



Financial Statements  
December 31, 2015 and 2014

**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, 2015 and 2014

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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 fiduciary fund of The Housing and Redevelopment Commission 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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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 fiduciary fund of the Commission as of December 31, 2015 and 2014, and the respective changes in financial position and, where, applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Adoption of New Accounting Standard**

As discussed in Notes 1 and 13 to the financial statements, the Commission has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of January 1, 2014. Our opinion is not modified with respect to this matter.

### **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 11 and the Schedule of Net Pension Liability (Asset) and Schedule of Pension Contributions on pages 59 and 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 compromise the Commission's financial statements. The accompanying supplementary schedules on pages 61-65 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 61-65 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.

Management's corrective action plan has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated April 29, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Erik Sully LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota  
April 29, 2016

## Introduction

This section of The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota's (the "Commission") annual financial report presents management's discussion and analysis of the Commission's financial performance during the years ended December 31, 2015 and 2014. 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, and Meadow Wood Townhomes, and Jackson Heights. 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 is a Tax Credits and Home Funds property. Meadow Wood Townhomes is a Tax Credits and Home Funds property. Jackson Heights is a Tax Credits and Home Funds Property. 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, and Jackson Heights Apartments, LP as discretely presented component units. For all four 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 2015**

- Total assets and deferred outflows of resources of the Commission decreased \$240,025 (or 3.73%) as of December 31, 2015.
- Total liabilities and deferred inflows of resources of the Commission decreased \$181,470 (or 14.68%) as of December 31, 2015.
- Net position of the Commission decreased \$58,555 (or 1.12%) as of December 31, 2015.
- Unrestricted cash of the Commission increased \$141,291 (or 19.66%) as of December 31, 2015.
- Noncurrent portion of long-term debt outstanding of the Commission decreased \$112,759 (or 15.19%) as of December 31, 2015.
- Operating revenue of the Commission decreased by \$36,911 (or 4.60%) from 2014 to 2015.
- Operating expenses of the Commission increased by \$95,814 (or 3.30%) from 2014 to 2015.
- Non-operating revenues and expenses increased by \$171,454 (or 8.57%) from 2014 to 2015.

### **Financial Highlights for 2014**

- Total assets of the Commission decreased \$415,086 (or 6.43%) as of December 31, 2014.
- Total liabilities of the Commission decreased \$276,610 (or 22.04%) as of December 31, 2014.
- Net position of the Commission decreased \$138,476 (or 2.6%) as of December 31, 2014.
- Unrestricted cash of the Commission increased \$87,924 (or 13.94%) as of December 31, 2014.
- Noncurrent portion of long-term debt outstanding of the Commission decreased \$103,602 (or 12.34%) as of December 31, 2014.
- Operating revenue of the Commission increased by \$94,474 (or 13.36%) from 2013 to 2014.
- Operating expenses of the Commission decreased by \$9,066 (or .31%) from 2013 to 2014.
- Non-operating revenues and expenses decreased by \$84,095 (or 3.98%) from 2013 to 2014.

### **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 reports all financial and capital assets of the Commission and is presented in a format where assets equals 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 borrowers 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; operating expenses, such as administrative, utilities, maintenance, depreciation; and non-operating revenues and expenses, such as grant revenue, 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, 2015 and 2014, the Commission's capital assets for its business-type activities was \$3,729,310 and \$3,998,159 (net of accumulated depreciation), respectively. Capital assets includes buildings, improvements, and equipment.

Major capital assets purchases during the year ended December 31, 2015 include the following:

- Capital expenditures of \$20,633 for furniture and fixtures at the Sherman Apartments.
- Capital expenditures of \$45,723 to replace water lines, windows and carpet in Public Housing.
- Capital expenditures of \$2,206 for land at the Sherman Apartments.
- Capital expenditures of \$2,298 for appliances in Public Housing.

Major capital assets purchases during the year ended December 31, 2014 include the following:

- Capital expenditures of \$577,129 for remodeling of the community room and units at the Sherman Apartments.
- Capital expenditures of \$11,448 to replace appliances 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, 2015 and 2014, long-term liabilities totaled \$629,718 and \$742,477, respectively, which is the non-current portion of the financing on the Sherman Apartment Project. There was no new long-term debt issued during 2015 or 2014.

## **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, 2015:

Total operating revenue increased by \$2,503 from 2014 to 2015. Total operating expenses decreased by \$59,520 due to decrease in depreciation during the year. Total non-operating revenues/expenses increased by \$39,301. This was due primarily to an increase in HUD operating subsidy and capital funding received during 2015.

Year Ended December 31, 2014:

Total operating revenue increased by \$16,957 from 2013 to 2014. Total operating expenses increased by \$29,732 due to increase in utilities during the year. Total non-operating revenues/expenses decreased by \$101,942. This was due primarily to an increase in HUD operating subsidy and capital funding received during 2013 that was not received in 2014.

#### **Aberdeen Housing Commission – Section 8 Vouchers**

Year Ended December 31, 2015:

Total operating revenue increased by \$502 from 2014 to 2015. Total operating expenses increased by \$89,667 due to increase in overall HAP assistance provided. Total non-operating revenues/expenses increased by \$63,982 due to an increase in HUD subsidies received by the Commission in 2015.

Year Ended December 31, 2014:

Total operating revenue decreased by \$2,942 from 2013 to 2014. Total operating expenses decreased by \$84,733 due to decrease in overall HAP assistance provided. Total non-operating revenues/expenses increased by \$23,047 due to an increase in HUD subsidies received by the Commission in 2014.

#### **Aberdeen Housing Commission – Section 8 New Construction**

Year Ended December 31, 2015:

Total operating revenue increased by \$18,512 from 2014 to 2015. Total operating expenses increased by \$14,576 due to increase in depreciation expense based on building improvements over the past few years. Total non-operating revenues/expenses increased by \$55,081 due to loss on equipment in 2014 and an increase in HAP assistance.

Year Ended December 31, 2014:

Total operating revenue increased by \$19,428 from 2013 to 2014. Total operating expenses increased by \$48,413 due to increase in depreciation expense based on building improvements over the past few years. Total non-operating revenues/expenses decreased by \$30,958 due to loss on equipment and a combined effect of increase in HAP assistance and a decrease in interest on residual receipts.

**Aberdeen Housing Commission – Management Account**

Year Ended December 31, 2015:

Total operating revenue decreased by \$55,876 from 2014 to 2015 due to developer fee income from Jackson Heights project in 2014 not received in 2015. Total operating expenses increased by \$12,501. Total non-operating revenues increased by \$13,090.

Year Ended December 31, 2014:

Total operating revenue increased by \$64,152 from 2013 to 2014 due to developer fee income from Jackson Heights project along with admin fee income from Jackson Heights as project become operations in 2014. Total operating expenses increased by \$17,945. Total non-operating revenues increased by \$18,588.

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 2014 and 2015. Total operating revenues were \$0. Total operating expenses were \$50 and \$60 for the years ended December 31, 2015 and 2014, respectively.

**Lawson Developers, LLC**

Lawson Developers, LLC had limited activity during 2014 and 2015. Total operating revenues were \$0. Total operating expenses were \$50 and \$70 for the years ended December 31, 2015 and 2014, respectively.

**AHA Housing, LLC**

Aberdeen Housing, LLC had limited activity during 2014 and 2015. Total operating revenues were \$0. Total operating expenses were \$50 and \$60 for the years ended December 31, 2015 and 2014, respectively.

