and operating a low-income tax credit housing complex in Aberdeen, SD. The Commission’s blended component unit, Aberdeen Housing, LLC, is a special limited partner of Lawson View. Aberdeen Housing, LLC has an ownership percentage of 0.005% in the partnership.

Sunshine Park, LP (Sunshine Park) was formed for the purpose of owning and operating a low-income tax credit housing complex in Aberdeen, SD. The Commission’s blended component unit, AHA Housing, LLC, is a co-general partner of Sunshine Park. AHA Housing, LLC has an ownership percentage of 0.005% in the partnership.

Meadow Wood Townhomes, LP (Meadow Wood) was formed for the purpose of owning and operating a low-income tax credit housing complex in Aberdeen, SD. The Commission’s blended component unit, Meadow Wood Housing, LLC, is a co-general partner of Meadow Wood. Meadow Wood Housing, LLC has an ownership percentage of 0.005% in the partnership.

Jackson Heights Apartments, LP (Jackson Heights) was formed for the purpose of owning and operating a low-income tax credit housing complex in Aberdeen, SD. The Commission is the general partner of Jackson Heights. The Commission has an ownership percentage of 0.01% in the partnership.

Central Villas, LP (Central Villas) was formed for the purpose of owning and operating a low-income tax credit housing complex in Aberdeen, SD. The Commission is the general partner of Central Villas. The Commission has an ownership percentage of 0.01% in the partnership.

Primary Government

The Commission owns and operates the following low-income housing programs:

- a) HUD Project SD 034, the public housing program, consists of a 75-unit low rent housing facility for the elderly and disabled and 25 separate single-family low rent units.
- b) The Section 8 Housing Choice Voucher Program is a federally subsidized housing program designed to assist very low-income families in finding in the local market decent, safe, affordable and sanitary rental housing suitable for their needs and desires. If the unit and rental rate are acceptable, the PHA enters into a housing assistance payments (HAP) contract with the owner of the unit to make up the difference between what the family can afford to pay, based on HUD guidelines, and the total contracted rent. Housing units leased under the Section 8 programs must meet housing quality standards as determined by the Commission; this is accomplished through unit inspections that must be conducted initially and on an annual basis thereafter.
- c) The Section 8 Housing Choice Voucher Program Administration derives its income from administration of the Section 8 Housing Choice Voucher low rent housing program; this program provides for an administrative fee based on a unit fair market rental rate and the number of rental units administered for each program.
- d) The Sherman Apartment, Project No. SD 99-H001-089, a Section 8 South Dakota Housing Development Authority (SDHDA) project, consists of a 51 unit hi-rise, low-rent housing facility for elderly and disabled occupants.
- e) The management account derives its income from management of the Sherman Apartments project, management of other Section 8 multi-family projects, and other general revenues, not program related, of the Commission.

The management agreement for the Sherman Apartments Project, approved by the SDHDA, provides for a management fee of 7% of the annual gross rental collections.

The low rent programs are regulated by HUD as to rental charges and operating methods. The Commission receives subsidies from HUD to assist in covering the costs of the Commission's low rent housing programs. The Commission is required to prepare, adopt and submit to the regulatory agency annual operating budgets for each of its HUD programs.

Low income families who participate in subsidized or housing assistance programs, tenants or participants of the projects or programs, typically pay a portion of their housing costs, which generally amounts to the higher of either 30% of their adjusted gross income, based on HUD guidelines, or 10% of their gross income; the remaining portion of the rent for the units is paid by HUD either through public housing program annual contributions, subsidies or housing assistance payments or through SDHDA in the form of housing assistance payments.

The reporting entity of the Commission also consists of a fund for which the primary government has a fiduciary responsibility, even though that fiduciary fund may represent organizations that do not meet the criteria for inclusion in the financial reporting entity.

Basis of Presentation

Proprietary Fund

Except for its fiduciary funds, all of the Commission's programs are accounted for as a business-type activity for financial reporting purposes. The Commission's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Commission's ongoing operations. Principal operating revenues are dwelling rentals, HUD subsidies and management fees. Operating expenses include administration, maintenance, insurance, payments in lieu of taxes, depreciation, and utilities, as well as housing assistance payments. All other revenues and expenses are reported as non-operating.

Fiduciary Fund

Agency Fund: The project management fund is used to account for funds generated through the Commission's management of one rental property on behalf of its owners. The Commission holds the fund's assets in a custodial capacity. Agency funds are accounted for using the accrual basis of accounting. Because agency funds are custodial in nature, they do not measure results of operations or have a measurement focus.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Commission considers all highly liquid investments with a term to maturity of three months or less when purchased to be cash equivalents. Restricted cash, deposits, and funded reserves that meet the definition are considered to be cash equivalents for purposes of the statements of cash flows.

Restricted Cash, Deposits and Funded Reserves

Restricted cash consists of the balance of HAP equity for the voucher program as well as any HAP payments that are received prior to year-end and reported as unearned revenue. Restricted deposits and funded reserves include amounts restricted by SDHDA, lenders or by agreement to be set aside for specific purposes such as mortgage payments, insurance, payments in lieu of taxes, and property and equipment replacement. Restricted deposits and funded reserves also includes amounts required to be set aside by the Commission as part of its guarantee agreement related to Jackson Heights and Central Villas as disclosed in Note 12.

Notes Receivable

Notes receivable represent amounts from discretely presented component units due under extended payment terms exceeding one year. The notes carry interest rates varying from 5.15% to 6% with annual interest payments and principal payments due based upon cash flows. The Commission evaluates the collectability of the balances based upon specific circumstances of the individual notes, with an allowance for uncollectible amounts being provided if necessary.

Capital Assets

Capital assets, which include land, buildings, and equipment, are reported in the basic financial statements. The Commission defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Expenditures for renewals and improvements that will significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense currently. When depreciable properties are retired or sold, the cost and related accumulated depreciation are eliminated from the accounts, and the resultant gain or loss is reflected in income. Depreciation is computed using the straight-line method over estimated useful lives based on the major asset category as listed below:

<u>Major Asset Category</u>	<u>Estimated Useful Life</u>
Land	N/A
Land improvements	5-15 years
Buildings and improvements	5-50 years
Furniture, equipment and machinery - dwelling	3-20 years
Furniture, equipment and machinery - nondwelling	3-20 years

The Commission reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at December 31, 2018 and 2017.

Investment in Limited Partnerships

The Commission, through its blended component unit Aberdeen Housing, LLC, has a 0.005% Class B limited partnership interest in Lawson View Townhomes Limited Partnership, which was formed to purchase and rehabilitate a HUD Public Housing Project, formerly known as Mel Ros Village, Phase II. The investment is recorded at cost and pursuant to the partnership agreement; there is no participation in the earnings or losses of the partnership. This partnership is reflected in the financial statements as a discretely presented component unit.

The Commission, through its blended component unit AHA Housing, LLC, has a 0.005% co-general partnership (non-managing) interest in Sunshine Park Limited Partnership, which was formed to develop and build a HUD Public Housing Project. The investment is recorded at cost and pursuant to the partnership agreement; there is no participation in the earnings or losses of the partnership. This partnership is reflected in the financial statements as a discretely presented component unit.

The Commission, through its blended component unit Meadow Wood Housing, LLC, has a 0.005% co-general partnership (non-managing) interest in Meadow Wood Townhomes Limited Partnership, which was formed to develop and build a HUD Public Housing Project. The investment is recorded at cost and pursuant to the partnership agreement; there is no participation in the earnings or losses of the partnership. Meadow Wood Housing, LLC's assets and/or credit are not available to satisfy the debts of the Commission or any other entity or person. This partnership is reflected in the financial statements as a discretely presented component unit.

The Commission has a 0.01% general partnership interest in Jackson Heights Limited Partnership, which was formed to develop and build a HUD Public Housing Project. The investment is recorded at cost and pursuant to the partnership agreement; the Commission participates in the earnings and losses of the partnership in accordance with its ownership percentage. This partnership is reflected in the financial statements as a discretely presented component unit.

The Commission has a 0.01% general partnership interest in Central Villas Limited Partnership, which was formed to develop and build a HUD Public Housing Project. The investment is recorded at cost and pursuant to the partnership agreement; the Commission participates in the earnings and losses of the partnership in accordance with its ownership percentage. This partnership is reflected in the financial statements as a discretely presented component unit.

Income Taxes

The Commission is a governmental entity exempt from Federal income taxes.

Compensated Absences

Paid time off is earned by employees at the rate of eight to twenty-five days per year. Upon termination, employees are entitled to receive compensation for their accrued paid time off balance on the basis of the current rate of pay. Sick leave was earned prior to 2018 by full-time employees; however, no compensation was received for any accrued sick leave upon termination. Sick leave balances prior to policy change were allowed to be maintained and used until gone.