**Meadow Wood Housing, LLC**

Meadow Wood Housing, LLC had limited activity during 2014 and 2015. Total operating revenues were \$0. Total operating expenses were \$50 and \$60 for the years ended December 31, 2015 and 2014, respectively.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
Management's Discussion and Analysis  
December 31, 2015 and 2014

**Condensed Financial Information**

	<u>2015</u>	<u>2014</u> (Restated)	<u>2013</u> *
Assets			
Current assets	\$ 969,280	\$ 870,879	\$ 702,931
Capital assets	3,729,310	3,998,159	3,809,571
Other assets	<u>1,281,629</u>	<u>1,394,368</u>	<u>1,943,489</u>
Total Assets	<u>5,980,219</u>	<u>6,263,406</u>	<u>6,455,991</u>
 Deferred Outflows of Resources	 <u>223,025</u>	 <u>179,863</u>	 <u>-</u>
Total assets and deferred outflows	<u>\$ 6,203,244</u>	<u>\$ 6,443,269</u>	<u>\$ 6,455,991</u>
Liabilities			
Current liabilities	\$ 240,717	\$ 236,216	\$ 409,224
Long-term debt	<u>629,718</u>	<u>742,477</u>	<u>846,079</u>
Total liabilities	<u>870,435</u>	<u>978,693</u>	<u>1,255,303</u>
Deferred Inflows of Resources	<u>184,481</u>	<u>257,693</u>	<u>-</u>
Net Position			
Net investment in capital assets	2,986,830	3,152,078	2,868,302
Restricted net position	475,754	493,491	1,241,647
Restricted for pension	163,571	144,671	-
Unrestricted net position	<u>1,522,173</u>	<u>1,416,643</u>	<u>1,090,739</u>
Total net position	<u>5,148,328</u>	<u>5,206,883</u>	<u>5,200,688</u>
Total Liabilities and Net Position	<u>\$ 6,203,244</u>	<u>\$ 6,443,269</u>	<u>\$ 6,455,991</u>

\*Due to the implementation of GASB 68 in FY2014. Figures may not be comparable to prior years for some areas of the financial statements.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
 Management's Discussion and Analysis  
 December 31, 2015 and 2014

	2015	2014 (Restated)	2013 *
Operating Revenues			
Dwelling rental income	\$ 338,928	\$ 336,425	\$ 319,468
Dwelling rental income pledged for debt service	179,219	161,178	140,680
Management and administration fees	228,670	287,098	226,067
Other	17,995	17,022	21,034
Total operating revenues	<u>764,812</u>	<u>801,723</u>	<u>707,249</u>
Operating Expenses			
Rental assistance payments	1,525,413	1,413,104	1,502,131
General and administrative	1,469,805	1,486,300	1,447,532
Total operating expenses	<u>2,995,218</u>	<u>2,899,404</u>	<u>2,949,663</u>
Operating Loss	(2,230,406)	(2,097,681)	(2,242,414)
Nonoperating Revenue	<u>2,171,851</u>	<u>2,000,397</u>	<u>2,110,949</u>
Change in Net Position	<u>(58,555)</u>	<u>(97,284)</u>	<u>(131,465)</u>
Net Position, Beginning as Previously Stated	5,206,883	5,200,688	5,332,153
Adoption of New Accounting Standard (See Note 1)	<u>-</u>	<u>103,479</u>	<u>-</u>
Net Position, Beginning as Restated	<u>-</u>	<u>5,304,167</u>	<u>-</u>
Net Position, End of Year	<u>\$ 5,148,328</u>	<u>\$ 5,206,883</u>	<u>\$ 5,200,688</u>

\*Due to the implementation of GASB 68 in FY2014. Figures may not be comparable to prior years for some areas of the financial statements.

### 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

Central Villas, a limited liability partnership, was formed in the beginning of 2016 to develop a senior living complex in Aberdeen. Aberdeen Housing Authority will be the general partner in and manage after the complex after development is complete.

### **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, 2015 and 2014

	2015					Total	Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units			Meadow Wood Housing, LLC		
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC			
<b>Assets</b>							
<b>Current Assets</b>							
Cash	\$ 816,910	\$ -	\$ -	\$ -	\$ -	\$ 816,910	\$ 472,867
Tenant accounts receivable	3,969	-	-	-	-	3,969	12,042
Funded security deposits	43,152	-	-	-	-	43,152	65,244
Other accounts receivable	54,976	-	8,667	-	-	63,643	-
Accrued interest receivable	23,479	-	-	-	-	23,479	-
Prepaid expenses	18,127	-	-	-	-	18,127	16,823
<b>Total current assets</b>	<b>960,613</b>	<b>-</b>	<b>8,667</b>	<b>-</b>	<b>-</b>	<b>969,280</b>	<b>566,976</b>
<b>Property and Equipment</b>							
Land	523,392	-	-	-	-	523,392	576,543
Buildings	9,672,687	-	-	-	-	9,672,687	15,373,708
Furniture, equipment and machinery - dwellings	285,888	-	-	-	-	285,888	820,110
Furniture, equipment and machinery - nondwelling	309,397	-	-	-	-	309,397	-
	10,791,364	-	-	-	-	10,791,364	16,770,361
Less accumulated depreciation	(7,062,054)	-	-	-	-	(7,062,054)	(2,961,033)
<b>Total property and equipment</b>	<b>3,729,310</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,729,310</b>	<b>13,809,328</b>
<b>Other Assets</b>							
Restricted deposits and funded reserves	675,049	-	-	-	-	675,049	726,945
Note receivable - related party	411,761	-	-	-	-	411,761	-
Other non-current receivables - related party	-	-	69,331	-	-	69,331	-
Investment in limited partnership	153	100	-	10	198	461	-
Net pension asset	125,027	-	-	-	-	125,027	-
Other assets	-	-	-	-	-	-	162,016
<b>Total other assets</b>	<b>1,211,990</b>	<b>100</b>	<b>69,331</b>	<b>10</b>	<b>198</b>	<b>1,281,629</b>	<b>888,961</b>
<b>Deferred Outflows of Resources</b>							
Pension related deferred outflows	223,025	-	-	-	-	223,025	-
	<b>\$ 6,124,938</b>	<b>\$ 100</b>	<b>\$ 77,998</b>	<b>\$ 10</b>	<b>\$ 198</b>	<b>\$ 6,203,244</b>	<b>\$ 15,265,265</b>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
Statements of Net Position  
December 31, 2015 and 2014