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 is available.

Equity Classifications

Equity is classified as net position and is displayed in three components:

1. Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Presentation of Sales Tax

The State of South Dakota and cities within the State impose a sales tax on certain sales to non-exempt customers. The Commission collects that sales tax from customers and remits the entire amount to the State. The Commission's accounting policy is to exclude the tax collected and remitted to the State from revenue and operating expenses.

Deferred Outflows and Inflows of Resources

In addition to assets, the balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Commission has two items that qualify for reporting in this category. The Commission reports contributions made to pension plan after the measurement date and prior to the fiscal year-end and changes in the net pension liability (asset) not included in pension expense (revenue) reported in the statements of net position as deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has one item that qualifies for reporting in this category. The Commission reports changes in the net pension liability (asset) not included in pension expense (revenue) reported in the statements of net position as deferred inflows of resources.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources, and pension expense/(revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates, and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Deposits and Funded Reserves

Primary Government

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements

December 31, 2018 and 2017

Deposits

The Commission's deposits are made and held in qualified public depositories. Qualified depositories are required by South Dakota Codified Law 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% 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 Commission has entered into a general depository agreement in which deposits in excess of the amounts insured by the FDIC shall be fully and continually secured by the bank by the deposit or setting aside of collateral of the types and in the manner as is prescribed by State law for the security of public funds.

The Commission's policy is to credit all income from deposits to the fund which makes the deposits.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the Commission's deposits may not be returned. The Commission does not have a formal investment policy in regard to custodial credit risk. All deposits are held in the Commission's name by US Bank.

At December 31, the actual bank balances of the Commission were as follows:

	<u>2018</u>	<u>2017</u>
Insured (FDIC)	\$ 500,000	\$ 500,000
Uninsured, collateral held by the Commission or the Commission's agent in the Commission's name	<u>861,941</u>	<u>698,898</u>
Total deposits	<u>\$ 1,361,941</u>	<u>\$ 1,198,898</u>
The Commission's carrying amount of deposits at December 31	<u>\$ 1,347,573</u>	<u>\$ 1,185,803</u>

Funded Reserves

The Commission does not have a formal policy that addresses custodial credit risk, interest rate risk, or credit risk.

Sherman Apartments is required under the regulatory agreement with SDHDA to maintain various mortgage escrows and reserve deposits for mortgage payments, payments in lieu of taxes (PILOT-property taxes), hazard insurance, property and equipment replacements, and residual receipts. In addition, development cost and amount to make the project operational (AMPO) funds and certain of the proceeds from the mortgage identified in Note 5 are held in trust by SDHDA. These funds are held by SDHDA, which groups these funds together with funds of other similar multi-family housing entities for purposes of protecting SDHDA's collateral interest in the project and can be released to the project only with the approval of SDHDA.

During 2018 and 2017, Sherman Apartments made deposits totaling \$41,987 and \$40,716, respectively, to the mortgage escrow accounts held by SDHDA. The project also is required to deposit residual receipts, as defined by the regulatory agreement; such deposits are available to the project only with SDHDA approval. Deposits paid to residual receipts during the years ended December 31, 2018 and 2017 were \$3,984 and \$11,847, respectively.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements
December 31, 2018 and 2017

During 2018 and 2017, SDHDA released \$11,206 and \$2,711, respectively, of residual receipts that were used for property and equipment improvements, replacements and project maintenance.

In general, SDCL 4-5-6 permits public 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. In addition, SDCL 11-7-31 permits the Commission to invest its reserve and debt service funds in property or securities in which savings banks may legally invest funds subject to their control.

The escrow and reserve accounts or restricted deposits held by SDHDA are stated at estimated fair value. Interest earned on the mortgage escrow accounts and funded reserve accounts are credited to the residual receipts account. Interest earned on the development cost escrow account is credited to that account as earned. SDHDA invests these restricted deposits in securities limited to direct general obligations of the U.S. Government, U.S. Government Agencies, direct and general obligations of any state within the United States rated in the two highest categories by a national rating agency, mutual funds invested in securities mentioned above and investment agreements secured by securities mentioned above. Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have a credit risk.

A summary of the restricted deposits activity of Sherman Apartments is as follows:

	2018	2017
Balance, beginning of year	\$ 541,328	\$ 501,730
Monthly escrow deposit and other reserve deposits	41,987	40,716
Residual receipts deposit	3,984	11,847
Interest earnings	9,133	10,307
Payments for taxes and insurance	(19,766)	(20,561)
Released for project betterments	(11,206)	(2,711)
Balance, end of year	\$ 565,460	\$ 541,328

Discretely Presented Component Units

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the deposits of Lawson View, Sunshine Park, Meadow Wood, Jackson Heights, and Central Villas may not be returned to the entities. The discretely presented component units do not have a formal policy in regard to custodial credit risk. As of December 31, 2018 and 2017, all deposits are held in the discretely presented component units' names by US Bank or Horizon Bank.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Notes to Financial Statements
December 31, 2018 and 2017

At December 31, the actual bank balances of the discretely presented component units were as follows:

	2018	2017
Insured (FDIC)	\$ 1,182,620	\$ 1,223,288
Uninsured	420,721	427,159
Total deposits	\$ 1,603,341	\$ 1,650,447
The discretely presented component units carrying amount of deposits at December 31	\$ 1,606,359	\$ 1,557,244

Note 3 - Capital Assets

Primary Government

Capital asset activity for the years ended December 31, 2018 and 2017 was as follows:

	Balance 01/01/18	Additions	Deletions	Balance 12/31/18
Capital assets, not being depreciated				
Land	\$ 350,089	\$ -	\$ -	\$ 350,089
Capital assets, being depreciated:				
Land improvements	185,839	-	-	185,839
Buildings and improvements	9,724,796	107,074	-	9,831,870
Furniture, equipment and machinery - dwelling	282,193	17,939	(1,353)	298,779
Furniture, equipment and machinery - nondwelling	300,378	11,860	(18,725)	293,513
Total capital assets, being depreciated	10,493,206	136,873	(20,078)	10,610,001
Less accumulated depreciation for:				
Buildings and improvements and land improvements	(7,129,845)	(244,374)	-	(7,374,219)
Furniture, equipment and machinery - dwelling	(274,184)	(8,033)	6,361	(275,856)
Furniture, equipment and machinery - nondwelling	(233,503)	(23,233)	13,254	(243,482)
Total accumulated depreciation	(7,637,532)	(275,640)	19,615	(7,893,557)
Total capital assets being depreciated, net	2,855,674	(138,767)	(463)	2,716,444
Capital assets, net	\$ 3,205,763	\$ (138,767)	\$ (463)	\$ 3,066,533

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Notes to Financial Statements
December 31, 2018 and 2017

	Balance 01/01/17	Additions	Deletions	Balance 12/31/17
Capital assets, not being depreciated				
Land	\$ 350,089	\$ -	\$ -	\$ 350,089
Capital assets, being depreciated:				
Land improvements	185,839	-	-	185,839
Buildings and improvements	9,724,796	-	-	9,724,796
Furniture, equipment and machinery - dwelling	282,063	2,401	(2,271)	282,193
Furniture, equipment and machinery - nondwelling	311,440	-	(11,062)	300,378
Total capital assets, being depreciated	<u>10,504,138</u>	<u>2,401</u>	<u>(13,333)</u>	<u>10,493,206</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,869,481)	(260,364)	-	(7,129,845)
Furniture, equipment and machinery - dwelling	(253,353)	(22,840)	2,009	(274,184)
Furniture, equipment and machinery - nondwelling	(227,954)	(16,611)	11,062	(233,503)
Total accumulated depreciation	<u>(7,350,788)</u>	<u>(299,815)</u>	<u>13,071</u>	<u>(7,637,532)</u>
Total capital assets being depreciated, net	<u>3,153,350</u>	<u>(297,414)</u>	<u>(262)</u>	<u>2,855,674</u>
Capital assets, net	<u>\$ 3,503,439</u>	<u>\$ (297,414)</u>	<u>\$ (262)</u>	<u>\$ 3,205,763</u>

Discretely Presented Component Units

Capital asset activity for the years ended December 31, 2018 and 2017 was as follows:

	Balance 01/01/18	Additions	Deletions	Balance 12/31/18
Capital assets, not being depreciated				
Land	\$ 715,043	\$ -	\$ -	\$ 715,043
Capital assets, being depreciated:				
Buildings and improvements	20,583,580	18,404	-	20,601,984
Furniture, equipment and machinery - dwelling	1,147,001	56,298	-	1,203,299
Total capital assets, being depreciated	<u>21,730,581</u>	<u>74,702</u>	<u>-</u>	<u>21,805,283</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,700,477)	(816,553)	-	(4,517,030)
Furniture, equipment and machinery - dwelling	(765,734)	(117,530)	-	(883,264)
Total accumulated depreciation	<u>(4,466,211)</u>	<u>(934,083)</u>	<u>-</u>	<u>(5,400,294)</u>
Total capital assets being depreciated, net	<u>17,264,370</u>	<u>(859,381)</u>	<u>-</u>	<u>16,404,989</u>
Capital assets, net	<u>\$ 17,979,413</u>	<u>\$ (859,381)</u>	<u>\$ -</u>	<u>\$ 17,120,032</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Notes to Financial Statements
December 31, 2018 and 2017

	Balance 01/01/17	Additions	Deletions	Balance 12/31/17
Capital assets, not being depreciated				
Land	\$ 715,043	\$ -	\$ -	\$ 715,043
Construction in progress	3,697,006	1,493,306	(5,190,312)	-
Total capital assets, not being depreciated	<u>4,412,049</u>	<u>1,493,306</u>	<u>(5,190,312)</u>	<u>715,043</u>
Capital assets, being depreciated:				
Buildings and improvements	15,393,268	5,190,312	-	20,583,580
Furniture, equipment and machinery - dwelling	847,805	299,196	-	1,147,001
Total capital assets, being depreciated	<u>16,241,073</u>	<u>5,489,508</u>	<u>-</u>	<u>21,730,581</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,001,310)	(699,167)	-	(3,700,477)
Furniture, equipment and machinery - dwelling	(663,718)	(102,016)	-	(765,734)
Total accumulated depreciation	<u>(3,665,028)</u>	<u>(801,183)</u>	<u>-</u>	<u>(4,466,211)</u>
Total capital assets being depreciated, net	<u>12,576,045</u>	<u>4,688,325</u>	<u>-</u>	<u>17,264,370</u>
Capital assets, net	<u>\$ 16,988,094</u>	<u>\$ 6,181,631</u>	<u>\$ (5,190,312)</u>	<u>\$ 17,979,413</u>

Note 4 - Related Party Notes Receivable

During 2007, the Commission entered into a note receivable with Lawson View Townhomes Limited Partnership to provide partial funding for the purchase of a HUD Housing Project with the purpose of rehabilitating the project. This note of \$200,000 bears interest at the rate of 5.15%. The note matures in December 2037, at which time the entire principal balance and all outstanding accrued interest will be due and payable. Interest is to be paid throughout the term of the loan as the project's cash flows will allow. Interest income was \$10,300 for the years ended December 31, 2018 and 2017. The amount of interest receivable at December 31, 2018 and 2017 was \$10,300. The note is secured by a real estate mortgage; however, this mortgage is subordinated to the partnership's primary lender.

In February 2009, the Commission sold land to Sunshine Park Limited Partnership at the price of \$100,600 in exchange for a note receivable with an interest rate of 3%. In December 2009, the receivable was combined with additional receivables from the partnership to provide partial funding to construct the project. This final note of \$242,000 bears interest at the rate of 6%. The note matures in December 2039, at which time the entire principal balance and all outstanding accrued interest will be due and payable. Interest and principal is to be paid throughout the term of the loan as the project's cash flows will allow starting April 30, 2011. As of December 31, 2018 and 2017, the outstanding principal balance due to the Commission was \$190,487. Interest income was \$12,272 and \$12,034 for the years ended December 31, 2018 and 2017, respectively. The amount of interest receivable at December 31, 2018 and 2017 was \$24,306 and \$12,034, respectively. The note is secured by a real estate mortgage; however, this mortgage is subordinated to the partnership's primary lender.

Note 5 - Long-Term Debt

Primary Government

At December 31, 2018 and 2017, long-term debt consisted of the following:

	2018	2017
Sherman Apartments - SDHDA Project No. SD 99-H001-089 8.5% mortgage payable in monthly installments of \$14,295, including principal and interest, through May 2021.	\$ 373,385	\$ 506,959
Less current portion	(145,384)	(133,577)
	\$ 228,001	\$ 373,382

The following is a schedule of changes in long-term debt for the years ended December 31, 2018 and 2017:

	Long-Term Debt
Balance, January 1, 2017	\$ 629,721
Increases	-
Decreases	(122,762)
Balance, December 31, 2017	506,959
Increases	-
Decreases	(133,574)
Balance, December 31, 2018	\$ 373,385

The note payable for Sherman Apartments is payable to SDHDA. An agreement has been entered into with the United States Department of Housing and Urban Development, which provides monthly housing assistance payments on behalf of eligible tenants. Such payments are applied by SDHDA to the monthly mortgage note payments, required project escrow and reserve deposits, with the remaining funds being forwarded to the project. The note is secured by project property and equipment together with an assignment of rents and leases thereon and the escrow accounts (restricted deposits) held by SDHDA.

Interest costs charged to expense for operations in 2018 and 2017 were \$37,024 and \$47,913, respectively.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements

December 31, 2018 and 2017

A summary of required principal and interest payments on the mortgage note follows:

<u>Year Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 145,384	\$ 26,160	\$ 171,544
2020	158,235	13,309	171,544
2021	69,766	1,486	71,252
	<u>\$ 373,385</u>	<u>\$ 40,955</u>	<u>\$ 414,340</u>

Discretely Presented Component Units

At December 31, 2018 and 2017, long-term debt of the discretely presented component units consisted of the following:

	<u>2018</u>	<u>2017</u>
Lawson View - 6.76% mortgage note payable to Richman Mortgage Assets Company, due in monthly installments of \$4,545, including interest, matures August 2026, secured by first position in substantially all Partnership assets, net of unamortized debt issuance costs of \$15,148 in 2018 and \$17,168 in 2017 (based upon effective interest rate of 7.30%).	\$ 591,312	\$ 602,350
Lawson View - 0% mortgage note payable to South Dakota Housing Development Authority, due in annual installments of varying amounts based upon cash flows, matures July 2039, secured by second position in substantially all Partnership assets.	272,208	281,305
Lawson View - 5.15% note payable to Aberdeen Housing Authority, interest and principal to be paid from net operating income, with the entire balance due December 2037, secured by third position in substantially all Partnership assets.	200,000	200,000
Sunshine Park - 0% mortgage note payable to South Dakota Housing Development Authority, due in varying monthly installments beginning July 2011 through March 2035, secured by a mortgage on all property and equipment.	254,600	282,200
Sunshine Park - 6% mortgage note payable to Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, annual payments beginning April 2011, to the extent of available cash flow with entire balance due December 2039, secured by a mortgage and assignment of rents and leases.	190,487	190,487

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements

December 31, 2018 and 2017

	2018	2017
Sunshine Park - 0% NSP loan from South Dakota Housing Development Authority, principal due July 2040, secured by a mortgage and assignment of rents and leases.	361,991	361,991
Sunshine Park - 0% TCAP mortgage note payable to South Dakota Housing Development Authority, principal due March 2050, secured by a mortgage and assignment of rents and leases, net of unamortized debt issuance costs of \$11,024 in 2018 and \$11,370 in 2017 (based upon an effective interest rate of 0.11%).	320,817	320,471
Meadow Wood - 0% mortgage note payable to South Dakota Housing Development Authority, annual payments beginning July 2014, to the extent of available cash flow with entire balance due July 2033, secured by a mortgage on all property and equipment and an assignment of rents and leases.	233,515	328,613
Jackson Heights - 5.8% mortgage note payable to First Dakota National Bank, due in varying monthly installments, including interest, beginning March 2015 through February 2031, secured by a mortgage on all property and equipment, net of unamortized debt issuance costs of \$8,670 in 2018 and \$9,392 in 2017 (based upon effective interest rate of 6.39%).	644,521	684,192
Jackson Heights - 0% note payable to South Dakota Housing Development Authority, due in varying annual installments beginning January 2015 through August 2038, secured by a mortgage on all property and equipment.	815,659	824,059
Central Villas - 4% note payable to Horizon Bank with interest-only payments beginning May 2016 through January 10, 2018 then 6% through February 2036, due in varying monthly installments including interest beginning February 2018, secured by a mortgage on all property and equipment, net of unamortized debt issuance costs of \$6,813 in 2018 and \$7,179 in 2017 (based upon effective interest rate of 6.05%).	706,290	726,021
Central Villas - 0% mortgage note payable to South Dakota Housing Development Authority with varying monthly installments beginning January 2018 through December 2042, secured by a mortgage on all property and equipment and an assignment of rents and leases.	701,582	731,582
	<u>5,292,982</u>	<u>5,533,271</u>
Less current portion	<u>(198,705)</u>	<u>(243,743)</u>
Total long term debt less current portion and net of unamortized debt issuance costs	<u>\$ 5,094,277</u>	<u>\$ 5,289,528</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Notes to Financial Statements
December 31, 2018 and 2017

The following is a schedule of changes in long-term debt for the years ended December 31, 2018 and 2017:

	Long-Term Debt
Balance, January 1, 2017	\$ 7,518,401
Increases	2,308,807
Decreases	(4,293,937)
Balance, December 31, 2017	5,533,271
Increases	-
Decreases	(240,289)
Balance, December 31, 2018	\$ 5,292,982

Interest costs charged to expense for operations for the years ended December 31, 2018 and 2017 were \$152,979 and \$122,120, respectively.