	2015					Total	Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units			Meadow Wood Housing, LLC		
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC			
<b>Liabilities and Net Position</b>							
<b>Current Liabilities</b>							
Current portion of long-term debt	\$ 112,762	\$ -	\$ -	\$ -	\$ -	\$ 112,762	\$ 94,012
Accounts payable	12,064	-	-	-	-	12,064	38,783
Due to other governments	28,202	-	-	-	-	28,202	-
Tenant security deposits	40,403	-	-	-	-	40,403	64,802
Accrued liabilities:							
Wages and payroll taxes payable	11,087	-	-	-	-	11,087	-
Interest	5,318	-	-	-	-	5,318	30,935
Vacation pay	27,181	-	-	-	-	27,181	-
Due to related party	-	-	-	-	-	-	2,938
Unearned revenues	3,700	-	-	-	-	3,700	-
Other	-	-	-	-	-	-	16,356
Total current liabilities	<u>240,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,717</u>	<u>247,826</u>
<b>Non-Current Liabilities</b>							
Long-term debt, net of current portion	629,718	-	-	-	-	629,718	4,438,437
Other non-current payable - related party	-	-	-	-	-	-	242,374
Total non-current liabilities	<u>629,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>629,718</u>	<u>4,680,811</u>
Total liabilities	<u>870,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>870,435</u>	<u>4,928,637</u>
<b>Deferred Inflows of Resources</b>							
Pension related deferred inflows	184,481	-	-	-	-	184,481	-
<b>Net Position</b>							
Net investment in capital assets	2,986,830	-	-	-	-	2,986,830	9,276,879
Restricted for HUD Voucher Program	705	-	-	-	-	705	-
Restricted for mortgage escrows (see Note 2)	475,049	-	-	-	-	475,049	726,945
Restricted for pension (see Note 7)	163,571	-	-	-	-	163,571	-
Unrestricted net position	1,443,867	100	77,998	10	198	1,522,173	332,804
Total net position	<u>5,070,022</u>	<u>100</u>	<u>77,998</u>	<u>10</u>	<u>198</u>	<u>5,148,328</u>	<u>10,336,628</u>
	<u>\$ 6,124,938</u>	<u>\$ 100</u>	<u>\$ 77,998</u>	<u>\$ 10</u>	<u>\$ 198</u>	<u>\$ 6,203,244</u>	<u>\$ 15,265,265</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
 Statements of Net Position  
 December 31, 2015 and 2014

	2014						Aggregate Discretely Presented Component Units
	Primary Government (Restated)	Blended Component Units				Total (Restated)	
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC		
<b>Assets</b>							
<b>Current Assets</b>							
Cash	\$ 676,758	\$ -	\$ -	\$ -	\$ -	\$ 676,758	\$ 402,387
Tenant accounts receivable	7,181	-	-	-	-	7,181	4,999
Funded security deposits	42,013	-	-	-	-	42,013	57,369
Other accounts receivable	94,340	-	8,667	-	-	103,007	-
Accrued interest receivable	24,198	-	-	-	-	24,198	-
Prepaid expenses	17,722	-	-	-	-	17,722	15,653
<b>Total current assets</b>	<b>862,212</b>	<b>-</b>	<b>8,667</b>	<b>-</b>	<b>-</b>	<b>870,879</b>	<b>480,408</b>
<b>Property and Equipment</b>							
Land	521,186	-	-	-	-	521,186	576,543
Buildings	9,659,853	-	-	-	-	9,659,853	15,325,143
Furniture, equipment and machinery - dwellings	266,185	-	-	-	-	266,185	791,770
Furniture, equipment and machinery - nondwelling	325,877	-	-	-	-	325,877	-
	10,773,101	-	-	-	-	10,773,101	16,693,456
Less accumulated depreciation	(6,774,942)	-	-	-	-	(6,774,942)	(2,240,256)
<b>Total property and equipment</b>	<b>3,998,159</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,998,159</b>	<b>14,453,200</b>
<b>Other Assets</b>							
Restricted deposits and funded reserves	666,149	-	-	-	-	666,149	708,525
Note receivable - related party	414,465	-	-	-	-	414,465	-
Other non-current receivables - related party	-	-	86,665	-	-	86,665	-
Investment in limited partnership	153	100	-	10	198	461	-
Advances	4,127	-	-	-	-	4,127	-
Net pension asset	222,501	-	-	-	-	222,501	-
Other assets	-	-	-	-	-	-	175,529
<b>Total other assets</b>	<b>1,307,395</b>	<b>100</b>	<b>86,665</b>	<b>10</b>	<b>198</b>	<b>1,394,368</b>	<b>884,054</b>
<b>Deferred Outflows of Resources</b>							
Pension related deferred outflows	179,863	-	-	-	-	179,863	-
	<b>\$ 6,347,629</b>	<b>\$ 100</b>	<b>\$ 95,332</b>	<b>\$ 10</b>	<b>\$ 198</b>	<b>\$ 6,443,269</b>	<b>\$ 15,817,662</b>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
 Statements of Net Position  
 December 31, 2015 and 2014

	2014					Total	Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units			Meadow Wood Housing, LLC		
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC			
<b>Liabilities and Net Position</b>							
<b>Current Liabilities</b>							
Current portion of long-term debt	\$ 103,604	\$ -	\$ -	\$ -	\$ -	\$ 103,604	\$ 96,790
Accounts payable	20,314	-	-	-	-	20,314	46,966
Due to other governments	26,700	-	-	-	-	26,700	-
Tenant security deposits	39,031	-	-	-	-	39,031	57,271
Accrued liabilities:							
Wages and payroll taxes payable	7,569	-	-	-	-	7,569	-
Interest	5,993	-	-	-	-	5,993	27,326
Vacation pay	27,444	-	-	-	-	27,444	-
Due to related party	-	-	-	-	-	-	6,475
Unearned revenues	5,561	-	-	-	-	5,561	-
Other	-	-	-	-	-	-	23,143
<b>Total current liabilities</b>	<b>236,216</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>236,216</b>	<b>257,971</b>
<b>Non-Current liabilities</b>							
Long-term debt, net of current portion	742,477	-	-	-	-	742,477	4,622,164
Other non-current payable - related party	-	-	-	-	-	-	451,217
<b>Total non-current liabilities</b>	<b>742,477</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>742,477</b>	<b>5,073,381</b>
<b>Total liabilities</b>	<b>978,693</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>978,693</b>	<b>5,331,352</b>
<b>Deferred Inflows of Resources</b>							
Pension related deferred inflows	257,693	-	-	-	-	257,693	-
<b>Net Position</b>							
Net investment in capital assets	3,152,078	-	-	-	-	3,152,078	9,734,246
Restricted for HUD Voucher Program	27,342	-	-	-	-	27,342	-
Restricted for mortgage escrows (see Note 2)	466,149	-	-	-	-	466,149	708,525
Restricted for pension (see Note 7)	144,671	-	-	-	-	144,671	-
Unrestricted net position	1,321,003	100	95,332	10	198	1,416,643	43,539
<b>Total net position</b>	<b>5,111,243</b>	<b>100</b>	<b>95,332</b>	<b>10</b>	<b>198</b>	<b>5,206,883</b>	<b>10,486,310</b>
	<b>\$ 6,347,629</b>	<b>\$ 100</b>	<b>\$ 95,332</b>	<b>\$ 10</b>	<b>\$ 198</b>	<b>\$ 6,443,269</b>	<b>\$ 15,817,662</b>