A summary of required principal and interest payments on the long-term debt are as follows:

Year Ending December 31:	Principal	Interest	Total
2019	\$ 198,705	\$ 167,226	\$ 365,931
2020	228,421	136,827	365,248
2021	222,424	131,425	353,849
2022	206,010	127,611	333,621
2023	145,357	122,330	267,687
2024-2028	1,215,535	443,756	1,659,291
2029-2033	846,067	212,059	1,058,126
2034-2038	1,048,616	109,712	1,158,328
2039-2043	891,660	11,429	903,089
2044-2048	-	-	-
2049-2050	331,842	-	331,842
Less unamortized debt issuance costs	(41,655)	-	(41,655)
	\$ 5,292,982	\$ 1,462,375	\$ 6,755,357

Note 6 - Payments in Lieu of Taxes

Public housing authorities are not required to pay property taxes based on the normal property value assessment and tax levy procedures on real property owned, but rather make payments in lieu of (property) taxes (PILOT). The State law requires that the amount due is the lower of 10% of gross rents less utilities or 5% of gross rents.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Notes to Financial Statements
December 31, 2018 and 2017

Payments in lieu of taxes, by program, for the years ended December 31, 2018 and 2017 were determined as follows:

	2018	
	Public Housing	Sherman Apartments
Rental income	\$ 358,725	\$ 173,042
Excess utilities	-	299
Non-dwelling rental charges to tenants	-	120
	358,725	173,461
Less allowable utilities	-	52,899
Net shelter rent	\$ 358,725	\$ 120,562
5% of gross shelter rent (PILOT)	\$ 17,936	\$ -
10% of net shelter rent (PILOT)	\$ -	\$ 12,056
	2017	
	Public Housing	Sherman Apartments
Rental income	\$ 345,639	\$ 182,811
Excess utilities	-	254
Non-dwelling rental charges to tenants	-	75
	345,639	183,140
Less allowable utilities	-	54,991
Net shelter rent	\$ 345,639	\$ 128,149
5% of gross shelter rent (PILOT)	\$ 17,282	\$ -
10% of net shelter rent (PILOT)	\$ -	\$ 12,815

Note 7 - Interfund Transactions

Interfund transfers for the year ended December 31, 2017 were as follows:

Transfers From	Transfers To					Total
	Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC	Primary Government	
Primary Government	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ 50
Primary Government	-	50	-	-	-	50
Primary Government	-	-	50	-	-	50
Primary Government	-	-	-	50	-	50
Lawson Developers, LLC	-	-	-	-	8,667	8,667

The transfers from the primary government to the blended component units were to supplement operations, and the transfers from the blended component unit to the primary government was to transfer funds to be spent out of the primary government.

The primary government has an amount due from the fiduciary fund of \$176 which is not eliminated for financial statement presentation.

Note 8 - 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 hybrid defined benefit plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors' 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. That report may be obtained at <http://www.sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098, or by calling (605) 773-3731.

Benefits Provided

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

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

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements
December 31, 2018 and 2017

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

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

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

All benefits except those depending on the member’s accumulated contributions are annually increased by the cost-of-living adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by State statute to contribute the following percentages of their salary to the plan; Class A members, 6% of salary; Class B Judicial Members, 9% of salary; and Class B Public Safety Member, 8% of salary. The Commission’s share of contributions to the SDRS for the fiscal year ended December 31, 2018, 2017 and 2016 were \$38,227, \$36,891 and \$36,013, respectively, equal to the required contributions each year.

Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At June 30, 2018 and 2017, SDRS is 100.02% and 100.1%, respectively, funded and accordingly has a net pension asset in 2018 and 2017. The proportionate shares of the components of the net pension liability (asset) of SDRS for the Commission as of this measurement period and reported by the Commission as of December 31, 2018 and 2017 are as follows:

	2018	2017
Proportionate share of total pension liability	\$ 3,665,380	\$ 3,521,578
Less proportionate share of net position restricted for pension benefits	3,666,079	3,524,324
Proportionate share of net pension liability (asset)	\$ (699)	\$ (2,746)

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements

December 31, 2018 and 2017

At December 31, 2018 and 2017, the Commission reported an asset of \$(699) and \$(2,746), respectively, for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018 and 2017, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Commission's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2018, the Commission's proportion was 0.02996% which was a decrease of 0.00031% from its proportion measured as of June 30, 2017 of 0.03027%. At June 30, 2017, the Commission's proportion was 0.03027% which was a decrease of 0.0057% from its proportion measured as of June 30, 2016 of 0.03084%.

For the years ended December 31, 2018 and 2017, the Commission recognized pension expense of \$53,339 and a reduction of pension expense of \$(61,720), respectively. At December 31, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 26,412	\$ -
Changes in assumption	177,409	-
Net difference between projected and actual earnings on pension plan investments	-	52,812
Changes in proportion and difference between Commission contributions and proportionate share of contributions	3,314	2,059
Project contributions subsequent to the measurement date	19,043	-
	<u>\$ 226,178</u>	<u>\$ 54,871</u>

At December 31, 2018, there is \$19,043 reported as deferred outflow of resources related to pensions resulting from Commission contributions subsequent to the measurement date that will be recognized as an increase of the net pension asset in the year ending December 31, 2018.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements

December 31, 2018 and 2017

At December 31, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 44,011	\$ -
Changes in assumption	213,270	-
Net difference between projected and actual earnings on pension plan investments	-	52,810
Changes in proportion and difference between Commission contributions and proportionate share of contributions	3,488	3,552
Project contributions subsequent to the measurement date	18,190	-
	<u>\$ 278,959</u>	<u>\$ 56,362</u>

At December 31, 2017, there was \$18,190 reported as deferred outflow of resources related to pensions resulting from Commission contributions subsequent to the measurement date that was recognized as a decrease of the net pension liability in the year ending December 31, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2018 will be recognized in pension expense/(reduction of pension expense) as follows:

<u>Year Ended December 31:</u>	<u>Amount</u>
2019	\$ 95,314
2020	71,258
2021	(8,601)
2022	(5,707)
	<u>\$ 152,264</u>

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Investment rate of return	6.50%, net of plan investment expense

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of Liability (Asset) to Changes in the Discount Rate

The following presents the Commission's proportionate share of net pension liability (asset) as of December 31, 2018 calculated using the discount rate of 6.5%, as well as what the Commission's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
The Commission's proportionate share of the net pension liability (asset)	\$ 527,779	\$ (699)	\$ (430,587)

Pension Plan Fiduciary Net Position

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

Note 9 - Segment Information

Summarized financial information for the Sherman Apartments Project, a separately identifiable activity that has a debt instrument outstanding with a revenue stream pledged in support of that debt, is as follows:

	2018	2017
Condensed Balance Sheets		
Assets		
Current assets	\$ 41,109	\$ 40,853
Capital assets	2,318,233	2,483,463
Other assets	565,507	541,510
Total assets	2,924,849	3,065,826
Deferred Outflows of Resources	15,154	19,014
Total assets and deferred outflows	\$ 2,940,003	\$ 3,084,840
Liabilities		
Current liabilities	\$ 189,168	\$ 175,542
Noncurrent liabilities	228,001	373,382
Total liabilities	417,169	548,924
Deferred Inflows of Resources	3,676	3,748

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Net Position		
Net investment in capital assets	1,944,848	1,976,504
Restricted net position	576,985	556,776
Unrestricted net position	<u>(2,675)</u>	<u>(1,112)</u>
Total net position	<u>2,519,158</u>	<u>2,532,168</u>
Total liabilities, deferred inflows and net position	<u>\$ 2,940,003</u>	<u>\$ 3,084,840</u>
	<u>2018</u>	<u>2017</u>
Condensed Statements of Revenues, Expenses and		
Changes in net position:		
Dwelling rental income	\$ 408,076	\$ 408,577
Depreciation expense	(165,649)	(176,351)
Other operating income	1,858	1,151
Other operating expenses	<u>(229,407)</u>	<u>(209,886)</u>
Operating income	14,878	23,491
Nonoperating revenues (expenses):		
Investment earnings	9,136	10,309
Interest expense	<u>(37,024)</u>	<u>(47,913)</u>
Change in net position	(13,010)	(14,113)
Beginning net position	<u>2,532,168</u>	<u>2,546,281</u>
Ending net position	<u>\$ 2,519,158</u>	<u>\$ 2,532,168</u>
Condensed Statements of Cash Flows		
Net cash from (used for):		
Operating activities	\$ (43,965)	\$ (22,283)
Non-capital and related financing activities	228,309	220,982
Capital and related financing activities	(171,963)	(171,544)
Investing activities	<u>9,136</u>	<u>10,308</u>
Net change	21,517	37,463
Beginning cash and cash equivalents	<u>576,826</u>	<u>539,363</u>
Ending cash and cash equivalents	<u>\$ 598,343</u>	<u>\$ 576,826</u>

Note 10 - Current Vulnerability Due to Certain Concentrations

The Commission's operations are concentrated in the multifamily real estate market. In addition, the Commission operates in a heavily regulated environment. The operations of the Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD and SDHDA. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 11 - 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, 2018 and 2017, the Commission managed its risks by purchasing liability insurance from a commercial carrier for risks related to torts, theft or damage of property, and errors and omissions; and liability insurance for workmen's compensation. 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.