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, 2015 and 2014

	2015						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	\$ 338,928	\$ -	\$ -	\$ -	\$ -	\$ 338,928	\$ -
Dwelling rental income pledged for debt service	179,219	-	-	-	-	179,219	824,270
Management and administration fees	228,670	-	-	-	-	228,670	13,607
Other revenue	17,995	-	-	-	-	17,995	12,708
<b>Total operating revenues</b>	<b>764,812</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>764,812</b>	<b>850,585</b>
Operating Expenses							
Administrative	615,030	50	50	50	50	615,230	191,300
Tenant services	36,142	-	-	-	-	36,142	-
Utilities	109,149	-	-	-	-	109,149	135,361
Ordinary maintenance and operation	214,584	-	-	-	-	214,584	149,036
General expenses	73,724	-	-	-	-	73,724	38,684
Rental assistance payments	1,525,413	-	-	-	-	1,525,413	-
Depreciation	338,516	-	-	-	-	338,516	734,290
Extraordinary maintenance	82,460	-	-	-	-	82,460	-
<b>Total operating expenses</b>	<b>2,995,018</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>2,995,218</b>	<b>1,248,671</b>
Operating Loss	(2,230,206)	(50)	(50)	(50)	(50)	(2,230,406)	(398,086)
Nonoperating Revenue (Expense)							
Subsidies from HUD	2,203,809	-	-	-	-	2,203,809	172,250
Loss on disposal of property and equipment	(1,193)	-	-	-	-	(1,193)	-
Interest income	36,502	-	-	-	-	36,502	965
Interest expense	(67,267)	-	-	-	-	(67,267)	(113,320)
<b>Total nonoperating revenue (expense)</b>	<b>2,171,851</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,171,851</b>	<b>59,895</b>
Loss Before Other Revenues, Expenses, Gains, Losses, and Transfers	(58,355)	(50)	(50)	(50)	(50)	(58,555)	(338,191)
Capital contributions	-	-	-	-	-	-	191,509
Capital distributions	-	-	-	-	-	-	(3,000)
Transfer to (from) blended component units	17,134	50	(17,284)	50	50	-	-
<b>Change in Net Position</b>	<b>(41,221)</b>	<b>-</b>	<b>(17,334)</b>	<b>-</b>	<b>-</b>	<b>(58,555)</b>	<b>(149,682)</b>
Net Position, Beginning of Year	5,111,243	100	95,332	10	198	5,206,883	10,486,310
<b>Net Position, End of Year</b>	<b>\$ 5,070,022</b>	<b>\$ 100</b>	<b>\$ 77,998</b>	<b>\$ 10</b>	<b>\$ 198</b>	<b>\$ 5,148,328</b>	<b>\$ 10,336,628</b>

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, 2015 and 2014

	2014						Aggregate Discretely Presented Component Units
	Primary Government (Restated)	Blended Component Units				Total (Restated)	
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC		
<b>Operating Revenues</b>							
Dwelling rental income	\$ 336,425	\$ -	\$ -	\$ -	\$ -	\$ 336,425	\$ -
Dwelling rental income pledged for debt service	161,178	-	-	-	-	161,178	579,641
Management and administration fees	287,098	-	-	-	-	287,098	10,618
Other revenue	17,022	-	-	-	-	17,022	6,786
<b>Total operating revenues</b>	<b>801,723</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>801,723</b>	<b>597,045</b>
<b>Operating Expenses</b>							
Administrative	605,643	60	70	60	60	605,893	178,657
Tenant services	37,814	-	-	-	-	37,814	-
Utilities	120,242	-	-	-	-	120,242	88,551
Ordinary maintenance and operation	190,350	-	-	-	-	190,350	160,676
General expenses	67,424	-	-	-	-	67,424	38,034
Rental assistance payments	1,413,104	-	-	-	-	1,413,104	-
Depreciation	373,534	-	-	-	-	373,534	584,363
Extraordinary maintenance	91,043	-	-	-	-	91,043	-
<b>Total operating expenses</b>	<b>2,899,154</b>	<b>60</b>	<b>70</b>	<b>60</b>	<b>60</b>	<b>2,899,404</b>	<b>1,050,281</b>
<b>Operating Loss</b>	<b>(2,097,431)</b>	<b>(60)</b>	<b>(70)</b>	<b>(60)</b>	<b>(60)</b>	<b>(2,097,681)</b>	<b>(453,236)</b>
<b>Nonoperating Revenue (Expense)</b>							
Subsidies from HUD	2,060,154	-	-	-	-	2,060,154	164,239
Loss on disposal of property and equipment	(26,457)	-	-	-	-	(26,457)	(34,128)
Interest income	42,382	-	-	-	-	42,382	889
Interest expense	(75,682)	-	-	-	-	(75,682)	(86,250)
<b>Total nonoperating revenue (expense)</b>	<b>2,000,397</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,000,397</b>	<b>44,750</b>
<b>Loss Before Other Revenues, Expenses, Gains, Losses, and Transfers</b>	<b>(97,034)</b>	<b>(60)</b>	<b>(70)</b>	<b>(60)</b>	<b>(60)</b>	<b>(97,284)</b>	<b>(408,486)</b>
Capital contributions	-	-	-	-	-	-	3,244,560
Capital distributions	-	-	-	-	-	-	(3,000)
Transfer to (from) Blended Component Units	(250)	60	70	60	60	-	-
<b>Change in Net Position</b>	<b>(97,284)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(97,284)</b>	<b>2,833,074</b>
<b>Net Position, Beginning as Previously Stated</b>	<b>5,105,048</b>	<b>100</b>	<b>95,332</b>	<b>10</b>	<b>198</b>	<b>5,200,688</b>	<b>7,653,236</b>
<b>Adoption of New Accounting Standard (see Note 13)</b>	<b>103,479</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103,479</b>	<b>-</b>
<b>Net Position, Beginning as Restated</b>	<b>5,208,527</b>	<b>100</b>	<b>95,332</b>	<b>10</b>	<b>198</b>	<b>5,304,167</b>	<b>7,653,236</b>
<b>Net Position, End of Year</b>	<b>\$ 5,111,243</b>	<b>\$ 100</b>	<b>\$ 95,332</b>	<b>\$ 10</b>	<b>\$ 198</b>	<b>\$ 5,206,883</b>	<b>\$ 10,486,310</b>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
 Statements of Cash Flows  
 Years Ended December 31, 2015 and 2014

	2015					Total	Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units					
	Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC			
Operating Activities							
Receipts from tenant payments	\$ 520,870	\$ -	\$ -	\$ -	\$ -	\$ 520,870	\$ 828,356
Receipts for management fees and other	286,029	-	17,334	-	-	303,363	12,708
Payments to employees	(563,109)	-	-	-	-	(563,109)	-
Housing assistance payments	(1,525,413)	-	-	-	-	(1,525,413)	-
Payments to suppliers and others	(590,778)	(50)	(50)	(50)	(50)	(590,978)	(520,437)
Net Cash from (used for) Operating Activities	(1,872,401)	(50)	17,284	(50)	(50)	(1,855,267)	320,627
Noncapital Financing Activities							
Transfers from blended component unit	17,334	-	(17,334)	-	-	-	-
Transfers to blended component unit	(200)	50	50	50	50	-	-
HUD grants received	2,203,809	-	-	-	-	2,203,809	172,250
Net Cash from (used for) Noncapital Financing Activities	2,220,943	50	(17,284)	50	50	2,203,809	172,250
Capital and Related Financing Activities							
Purchase of property and equipment	(70,860)	-	-	-	-	(70,860)	(76,905)
Purchase of other assets	-	-	-	-	-	-	(208,843)
Payments for interest	(67,942)	-	-	-	-	(67,942)	(113,320)
Principal payments on long-term debt	(103,601)	-	-	-	-	(103,601)	(186,508)
Equity contributions	-	-	-	-	-	-	191,509
Equity distributions	-	-	-	-	-	-	(3,000)
Net Cash used for Capital and Related Financing Activities	(242,403)	-	-	-	-	(242,403)	(397,067)
Investing Activities							
Payments received on notes receivable	2,704	-	-	-	-	2,704	-
Advance to limited partnership	4,127	-	-	-	-	4,127	-
Interest received	37,221	-	-	-	-	37,221	965
Net Cash from Investing Activities	44,052	-	-	-	-	44,052	965
Net Change in Cash	150,191	-	-	-	-	150,191	96,775
Cash Beginning of Year	1,384,920	-	-	-	-	1,384,920	1,168,281
Cash End of Year	<u>\$ 1,535,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,535,111</u>	<u>\$ 1,265,056</u>

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, 2015 and 2014

	2015						Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units				Total	
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC		
Cash Consists of:							
Cash	\$ 816,910	\$ -	\$ -	\$ -	\$ -	\$ 816,910	\$ 472,867
Funded security deposits	43,152	-	-	-	-	43,152	65,244
Restricted deposits	675,049	-	-	-	-	675,049	726,945
	<u>\$ 1,535,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,535,111</u>	<u>\$ 1,265,056</u>
Operating Activities							
Operating loss	\$ (2,230,206)	\$ (50)	\$ (50)	\$ (50)	\$ (50)	\$ (2,230,406)	\$ (398,086)
Adjustments to reconcile operating loss to net cash from (used for) operating activities:							
Depreciation	338,516	-	-	-	-	338,516	734,290
Change in assets and liabilities:							
Rental accounts receivable	3,212	-	-	-	-	3,212	(7,043)
Other receivables	39,364	-	17,334	-	-	56,698	-
Prepaid expenses	(405)	-	-	-	-	(405)	(1,170)
Accounts payable and other accrued liabilities	(3,493)	-	-	-	-	(3,493)	(14,895)
Tenant security deposits	1,372	-	-	-	-	1,372	7,531
Pension asset, deferred inflows and outflows	(18,900)	-	-	-	-	(18,900)	-
Unearned revenues	(1,861)	-	-	-	-	(1,861)	-
Net Cash from (used for) Operating Activities	<u>\$ (1,872,401)</u>	<u>\$ (50)</u>	<u>\$ 17,284</u>	<u>\$ (50)</u>	<u>\$ (50)</u>	<u>\$ (1,855,267)</u>	<u>\$ 320,627</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
 Statements of Cash Flows  
 Years Ended December 31, 2015 and 2014

	2014					Total (Restated)	Aggregate Discretely Presented Component Units
	Primary Government (Restated)	Aberdeen Housing, LLC	Blended Component Units				
		Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC			
<b>Operating Activities</b>							
Receipts from tenant payments	\$ 496,901	\$ -	\$ -	\$ -	\$ -	\$ 496,901	\$ 615,818
Receipts for management fees and other	239,675	-	-	-	-	239,675	6,026
Payments to employees	(561,840)	-	-	-	-	(561,840)	-
Housing assistance payments	(1,413,104)	-	-	-	-	(1,413,104)	-
Payments to suppliers and others	(583,558)	(60)	(70)	(60)	(60)	(583,808)	(425,500)
<b>Net Cash from (used for) Operating Activities</b>	<b>(1,821,926)</b>	<b>(60)</b>	<b>(70)</b>	<b>(60)</b>	<b>(60)</b>	<b>(1,822,176)</b>	<b>196,344</b>
<b>Noncapital Financing Activities</b>							
Transfers to blended component unit	(250)	60	70	60	60	-	-
HUD grants received	2,060,154	-	-	-	-	2,060,154	164,239
<b>Net Cash from Noncapital Financing Activities</b>	<b>2,059,904</b>	<b>60</b>	<b>70</b>	<b>60</b>	<b>60</b>	<b>2,060,154</b>	<b>164,239</b>
<b>Capital and Related Financing Activities</b>							
Purchase of property and equipment	(782,067)	-	-	-	-	(782,067)	(3,750,319)
Purchase of other assets	-	-	-	-	-	-	(56,026)
Payments for interest	(76,353)	-	-	-	-	(76,353)	(86,805)
Principal payments on long-term debt	(95,188)	-	-	-	-	(95,188)	(184,707)
Net advances from (payments on) construction note payable	-	-	-	-	-	-	(228,352)
Proceeds from long term debt	-	-	-	-	-	-	882,859
Equity contributions	-	-	-	-	-	-	3,244,560
Equity distributions	-	-	-	-	-	-	(3,000)
<b>Net Cash used for Capital and Related Financing Activities</b>	<b>(953,608)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(953,608)</b>	<b>(181,790)</b>
<b>Investing Activities</b>							
Payment of investment in limited partnership	(143)	-	-	-	-	(143)	-
Payment of advance to limited partnership	(3,733)	-	-	-	-	(3,733)	-
Interest received	31,932	-	-	-	-	31,932	889
<b>Net Cash from Investing Activities</b>	<b>28,056</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,056</b>	<b>889</b>
<b>Net Change in Cash</b>	<b>(687,574)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(687,574)</b>	<b>179,682</b>
<b>Cash Beginning of Year</b>	<b>2,072,494</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,072,494</b>	<b>988,599</b>
<b>Cash End of Year</b>	<b>\$ 1,384,920</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,384,920</b>	<b>\$ 1,168,281</b>

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, 2015 and 2014

	2014						Aggregate Discretely Presented Component Units
	Primary Government (Restated)	Blended Component Units				Total (Restated)	
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC		
Cash Consists of							
Cash	\$ 676,758	\$ -	\$ -	\$ -	\$ -	\$ 676,758	\$ 402,387
Funded security deposits	42,013	-	-	-	-	42,013	57,369
Restricted deposits	666,149	-	-	-	-	666,149	708,525
	<u>\$ 1,384,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,384,920</u>	<u>\$ 1,168,281</u>
Operating Activities							
Operating loss	\$ (2,097,431)	\$ (60)	\$ (70)	\$ (60)	\$ (60)	\$ (2,097,681)	\$ (453,236)
Adjustments to reconcile operating loss to net cash from (used for) operating activities:							
Depreciation	373,534	-	-	-	-	373,534	584,363
Change in assets and liabilities:							
Rental accounts receivable	(3,633)	-	-	-	-	(3,633)	6,228
Other receivables	(64,445)	-	-	-	-	(64,445)	-
Prepaid expenses	(1,496)	-	-	-	-	(1,496)	(4,529)
Accounts payable and other accrued liabilities	9,806	-	-	-	-	9,806	47,427
Tenant security deposits	3,980	-	-	-	-	3,980	16,091
Pension asset, deferred inflows and outflows	(41,192)	-	-	-	-	(41,192)	-
Unearned revenues	(1,049)	-	-	-	-	(1,049)	-
Net Cash from (used for) Operating Activities	<u>\$ (1,821,926)</u>	<u>\$ (60)</u>	<u>\$ (70)</u>	<u>\$ (60)</u>	<u>\$ (60)</u>	<u>\$ (1,822,176)</u>	<u>\$ 196,344</u>
Non Cash Investing and Financing Activities							
Increase in property and equipment from developer fee payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 355,885
Increase in long-term debt from conversion of construction note payable	-	-	-	-	-	-	796,000

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
Combining Statements of Net Position – Discretely Presented Component Units  
December 31, 2015 and 2014