Note 12 - Related Party Transactions and Guarantees

The Commission provides management services to Lawson View Townhomes Limited Partnership. Management fees earned by the Commission for this project are 6% of the gross rents plus an annual salary of \$7,250. Management fees earned by the Commission from this partnership were \$28,100 and \$27,508 for the years ended December 31, 2018 and 2017, respectively. The Commission also charges for maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$11,731 and \$14,264 for the years ended December 31, 2018 and 2017, respectively. Total amount due from Lawson View Townhomes Limited Partnership was \$1,932 and \$1,415 as of December 31, 2018 and 2017, respectively. During the years ended December 31, 2018 and 2017, the Commission also paid Lawson View \$14,176 and \$79, respectively, for voucher housing assistance payments on behalf of residents of the complex.

During 2009, the Commission advanced Lawson View Townhomes Limited Partnership an additional \$130,000 for a property tax abatement reserve, which was required to be set up pursuant to the partnership agreement. Beginning in 2010, the Commission will receive annual payments of \$8,667 as long as the partnership operated without a deficit for that year. The funds are required to be maintained until the Commission is able to prove the project qualifies for the PILOT Program. The total amount outstanding as of December 31, 2018 and 2017 was \$51,997 and \$60,664, respectively.

The Commission provides management services to Sunshine Park Limited Partnership. Management fees earned by the Commission for this project are 9% of the gross rents. The management fee earned by the Commission from this partnership was \$22,865 and \$22,484 for the years ended December 31, 2018 and 2017, respectively. The Commission also charges for maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$6,833 and \$7,169 for the years ended December 31, 2018 and 2017, respectively. Total amount due from Sunshine Park Limited Partnership was \$1,500 and \$1,628 as of December 31, 2018 and 2017, respectively. During the years ended December 31, 2018 and 2017, the Commission also paid Sunshine Park \$72,388 and \$74,788, respectively, for voucher housing assistance payments on behalf of residents of the complex.

The Commission provides management services to Meadow Wood Townhomes Limited Partnership. Management fees earned by the Commission for this project are 8% of gross rents. The management fee earned by the Commission from this partnership was \$25,684 and \$24,812 for the years ended December 31, 2018 and 2017, respectively. The Commission also charges for maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$10,192 and \$5,753 for the years ended December 31, 2018 and 2017, respectively. Total amount due from Meadow Wood Townhomes Limited Partnership was \$3,407 and \$1,676 as of December 31, 2018 and 2017, respectively. During the years ended December 31, 2018 and 2017, the Commission also paid Meadow Wood \$97,801 and \$90,245, respectively, for voucher housing assistance payments on behalf of residents of the complex. During 2018, Meadow Wood Housing LLC earned management fees pursuant to the partnership agreement of \$25,000.

The Commission provides management services to Jackson Heights Apartments Limited Partnership. Management fees earned by the Commission for this project are 8% of gross rents. The management fee earned by the Commission from this partnership was \$34,202 and \$32,874 for the years ended December 31, 2018 and 2017, respectively. The Commission also charges for maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$12,697 and \$16,516 for the years ended December 31, 2018 and 2017, respectively. The total amount due from Jackson Height Apartments Limited Partnership was \$3,084 and \$1,723 as of December 31, 2018 and 2017, respectively. During the years ended December 31, 2018 and 2017, the Commission also paid Jackson Heights \$80,615 and \$81,069, respectively, for voucher housing assistance payments on behalf of residents of the complex.

Beginning in 2017, the Commission provides management services to Central Villas Limited Partnership. Management fees earned by the Commission for this project are 9% of gross rents. The management fee earned by the Commission from this partnership was \$33,447 and \$18,267 for the years ended December 31, 2018 and 2017, respectively. The Commission also charges for maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$8,387 and \$9,198 for the years ended December 31, 2018 and 2017, respectively. The total amount due from Central Villas Limited Partnership was \$2,615 and \$2,292 as of December 31, 2018 and 2017, respectively. During the years ended December 31, 2018 and 2017, the Commission also paid Central Villas \$97,890 and \$40,599, respectively, for voucher housing assistance payments on behalf of residents of the complex.

During 2013, the Commission entered into a development agreement with the Jackson Height Limited Partnership. Services performed under this agreement include assisting with the completion of all the necessary applications for federal tax credits and state housing authority assistance and the management of the entire construction process. The total due to the Commission was \$26,301 as of December 31, 2018 and 2017.

During 2016, the Commission entered into a development agreement with Central Villas Limited Partnership. Services performed under this agreement include assisting with the completion of all the necessary applications for federal tax credits and state housing authority assistance and the management of the entire construction process. Total development fees earned under the agreement by the Commission for the years ended December 31, 2018 and 2017 were \$0 and \$158,089, respectively, with total due to the Commission of \$0 and \$105,393 as of December 31, 2018 and 2017, respectively.

For Lawson View Townhomes Limited Partnership, Sunshine Park Limited Partnership, Meadow Woods Townhomes Limited Partnership, Jackson Heights Limited Partnership and Central Villas Limited Partnership, to induce the tax credit partners to become partners in the projects, the Commission signed unconditional guarantees of the debts, obligations of the general partner, completion of construction of the projects, a repurchase obligation to the tax credit partners should projects fail certain qualifying tests and the guarantee of ultimate performance of the projects. In essence, the Commission would be the responsible party, should the projects not succeed or operate as intended.

Central Villas Limited Partnership borrowed funds for the construction of the project from Horizon Bank with the maximum amount to be disbursed of \$3.48 million. The Commission signed an unconditional guarantee agreement stating that the Commission will guarantee that the funds are used for the intended purposes and that the project will be completed as planned. In an effort to mitigate their exposure under the guarantee, the Commission obtained a performance bond from the general contractor for completion of the project. The project was completed in 2017.

The terms of the Jackson Heights and Central Villas partnership agreement require the Commission to always have on hand in the management account \$200,000 in liquid assets in total between Jackson Heights and Central Villas that are available in the event short-term operating deficit loans are needed by either project. This is reported under restricted cash.



Required Supplementary Information
December 31, 2018 and 2017

**The Housing and Redevelopment
Commission of the City of Aberdeen,
South Dakota**

The Housing and Redevelopment Commission
 Schedule of Net Pension Liability (Asset)
 Year Ended December 31, 2018

Pension Plan	Fiscal Year Ending	Employer's Percentage of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered- Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
SDRS	6/30/2018	0.0300%	\$ (699)	\$ 622,890	-0.1%	100.02%
SDRS	6/30/2017	0.0303%	(2,746)	614,971	-0.4%	100.1%
SDRS	6/30/2016	0.0308%	104,171	586,405	17.8%	96.89%
SDRS	6/30/2015	0.0295%	(125,027)	538,207	-23.2%	104.1%
SDRS	6/30/2014	0.0309%	(222,501)	540,064	-41.2%	107.3%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30.

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available

The Housing and Redevelopment Commission
 Schedule of Pension Contributions and Notes to the RSI – Pension Schedules
 Year Ended December 31, 2018

Pension Plan	Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
SDRS	12/31/2018	\$ 38,227	\$ 38,227	\$ -	\$ 637,143	6.0%
SDRS	12/31/2017	36,891	36,891	-	614,854	6.0%
SDRS	12/31/2016	36,013	36,013	-	600,220	6.0%
SDRS	12/31/2015	33,866	33,866	-	564,424	6.0%
SDRS	12/31/2014	31,310	31,310	-	523,852	6.0%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available

Notes to Required Supplementary Information

Changes of Benefit Provision:

No benefit provisions were made from those used in the prior valuation.

Changes of Assumptions:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2017 and exists again this year as of June 30, 2018. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.89% as of June 30, 2017 and is 2.03% as of June 30, 2018.

Legislation was also enacted in 2017 to:

- Modify the definition of Compensation to classify included and excluded items,
- Expand the caps on increases in Compensation considered in Final Average Compensation,
- Extend the Final Average Compensation period from the current three years to five years for Foundation Members after a phase-in period, and
- Limit Compensation to the Internal Revenue Code Section 401(a)(17) limits for all Members, regardless of date of entry into SDRS.

As a result of an experience analysis covering the period from July 1, 2011 to June 30, 2016, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for the June 30, 2017 Actuarial Valuation. The changes to economic assumptions were very significant, and included reducing the inflation assumption to 2.25%, reducing the investment return assumption to 6.5% and reducing the payroll growth assumption to 3.00%. The demographic assumption changes were less impactful. Among those changes were new mortality assumptions, updated retirement, termination and disability rates and updated salary increase assumptions.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to the RSI – Pension Schedules

December 31, 2018 and 2017

The Actuarial Asset Valuation Method was changed to the Fair Value of Assets. In addition, the Funding Method was changed from the Frozen Entry Age Actuarial Cost Method to the Entry Age Actuarial Cost Method, which was in use for GASB Statement Nos. 67 and 68 purposes.



Supplementary Information
December 31, 2018 and 2017

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Financial Data Schedule
December 31, 2018

Line Item #	Account Description	Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.871	Capital Fund 14.872	Sherman Apartments Section 8 New	Management Account	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
Assets												
Current Assets												
Cash												
111	Cash - unrestricted	\$ 135,329	\$ 159,982	\$ -	\$ 18,427	\$ 988,363	\$ -	\$ -	\$ 573,468	\$ -	\$ -	\$ 1,875,569
113	Cash - other restricted	-	-	-	-	-	-	-	-	100	-	100
114	Cash - tenant security deposits	29,966	-	-	14,456	-	-	-	89,004	950	-	134,376
100	Total cash	165,295	159,982	-	32,883	988,363	-	-	662,472	1,050	-	2,010,045
Receivables												
121	Accounts receivable - PHA projects	-	5	-	-	-	-	-	-	-	-	5
122	Accounts receivable - HUD other projects	21	1,770	-	-	20,147	-	-	-	-	-	21,938
124	Accounts receivable - other governments	-	-	-	3,366	-	-	-	-	-	-	3,366
125	Accounts receivable - miscellaneous	-	4,525	-	-	27,116	-	-	-	-	-	31,641
126	Accounts receivable-tenants-dwelling rents	1,274	-	-	-	-	-	-	23,696	-	-	24,970
128	Fraud recovery	132	-	-	-	-	-	-	-	-	-	132
129	Accrued interest receivable	-	-	-	-	34,606	-	-	-	-	-	34,606
120	Total receivables, net of allowances for doubtful accounts	1,427	6,300	-	3,366	81,869	-	-	23,696	-	-	116,658
142	Prepaid expenses and other assets	6,964	1,044	-	7,485	1,528	-	-	24,550	-	-	41,571
144	Interprogram receivables	61	-	-	-	2,801	-	-	-	-	(2,862)	-
150	Total current assets	173,747	167,326	-	43,734	1,074,561	-	-	710,718	1,050	(2,862)	2,168,274
Fixed Assets												
161	Land	122,600	-	-	413,328	-	-	-	715,043	-	-	1,250,971
162	Buildings	5,252,928	-	-	4,578,942	-	-	-	20,601,984	-	-	30,433,854
163	Furniture, equipment and machinery - dwellings	168,038	-	-	130,741	-	-	-	1,203,299	-	-	1,502,078
164	Furniture, equipment and machinery - administration	176,811	50,391	-	8,316	57,995	-	-	-	-	-	293,513
166	Accumulated depreciation	(5,007,560)	(36,283)	-	(2,813,094)	(36,620)	-	-	(5,400,294)	-	-	(13,293,851)
160	Total fixed assets, net of accumulated depreciation	712,817	14,108	-	2,318,233	21,375	-	-	17,120,032	-	-	20,186,565
171	Notes, loans, and mortgages receivable - noncurrent	-	-	-	-	390,487	-	-	-	-	-	390,487
174	Other assets	229	161	-	565,507 (1)	262	-	51,997	1,075,825 (2)	-	-	1,693,981
176	Investments	-	-	-	-	138,653	-	308	-	-	-	138,961
180	Total noncurrent assets	713,046	14,269	-	2,883,740	550,777	-	52,305	18,195,857	-	-	22,409,994
190	Total assets	886,793	181,595	-	2,927,474	1,625,338	-	52,305	18,906,575	1,050	(2,862)	24,578,268
200	Deferred outflows of resources	74,186	52,021	-	15,154	84,817	-	-	-	-	-	226,178
290	Total assets and deferred outflow of resources	\$ 960,979	\$ 233,616	\$ -	\$ 2,942,628	\$ 1,710,155	\$ -	\$ 52,305	\$ 18,906,575	\$ 1,050	\$ (2,862)	\$ 24,804,446

- Included in this amount is the escrow reserved of \$565,460 which are considered cash and cash equivalents for statement of cash flows purposes.
- Included in this amount is the restricted cash amounts of \$943,887 which are considered cash and cash equivalents for statement of cash flows purposes.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Financial Data Schedule
December 31, 2018

Line Item #	Account Description	Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.871	Capital Fund 14.872	Sherman Apartments Section 8 New	Management Account	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
Liabilities and Equity												
Liabilities												
Current Liabilities												
312	Accounts payable ≤ 90 days	\$ 3,204	\$ 345	\$ -	\$ 5,451	\$ 1,127	\$ -	\$ -	\$ 78,526	\$ -	\$ -	\$ 88,653
321	Accrued wage/payroll taxes payable	6,776	4,323	-	1,805	5,135	-	-	-	-	-	18,039
322	Accrued compensated absences	11,119	8,126	-	2,945	9,575	-	-	-	-	-	31,765
325	Accrued interest payable	-	5	-	2,645	-	-	-	44,972	-	-	47,622
331	Accounts payable - HUD PHA projects	-	-	-	-	-	-	-	-	-	-	-
333	Accounts payable - other government	17,936	-	-	12,056	-	-	-	-	-	-	29,992
341	Tenant security deposits	29,966	-	-	14,456	-	-	-	89,004	-	-	133,426
342	Unearned revenues	6,379	-	-	4,426	-	-	-	-	-	-	10,805
343	Current portion of long-term debt - capital projects	-	-	-	145,384	-	-	-	198,705	-	-	344,089
345	Other current liabilities	-	-	-	-	-	-	-	25,359	874	-	26,233
347	Interprogram payables	-	-	-	2,625	61	-	-	-	176	(2,862)	-
310	Total current liabilities	<u>75,380</u>	<u>12,799</u>	<u>-</u>	<u>191,793</u>	<u>15,898</u>	<u>-</u>	<u>-</u>	<u>436,566</u>	<u>1,050</u>	<u>(2,862)</u>	<u>730,624</u>
Noncurrent Liabilities												
351	Long-term debt, net of current - capital projects	-	-	-	228,001	-	-	-	5,094,277	-	-	5,322,278
353	Non-current liabilities - other	-	-	-	-	-	-	-	216,373	-	-	216,373
350	Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,310,650</u>	<u>-</u>	<u>-</u>	<u>5,538,651</u>
300	Total liabilities	<u>75,380</u>	<u>12,799</u>	<u>-</u>	<u>419,794</u>	<u>15,898</u>	<u>-</u>	<u>-</u>	<u>5,747,216</u>	<u>1,050</u>	<u>(2,862)</u>	<u>6,269,275</u>
400	Deferred inflows of resources	<u>17,998</u>	<u>12,620</u>	<u>-</u>	<u>3,676</u>	<u>20,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,871</u>
508.4	Net investment in capital assets	712,817	14,108	-	1,944,848	21,375	-	-	11,785,395	-	-	14,478,543
511.4	Restricted net position	56,417	39,562 ⁽³⁾	-	576,985	64,502	-	-	943,887	-	-	1,681,353
512.4	Unrestricted net position	<u>98,367</u>	<u>154,527</u>	<u>-</u>	<u>(2,675)</u>	<u>1,587,803</u>	<u>-</u>	<u>52,305</u>	<u>430,077</u>	<u>-</u>	<u>-</u>	<u>2,320,404</u>
513	Total equity/net position	<u>867,601</u>	<u>208,197</u>	<u>-</u>	<u>2,519,158</u>	<u>1,673,680</u>	<u>-</u>	<u>52,305</u>	<u>13,159,359</u>	<u>-</u>	<u>-</u>	<u>18,480,300</u>
600	Total liabilities, deferred inflows and equity/net position	<u>\$ 960,979</u>	<u>\$ 233,616</u>	<u>\$ -</u>	<u>\$ 2,942,628</u>	<u>\$ 1,710,155</u>	<u>\$ -</u>	<u>\$ 52,305</u>	<u>\$ 18,906,575</u>	<u>\$ 1,050</u>	<u>\$ (2,862)</u>	<u>\$ 24,804,446</u>