	2015				
	Sunshine Park LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Total
<b>Assets</b>					
<b>Current Assets</b>					
Cash	\$ 95,701	\$ 141,137	\$ 222,894	\$ 13,135	\$ 472,867
Tenant accounts receivable	1,945	8,590	1,293	214	12,042
Funded security deposits	13,856	9,059	18,628	23,701	65,244
Prepaid expenses	3,630	7,007	1,270	4,916	16,823
<b>Total current assets</b>	<b>115,132</b>	<b>165,793</b>	<b>244,085</b>	<b>41,966</b>	<b>566,976</b>
<b>Property and Equipment</b>					
Land	100,774	40,369	142,900	292,500	576,543
Buildings	3,528,353	3,112,218	4,159,869	4,573,268	15,373,708
Furniture, equipment and machinery - dwellings	159,943	286,534	178,812	194,821	820,110
	3,789,070	3,439,121	4,481,581	5,060,589	16,770,361
Less accumulated depreciation	(902,196)	(1,077,992)	(690,996)	(289,849)	(2,961,033)
<b>Total property and equipment</b>	<b>2,886,874</b>	<b>2,361,129</b>	<b>3,790,585</b>	<b>4,770,740</b>	<b>13,809,328</b>
<b>Other Assets</b>					
Restricted deposits and funded reserves	219,894	200,718	136,805	169,528	726,945
Other assets	39,394	32,583	39,207	50,832	162,016
<b>Total other assets</b>	<b>259,288</b>	<b>233,301</b>	<b>176,012</b>	<b>220,360</b>	<b>888,961</b>
	<b>\$ 3,261,294</b>	<b>\$ 2,760,223</b>	<b>\$ 4,210,682</b>	<b>\$ 5,033,066</b>	<b>\$ 15,265,265</b>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
Combining Statements of Net Position – Discretely Presented Component Units  
December 31, 2015 and 2014

	2015				Total
	Sunshine Park LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	
<b>Liabilities and Net Position</b>					
<b>Current Liabilities</b>					
Current portion of long-term debt	\$ 27,600	\$ 11,411	\$ -	\$ 55,001	\$ 94,012
Accounts payable	7,991	16,627	8,611	5,554	38,783
Tenant security deposits	14,149	8,962	18,622	23,069	64,802
Accrued liabilities:					
Interest	13,179	13,923	-	3,833	30,935
Due to related party	-	-	-	2,938	2,938
Other	2,162	1,828	6,514	5,852	16,356
<b>Total current liabilities</b>	<b>65,081</b>	<b>52,751</b>	<b>33,747</b>	<b>96,247</b>	<b>247,826</b>
<b>Non-Current Liabilities</b>					
Long-term debt, net of current portion	1,215,393	1,153,360	499,549	1,570,135	4,438,437
Other non-current payable - related party	-	77,998	-	164,376	242,374
<b>Total non-current liabilities</b>	<b>1,215,393</b>	<b>1,231,358</b>	<b>499,549</b>	<b>1,734,511</b>	<b>4,680,811</b>
<b>Total liabilities</b>	<b>1,280,474</b>	<b>1,284,109</b>	<b>533,296</b>	<b>1,830,758</b>	<b>4,928,637</b>
<b>Net Position</b>					
Net investment in capital assets	1,643,881	1,196,358	3,291,036	3,145,604	9,276,879
Restricted for mortgage escrows	219,894	200,718	136,805	169,528	726,945
Unrestricted net position	117,045	79,038	249,545	(112,824)	332,804
<b>Total net position</b>	<b>1,980,820</b>	<b>1,476,114</b>	<b>3,677,386</b>	<b>3,202,308</b>	<b>10,336,628</b>
	<b>\$ 3,261,294</b>	<b>\$ 2,760,223</b>	<b>\$ 4,210,682</b>	<b>\$ 5,033,066</b>	<b>\$ 15,265,265</b>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
Combining Statements of Net Position – Discretely Presented Component Units  
December 31, 2015 and 2014

	2014				Total
	Sunshine Park LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	
<b>Assets</b>					
<b>Current Assets</b>					
Cash	\$ 86,345	\$ 104,184	\$ 195,326	\$ 16,532	\$ 402,387
Tenant accounts receivable	-	2,583	2,416	-	4,999
Funded security deposits	14,453	8,750	16,480	17,686	57,369
Prepaid expenses	3,190	6,644	1,339	4,480	15,653
<b>Total current assets</b>	<b>103,988</b>	<b>122,161</b>	<b>215,561</b>	<b>38,698</b>	<b>480,408</b>
<b>Property and Equipment</b>					
Land	100,774	40,369	142,900	292,500	576,543
Buildings	3,528,353	3,063,653	4,159,869	4,573,268	15,325,143
Furniture, equipment and machinery - dwellings	159,943	258,194	178,812	194,821	791,770
	<u>3,789,070</u>	<u>3,362,216</u>	<u>4,481,581</u>	<u>5,060,589</u>	<u>16,693,456</u>
Less accumulated depreciation	(731,878)	(947,162)	(488,754)	(72,462)	(2,240,256)
<b>Total property and equipment</b>	<b>3,057,192</b>	<b>2,415,054</b>	<b>3,992,827</b>	<b>4,988,127</b>	<b>14,453,200</b>
<b>Other Assets</b>					
Restricted deposits and funded reserves	200,728	232,884	124,824	150,089	708,525
Other assets	42,513	36,039	42,479	54,498	175,529
<b>Total other assets</b>	<b>243,241</b>	<b>268,923</b>	<b>167,303</b>	<b>204,587</b>	<b>884,054</b>
	<u>\$ 3,404,421</u>	<u>\$ 2,806,138</u>	<u>\$ 4,375,691</u>	<u>\$ 5,231,412</u>	<u>\$ 15,817,662</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
Combining Statements of Net Position – Discretely Presented Component Units  
December 31, 2015 and 2014

	2014				Total
	Sunshine Park LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	
<b>Liabilities and Net Position</b>					
<b>Current Liabilities</b>					
Current portion of long-term debt	\$ 32,400	\$ 10,667	\$ -	\$ 53,723	\$ 96,790
Accounts payable	8,074	16,994	7,648	14,250	46,966
Tenant security deposits	14,447	8,662	16,476	17,686	57,271
Accrued liabilities:					
Interest	13,343	13,983	-	-	27,326
Due to related party	-	-	-	6,475	6,475
Other	1,804	1,773	6,323	13,243	23,143
<b>Total current liabilities</b>	<b>70,068</b>	<b>52,079</b>	<b>30,447</b>	<b>105,377</b>	<b>257,971</b>
<b>Non-Current Liabilities</b>					
Long-term debt, net of current portion	1,245,697	1,164,772	586,559	1,625,136	4,622,164
Other non-current payable - related party	-	95,332	-	355,885	451,217
<b>Total non-current liabilities</b>	<b>1,245,697</b>	<b>1,260,104</b>	<b>586,559</b>	<b>1,981,021</b>	<b>5,073,381</b>
<b>Total liabilities</b>	<b>1,315,765</b>	<b>1,312,183</b>	<b>617,006</b>	<b>2,086,398</b>	<b>5,331,352</b>
<b>Net Position</b>					
Net investment in capital assets	1,779,095	1,239,615	3,406,268	3,309,268	9,734,246
Restricted for mortgage escrows	200,728	232,884	124,824	150,089	708,525
Unrestricted net position	108,833	21,456	227,593	(314,343)	43,539
<b>Total net position</b>	<b>2,088,656</b>	<b>1,493,955</b>	<b>3,758,685</b>	<b>3,145,014</b>	<b>10,486,310</b>
	<b>\$ 3,404,421</b>	<b>\$ 2,806,138</b>	<b>\$ 4,375,691</b>	<b>\$ 5,231,412</b>	<b>\$ 15,817,662</b>

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, 2015 and 2014

	2015				
	Sunshine Park LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Total
Operating Revenues					
Dwelling rental income pledged for debt service	\$ 186,830	\$ 114,620	\$ 225,880	\$ 296,940	\$ 824,270
Management and administration fees	1,862	5,096	2,339	4,310	13,607
Other revenue	2,503	1,658	641	7,906	12,708
Total operating revenues	<u>191,195</u>	<u>121,374</u>	<u>228,860</u>	<u>309,156</u>	<u>850,585</u>
Operating Expenses					
Administrative	40,895	48,622	45,349	56,434	191,300
Utilities	26,142	24,744	20,725	63,750	135,361
Ordinary maintenance and operation	31,179	39,317	30,131	48,409	149,036
General expenses	14,433	7,698	8,540	8,013	38,684
Depreciation and amortization	173,437	134,286	205,514	221,053	734,290
Total operating expenses	<u>286,086</u>	<u>254,667</u>	<u>310,259</u>	<u>397,659</u>	<u>1,248,671</u>
Operating Loss	<u>(94,891)</u>	<u>(133,293)</u>	<u>(81,399)</u>	<u>(88,503)</u>	<u>(398,086)</u>
Nonoperating Revenue (Expense)					
Subsidies from HUD	-	172,250	-	-	172,250
Interest income	234	308	100	323	965
Interest expense	(13,179)	(54,106)	-	(46,035)	(113,320)
Total nonoperating revenue (expense)	<u>(12,945)</u>	<u>118,452</u>	<u>100</u>	<u>(45,712)</u>	<u>59,895</u>
Loss Before Other Revenues, Expenses, Gains, Losses, and Transfers	<u>(107,836)</u>	<u>(14,841)</u>	<u>(81,299)</u>	<u>(134,215)</u>	<u>(338,191)</u>
Capital contributions	-	-	-	191,509	191,509
Capital distributions	-	(3,000)	-	-	(3,000)
Change in Net Position	<u>(107,836)</u>	<u>(17,841)</u>	<u>(81,299)</u>	<u>57,294</u>	<u>(149,682)</u>
Net Position, Beginning of Year	<u>2,088,656</u>	<u>1,493,955</u>	<u>3,758,685</u>	<u>3,145,014</u>	<u>10,486,310</u>
Net Position, End of Year	<u>\$ 1,980,820</u>	<u>\$ 1,476,114</u>	<u>\$ 3,677,386</u>	<u>\$ 3,202,308</u>	<u>\$ 10,336,628</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, 2015 and 2014

	2014				Total
	Sunshine Park LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	
<b>Operating Revenues</b>					
Dwelling rental income pledged for debt service	\$ 185,605	\$ 111,486	\$ 216,187	\$ 66,363	\$ 579,641
Management and administration fees	1,655	6,980	1,717	266	10,618
Other revenue	4,160	1,651	195	780	6,786
<b>Total operating revenues</b>	<u>191,420</u>	<u>120,117</u>	<u>218,099</u>	<u>67,409</u>	<u>597,045</u>
<b>Operating Expenses</b>					
Administrative	43,728	50,531	47,003	37,395	178,657
Utilities	25,231	27,655	22,635	13,030	88,551
Ordinary maintenance and operation	31,056	82,467	30,146	17,007	160,676
General expenses	13,860	7,635	8,989	7,550	38,034
Depreciation and amortization	178,783	126,074	205,516	73,990	584,363
<b>Total operating expenses</b>	<u>292,658</u>	<u>294,362</u>	<u>314,289</u>	<u>148,972</u>	<u>1,050,281</u>
<b>Operating Loss</b>	<u>(101,238)</u>	<u>(174,245)</u>	<u>(96,190)</u>	<u>(81,563)</u>	<u>(453,236)</u>
<b>Nonoperating Revenue (Expense)</b>					
Subsidies from HUD	-	164,239	-	-	164,239
Loss on disposition of equipment	-	(34,128)	-	-	(34,128)
Interest income	293	384	122	90	889
Interest expense	(13,343)	(54,814)	-	(18,093)	(86,250)
<b>Total nonoperating revenue (expense)</b>	<u>(13,050)</u>	<u>75,681</u>	<u>122</u>	<u>(18,003)</u>	<u>44,750</u>
<b>Loss Before Other Revenues, Expenses, Gains, Losses, and Transfers</b>	<u>(114,288)</u>	<u>(98,564)</u>	<u>(96,068)</u>	<u>(99,566)</u>	<u>(408,486)</u>
Capital contributions	-	-	-	3,244,560	3,244,560
Capital distributions	-	(3,000)	-	-	(3,000)
<b>Change in Net Position</b>	<u>(114,288)</u>	<u>(101,564)</u>	<u>(96,068)</u>	<u>3,144,994</u>	<u>2,833,074</u>
<b>Net Position, Beginning of Year</b>	<u>2,202,944</u>	<u>1,595,519</u>	<u>3,854,753</u>	<u>20</u>	<u>7,653,236</u>
<b>Net Position, End of Year</b>	<u>\$ 2,088,656</u>	<u>\$ 1,493,955</u>	<u>\$ 3,758,685</u>	<u>\$ 3,145,014</u>	<u>\$ 10,486,310</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, 2015 and 2014

	2015				Total
	Sunshine Park LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	
Operating Activities					
Receipts from tenant payments	\$ 186,747	\$ 113,709	\$ 229,342	\$ 298,558	\$ 828,356
Receipts for management fees and other	2,503	1,658	641	7,906	12,708
Payments to suppliers and others	(113,277)	(120,812)	(101,376)	(184,972)	(520,437)
Net Cash from (used for) Operating Activities	75,973	(5,445)	128,607	121,492	320,627
Noncapital Financing Activities					
HUD grants received	-	172,250	-	-	172,250
Net Cash from Noncapital Financing Activities	-	172,250	-	-	172,250
Capital and Related Financing Activities					
Purchase of property and equipment	-	(76,905)	-	-	(76,905)
Payment for other payable	-	(17,334)	-	(191,509)	(208,843)
Payments for interest	(13,179)	(54,106)	-	(46,035)	(113,320)
Principal payments on long-term debt	(35,103)	(10,672)	(87,010)	(53,723)	(186,508)
Equity contributions	-	-	-	191,509	191,509
Equity distributions	-	(3,000)	-	-	(3,000)
Net Cash used for Capital and Related Financing Activities	(48,282)	(162,017)	(87,010)	(99,758)	(397,067)
Investing Activities					
Interest received	234	308	100	323	965
Net Cash from Investing Activities	234	308	100	323	965
Net Change in Cash	27,925	5,096	41,697	22,057	96,775
Cash Beginning of Year	301,526	345,818	336,630	184,307	1,168,281
Cash End of Year	\$ 329,451	\$ 350,914	\$ 378,327	\$ 206,364	\$ 1,265,056

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, 2015 and 2014

	2015				
	Sunshine Park LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Total
Cash Consists of:					
Cash	\$ 95,701	\$ 141,137	\$ 222,894	\$ 13,135	\$ 472,867
Funded security deposits	13,856	9,059	18,628	23,701	65,244
Restricted deposits	219,894	200,718	136,805	169,528	726,945
	<u>\$ 329,451</u>	<u>\$ 350,914</u>	<u>\$ 378,327</u>	<u>\$ 206,364</u>	<u>\$ 1,265,056</u>
Operating Activities					
Operating loss	\$ (94,891)	\$ (133,293)	\$ (81,399)	\$ (88,503)	\$ (398,086)
Adjustments to reconcile operating loss to net cash from (used for) operating activities:					
Depreciation and amortization	173,437	134,286	205,514	221,053	734,290
Change in assets and liabilities:					
Rental accounts receivable	(1,945)	(6,007)	1,123	(214)	(7,043)
Prepaid expenses	(440)	(363)	69	(436)	(1,170)
Accounts payable and other accrued liabilities	110	(368)	1,154	(15,791)	(14,895)
Tenant security deposits	(298)	300	2,146	5,383	7,531
Net Cash from (used for) Operating Activities	<u>\$ 75,973</u>	<u>\$ (5,445)</u>	<u>\$ 128,607</u>	<u>\$ 121,492</u>	<u>\$ 320,627</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, 2015 and 2014