3. Included in this amount is the restricted net position for housing assistance payment equity of \$0 and restricted net position for SDRS pension of \$39,562.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Financial Data Schedule
 Year Ended December 31, 2018

Line Item #	Account Description	Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.871	Capital Fund 14.872	Sherman Apartments Section 8 New	Management Account	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
Revenues												
703	Net tenant rental revenue	\$ 358,725	\$ -	\$ -	\$ 178,257	\$ -	\$ -	\$ -	\$ 1,353,480	\$ -	\$ -	\$ 1,890,462
704	Tenant revenue - other	7,759	-	-	6,556	-	-	-	-	-	-	14,315
705	Total tenant revenue	366,484	-	-	184,813	-	-	-	1,353,480	-	-	1,904,777
706	HUD PHA Operating grants	106,454	-	47,267	-	-	-	-	-	-	-	153,721
706	Housing Assistance Payments	-	1,608,807	-	223,383	-	-	-	-	-	-	1,832,190
706	Ongoing Admin Fees Earned	-	228,577	-	-	-	-	-	-	-	-	228,577
706.1	Capital grants	-	-	107,073	-	-	-	-	-	-	-	107,073
708	Other government grants	-	-	-	-	-	32,963	-	-	-	-	32,963
711	Investment income - unrestricted	-	20	-	3	22,728	-	-	-	-	-	22,751
714	Fraud recovery	-	3,689	-	-	-	-	-	-	-	-	3,689
715	Other revenue	11,423	4,574	-	1,738	297,384	-	25,000	6,563	-	(28,374)	318,308
720	Investment income - restricted	10	-	-	9,133	-	-	-	4,248	-	-	13,391
700	Total revenues	484,371	1,845,667	154,340	419,070	320,112	32,963	25,000	1,364,291	-	(28,374)	4,617,440
Expenses												
Administrative												
911	Administrative salaries	171,496	164,338	-	-	178,098	-	-	40,287	-	-	554,219
912	Auditing fees	4,119	7,969	-	9,469	7,969	-	-	37,410	-	-	66,936
913	Management fees	-	-	-	28,374	-	-	-	167,445	-	(28,374)	167,445
914	Advertising and marketing	138	-	-	1,731	-	-	-	272	-	-	2,141
915	Employee benefit contributions - administrative	44,619	38,117	-	-	29,603	-	-	-	-	-	112,339
916	Office expense	8,573	18,249	-	6,753	-	-	-	24,515	-	-	58,090
917	Legal expense	1,165	-	-	-	-	-	-	1,626	-	-	2,791
918	Travel	2,766	6,974	-	3,986	3,204	-	-	15,865	-	-	32,795
919	Other operating - administrative	-	2,911	-	139	42,154	-	200	39,769	-	-	85,173
Tenant services												
921	Tenant services - salaries	7,347	-	-	15,940	7,579	-	-	-	-	-	30,866
923	Employee benefit contributions - tenant services	1,976	-	-	3,710	1,253	-	-	-	-	-	6,939
924	Tenant services - other	4,055	-	-	3,666	-	-	-	3,877	-	-	11,598
Utilities												
931	Water	24,112	-	-	6,473	-	-	-	58,610	-	-	89,195
932	Electricity	40,627	-	-	38,823	-	-	-	74,050	-	-	153,500
933	Gas	14,750	-	-	5,548	-	-	-	30,657	-	-	50,955
Ordinary maintenance and operation												
941	Ordinary maintenance and operations - labor	40,041	-	-	26,163	50,033	-	-	-	-	-	116,237
942	Ordinary maintenance and operations - materials and other	12,001	-	-	3,520	-	-	-	13,810	-	-	29,331
943	Ordinary maintenance and operations - contract costs	63,966	-	-	41,080	2,376	-	-	238,323	-	-	345,745
945	Employee benefit contributions-ordinary maintenance	11,010	-	-	6,105	8,301	-	-	-	-	-	25,416
Protective services												
951	Protective services - labor	-	-	-	1,200	-	-	-	-	-	-	1,200
952	Protective services - other contract costs	2,359	-	-	978	-	-	-	-	-	-	3,337

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Financial Data Schedule
 Year Ended December 31, 2018

Line Item #	Account Description	Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.871	Capital Fund 14.872	Sherman Apartments Section 8 New	Management Account	HOME Investment Partnerships Program 14.239	Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
General expenses												
961.1	Property insurance	18,063	-	-	7,471	-	-	-	23,385	-	-	48,919
961.2	Liability insurance	100	491	-	-	51	-	-	23,994	-	-	24,636
961.3	Workmen's compensation	2,904	1,995	-	668	2,043	-	-	-	-	-	7,610
961.4	All other insurance	153	774	-	-	3,277	-	-	-	-	-	4,204
962	Other general expenses	-	-	-	1,092	150	-	-	11,982	-	-	13,224
963	Payments in lieu of taxes	17,936	-	-	12,056	-	-	-	-	-	-	29,992
964	Bad debt - tenant rents	2,026	-	-	289	-	-	-	8,424	-	-	10,739
967	Interest expense	-	-	-	37,024	-	-	-	152,979	-	-	190,003
969	Total operating expenses	496,302	241,818	-	262,258	336,091	-	200	967,280	-	(28,374)	2,275,575
970	Excess (deficiency) operating revenue over (under) operating expenses	(11,931)	1,603,849	154,340	156,812	(15,979)	32,963	24,800	397,011	-	-	2,341,865
Other expenses												
971	Extraordinary maintenance	28,807	-	-	4,173	-	-	-	33,587	-	-	66,567
973	Housing assistance payments	-	1,615,242	-	-	-	-	-	-	-	-	1,615,242
973.5	HAP portability in	-	4,244	-	-	-	-	-	-	-	-	4,244
974	Depreciation expense	93,920	5,609	-	165,649	10,925	-	-	947,800	-	-	1,223,903
900	Total expenses	619,029	1,866,913	-	432,080	347,016	-	200	1,948,667	-	(28,374)	5,185,531
1001	Operating transfers in	47,267	-	-	-	32,963	-	-	-	-	-	80,230
1002	Operating transfers out	-	-	(47,267)	-	-	(32,963)	-	-	-	-	(80,230)
1004	Operating transfers from/to component unit	-	-	-	-	33,467	-	(33,467)	-	-	-	-
1010	Total other financing sources (uses)	47,267	-	(47,267)	-	66,430	(32,963)	(33,467)	-	-	-	-
1000	Excess (deficiency) of operating revenue over (under) expenses	<u>\$ (87,391)</u>	<u>\$ (21,246)</u>	<u>\$ 107,073</u>	<u>\$ (13,010)</u>	<u>\$ 39,526</u>	<u>\$ -</u>	<u>\$ (8,667)</u>	<u>\$ (584,376)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (568,091)</u>
Memo account information												
1102	Debt principal payments - enterprise funds	\$ -	\$ -	\$ -	\$ 133,574	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 133,574
1103	Beginning equity	847,919	229,443	-	2,532,168	1,634,154	-	60,972	13,505,394	-	-	18,810,050
1104	Prior period adjustments and equity transfers	107,073	-	(107,073)	-	-	-	-	238,341	-	-	238,341
1117	Administrative fee equity	-	168,635	-	-	-	-	-	-	-	-	168,635
1118	Housing assistance payments equity	-	-	-	-	-	-	-	-	-	-	-
1119	Unit Months Available	1,200	6,300	-	612	-	-	-	2,076	-	-	10,188
1121	Number of unit months leased	1,184	4,633	-	597	-	-	-	2,000	-	-	8,414
1127	Excess cash	50,046	-	-	-	-	-	-	-	-	-	50,046
1162	Building purchases	-	-	107,073	-	-	-	-	-	-	-	107,073
1163	Furniture and equipment - dwelling purchases	17,520	-	-	-	-	-	-	-	-	-	17,520
1164	Furniture and equipment - administrative purchases	620	11,240	-	-	-	-	-	-	-	-	11,860

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Schedule of Modernization Projects Completed
 December 31, 2018

Classification	Project # SD01P034501-18
1406 Operations	\$ 154,340
Total capital fund project expenditures	\$ 154,340
Capital Fund Advances Received Through December 31, 2018	\$ 154,340
Total capital fund amount approved	\$ 154,340

All costs on the above projects have been paid, and all liabilities, actual and contingent, have been discharged through payments.

The Actual Modernization Cost Certificate – Form HUD 53001 for these projects was submitted to HUD for approval on December 21, 2018 for Project # SD01P034501-18.



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*

The Board of Commissioners
The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Aberdeen, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Housing and Redevelopment Commission of Aberdeen, a component unit of the City of Aberdeen, South Dakota (the “Commission”), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated April 25, 2019. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component units.

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 opinions 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 Commission’s internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

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*.

Entity's Response to Finding

The Commission's response to the finding identified in our audit is described in the accompanying schedule of 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 Commission'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.



Aberdeen, South Dakota
April 25, 2019



Independent Auditor’s Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for the Major Federal Program

We have audited The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, a component unit of the City of Aberdeen, South Dakota’s (the “Commission”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Commission’s major federal program for the year ended December 31, 2018. The Commission’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the federal statutes, regulations, the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for the Commission’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 the major federal program. However, our audit does not provide a legal determination of the Commission’s compliance.

Opinion on the 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 its major federal program for the year ended December 31, 2018.

Report on Internal Control over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003 that we consider to be significant deficiencies.

The Commission's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and the corrective action plan. The Commission's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other 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.



Aberdeen, South Dakota
April 25, 2019

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S Department of Housing and Urban Development			
Direct Federal Funding			
Public and Indian Housing	14.850	N/A	\$ 106,454
Public Housing Capital Fund	14.872	N/A	154,340
Section 8 Housing Choice Vouchers	14.871	N/A	1,857,032
Pass Through South Dakota Housing Development Authority			
HOME Investment Partnerships Program	14.239	*****	<u>32,963</u>
Total U.S. Department of Housing and Urban Development			<u>2,150,789</u>
Total Federal Financial Assistance			<u>\$ 2,150,789</u>

***** No Pass Through Entity Identifying Number Given

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Commission under programs of the federal government for the year ended December 31, 2018. The information in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Commission, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Commission. The Commission received federal awards both directly from federal agencies and indirectly through pass-through entities. No federal financial assistance has been provided to a subrecipient.

The accompanying schedule of expenditures of federal awards presents only the activity of federal award programs of the Commission and excludes any federal awards of discretely presented component units.

Note B – Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Commission's summary of significant accounting policies is presented in Note 1 in the Commission's basic financial statements. No federal financial assistance has been provided to a subrecipient.

Note C – Indirect Cost Rate

The Commission does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2018

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number(s)</u>
Section 8 Housing Choice Vouchers	14.871
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2018-001 - Financial Statements, Footnotes, and the Schedule of Expenditures of Federal Awards Are Prepared by the Auditor, Which at Times Includes Material Proposed Adjustments

Material Weakness

Criteria: An organization’s internal control structure should provide for the recording of all necessary material adjustments and the preparation of financial statements and footnotes in accordance with generally accepted accounting principles.

Condition: The Commission does not have an internal control system designed to provide for the preparation of the financial statements including required footnotes, disclosures, and schedule of expenditures of federal awards including at times all necessary material audit adjustments to the Commission’s financial statements. During the course of our engagement, we were requested to draft the financial statements, accompanying notes to those financial statements, and schedule of expenditures of federal awards and, at times, we proposed material audit adjustments to the Commission’s recorded account balances.

Cause: The Commission does not have adequate staff trained to prepare the financial statements, footnotes and schedule of expenditures of federal awards.

Effect: The preparation of financial statements as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by Commission personnel. The need for proposed audit adjustments indicates that the Commission’s interim financial information is not materially correct, which may affect management decisions made during the course of the year.

Recommendation: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials: See Corrective Action Plan

Section III – Federal Award Findings and Questioned Costs

Finding 2018-002 – Incorrect Reporting of Tenant’s Rent Payment

**U.S. Department of Housing and Urban Development
CFDA #14.871, Federal Award Year: 2018 SD034
Section 8 Housing Choice Vouchers**

**Compliance Requirement: Eligibility
Significant Deficiency in Internal Control over Compliance**

Criteria: As required by HUD guidelines, the Commission is required to calculate the tenant’s rent payment using documentation from third-party verification used to calculate payment of assistance.

Condition: The Commission’s control in place for review of the tenant’s rent payment used for tenant files on annual reviews was not operating effectively. In two of the 60 tenant files the tenant’s payment amounts were calculated incorrectly.

Cause: The housing representative did not properly calculate the tenant’s rent payment used on the form for the amounts verified at that time in 2018.

Effect: The reporting of an incorrect tenant rent payment could result in incorrect assistance being awarded.

Questioned Costs: None

Repeat Finding from Prior Year: No

Recommendation: We recommend that the Commission to take steps to ensure the housing representative review and update information to the correct amounts as verified by third parties. We also recommend a second review on haphazard files by a position outside of those preparing the files to determine whether correct amounts are being used.

Views of Responsible Officials: See Corrective Action Plan

Finding 2018-003 – Failure to Reexamine Family Income Once Every 12 Months

**U.S. Department of Housing and Urban Development
CFDA #14.871, Federal Aware Year: 2018 SD034
Section 8 Housing Choice Vouchers**

**Compliance Requirement: Eligibility
Significant Deficiency in Internal Control over Compliance**

Criteria: As required by HUD guidelines, the Commission is required to review family income at least once every 12 months as that is what is to be used as a guide for payment of assistance.

Condition: The Commission's control in place for annual review of the tenant files was not operating effectively. In one of the 60 tenant files that annual review was tested, the tenant file had not been reviewed in the required 12 months and was instead reviewed after 13 months.

Cause: The housing representative did not review the file within 12 months.

Effect: Not reviewing the family income in the 12-month period could result in incorrect assistance being awarded.

Questioned Costs: None

Repeat Finding from Prior Year: No

Recommendation: We recommend that the Commission to take steps to ensure the housing representative be aware of the annual review requirement and ensure the review occurs. We also recommend a second review on haphazard files by a position outside of those preparing the files to determine whether correct files are being properly reviewed in the expected timeframe.

Views of Responsible Officials: See Corrective Action Plan



Housing and Redevelopment Commission of the City of Aberdeen

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
December 31, 2018

Prepared by Management of
**The Housing and Redevelopment Commission
of the City of Aberdeen, South Dakota**

Summary Schedule of Prior Audit Findings

Finding 2017-A – Financial statements, footnotes and the schedule of expenditures of federal awards are prepared by the auditor, which at times includes material proposed adjustments to the financial statements

Initial Fiscal Year Finding Occurred: 2008

Finding Summary: Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements.

Status: Ongoing. Due to cost considerations, we will continue to have Eide Bailly LLP prepare our draft financial statements and accompanying notes to the financial statements.

Correction Action Plan

Finding 2018-001 Financial statements, footnotes and the schedule of expenditures of federal awards are prepared by the auditor, which at times includes material proposed adjustments to the financial statements

Finding Summary: Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements. They also proposed material audit adjustments that would not have been identified as a result of our existing controls and, therefore, could have resulted in a material misstatement of our financial statements.

Responsible Individuals: Jody Zueger, Executive Director

Corrective Action Plan: It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and accompanying notes. We requested that our auditors, Eide Bailly LLP, prepared the financial statements and the accompanying notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes, and we have reviewed with and agree with the material adjustments proposed during the audit.

Anticipated Completion Date: Ongoing

Finding 2018-002 Incorrect Reporting of Tenant's Rent Payment

Finding Summary: The Operations Specialist did not properly calculate the tenant's rent payment used on the form for the amounts verified at that time in 2018.

Responsible Individuals: Jody Zueger, Executive Director

Corrective Action Plan: Management will review a percentage of move-in, interim, annual, and move out files to verify correct amounts. In one of the files, the Tenmast computer system did not list a utility amount. Operation specialists will figure the utility allowance using a paper form to use as a comparison to the computer system. In in file that resulting in an underpayment of assistance, the error was corrected back to the time of the annual certification.

Anticipated Completion Date: Ongoing review of files. Errors were resolved in March, 2019

Finding 2018-003 Incorrect Reporting of Tenant's Rent Payment

Finding Summary: The Operations Specialist did not review the file within 12 months.

Responsible Individuals: Jody Zueger, Executive Director

Corrective Action Plan: Management will review a percentage of initial, interim, annual, and move out files to verify each file is reviewed within 12 months. In this file, the Initial certification was completed on 1/1/15. The next Annual Recertification was completed on 12/1/15 instead of the normal cycle which would have been on 1/1/16. The next Annual Recertification was completed on 12/1/16 which was within 12 months. The Operations Specialist then realized that the actual Annual Recertification date should be the 1/1 date so completed the Annual Recertification on 1/1/18 instead of 12/1/17. The tenant ported out 6/8/18 and was absorbed by the receiving housing authority. Management discussed with Operations Specialist that if this happens in the future to just continue using the 12/1 date. HUD regulations allow PHAs to change annual recertification dates as long as Annual Recertification is completed within 12 months.

Anticipated Completion Date: Ongoing review of files.