	2014				Total
	Sunshine Park LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	
Operating Activities					
Receipts from tenant payments	\$ 187,627	\$ 121,755	\$ 218,883	\$ 87,553	\$ 615,818
Receipts for management fees and other	4,160	1,651	195	20	6,026
Payments to suppliers and others	(112,968)	(155,235)	(109,325)	(47,972)	(425,500)
Net Cash from (used for) Operating Activities	78,819	(31,829)	109,753	39,601	196,344
Noncapital Financing Activities					
HUD grants received	-	164,239	-	-	164,239
Net Cash from Noncapital Financing Activities	-	164,239	-	-	164,239
Capital and Related Financing Activities					
Purchase of property and equipment	553	(70,540)	-	(3,680,332)	(3,750,319)
Purchase of other assets	-	-	-	(56,026)	(56,026)
Payments for interest	(13,898)	(54,814)	-	(18,093)	(86,805)
Principal payments on long-term debt	(37,200)	(80,766)	(66,741)	-	(184,707)
Net advances from (payments on) construction note payable	-	-	-	(228,352)	(228,352)
Equity contributions	-	-	-	882,859	882,859
Equity distributions	-	(3,000)	-	3,244,560	3,241,560
Net Cash from (used for) Capital and Related Financing Activities	(50,545)	(209,120)	(66,741)	144,616	(181,790)
Investing Activities					
Interest received	293	384	122	90	889
Net Cash from Investing Activities	293	384	122	90	889
Net Change in Cash	28,567	(76,326)	43,134	184,307	179,682
Cash Beginning of Year	272,959	422,144	293,496	-	988,599
Cash End of Year	<u>\$ 301,526</u>	<u>\$ 345,818</u>	<u>\$ 336,630</u>	<u>\$ 184,307</u>	<u>\$ 1,168,281</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, 2015 and 2014

	2014				
	Sunshine Park LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Total
Cash Consists of					
Cash	\$ 86,345	\$ 104,184	\$ 195,326	\$ 16,532	\$ 402,387
Funded security deposits	14,453	8,750	16,480	17,686	57,369
Restricted deposits	200,728	232,884	124,824	150,089	708,525
	<u>\$ 301,526</u>	<u>\$ 345,818</u>	<u>\$ 336,630</u>	<u>\$ 184,307</u>	<u>\$ 1,168,281</u>
Operating Activities					
Operating loss	\$ (101,238)	\$ (174,245)	\$ (96,190)	\$ (81,563)	\$ (453,236)
Adjustments to reconcile operating loss to net cash from (used for) operating activities:					
Depreciation and amortization	178,783	126,074	205,516	73,990	584,363
Change in assets and liabilities:					
Rental accounts receivable	611	3,468	2,149	-	6,228
Prepaid expenses	(134)	(33)	118	(4,480)	(4,529)
Accounts payable and other accrued liabilities	1,043	13,086	(670)	33,968	47,427
Tenant security deposits	(246)	(179)	(1,170)	17,686	16,091
Net Cash from (used for) Operating Activities	<u>\$ 78,819</u>	<u>\$ (31,829)</u>	<u>\$ 109,753</u>	<u>\$ 39,601</u>	<u>\$ 196,344</u>
Noncash Investing and Financing Activities					
Increase in property and equipment from developer fee payable	\$ -	\$ -	\$ -	\$ 355,885	\$ 355,885
Increase in long-term debt from conversion of construction note payable	-	-	-	796,000	796,000

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
 Statements of Fiduciary Net Position – Fiduciary Fund  
 December 31, 2015 and 2014

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	Agency Fund	
	2015	2014
Assets		
Cash and cash equivalents	\$ -	\$ 100
	\$ -	\$ 100
Liabilities		
Amounts held for others	\$ -	\$ 100
	\$ -	\$ 100

## **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 component units, Aberdeen Housing, LLC; Lawson Developers, LLC; AHA Housing, LLC; and Meadow Wood Housing, LLC. As defined by GASBS 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. During 2014, Meadow Wood Developers, LLC was dissolved by the Commission.

### **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, 2015 and 2014. 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.

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 with 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 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**

Restricted cash consists of the balance of HAP equity for the voucher program as well as any HAP payments that are received prior to yearend and reported as unearned revenue. Restricted deposits and funded reserves include amounts restricted by SDHDA, lenders or by agreement to be set aside specifically purposes such as mortgage payments, insurance, payments in lieu of taxes, 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 as disclosed in Note 11.

#### **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 estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives 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 ranges based on the major asset category as listed below:

<u>Major Asset Category</u>	<u>Estimated Useful Life</u>
Land	N/A
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, 2015 and 2014.

**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.

### **Income Taxes**

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

### **Compensated Absences**

Annual leave is earned by full-time employees at the rate of five to fifteen days per year. Upon termination, employees are entitled to receive compensation for their accrued annual leave balance on the basis of the current rate of pay. Sick leave is earned by full-time employees; however, no compensation is received for any accrued sick leave upon termination.

### **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 Taxes**

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.

### **Adoption of New Accounting Standard - GASB Statement No. 68 and GASB Statement No. 71**

As of January 1, 2014, the Commission adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension asset/liability, deferred outflows of resources, deferred inflows of resources, and pension revenue/expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 13 and the additional disclosures required by these standards are included in Note 7.

### **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 periods 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. They are the 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.

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 periods 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.

### **Pensions**

For purposes of measuring the net pension 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 Investments (Funded Reserves)**

### **Primary Government**

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

### 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:

	2015	2014
Insured (FDIC)	\$ 500,000	\$ 500,000
Uninsured, collateral held by the Commission or the Commission's agent in the Commission's name	587,280	426,220
Total deposits	<u>\$ 1,087,280</u>	<u>\$ 926,220</u>
The Commission's carrying amount of deposits at December 31	<u>\$ 1,060,063</u>	<u>\$ 918,771</u>

### Investments

The Commission does not have a formal investment 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 2015 and 2014, Sherman Apartments made deposits totaling \$28,346 and \$18,960, 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, 2015 and 2014 were \$15,614 and \$0, respectively.

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During 2015 and 2014, SDHDA released \$28,853 and \$660,761, 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:

	2015	2014
Balance, beginning of year	\$ 466,149	\$ 1,241,647
Monthly escrow deposit and other reserve deposits	28,346	18,960
Residual receipts deposit	15,614	-
Interest earnings	12,941	18,663
Payments for taxes and insurance	(16,701)	(14,038)
Released from reserve development cost	(2,448)	(138,322)
Released for project betterments	(28,853)	(660,761)
	\$ 475,048	\$ 466,149

**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, and Jackson Heights may not be returned to the entities. The discretely presented component units do not have a formal investment policy in regard to custodial credit risk. As of December 31, 2015, all deposits are held in the discretely presented component units' names by US Bank.

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

	2015	2014
Insured (FDIC)	\$ 959,044	\$ 944,013
Uninsured	314,522	240,873
 Total deposits	 \$ 1,273,566	 \$ 1,184,886
 The discretely presented component units carrying amount of deposits at December 31	 \$ 1,265,056	 \$ 1,168,281

### Note 3 - Capital Assets

#### Primary Government

Capital asset activity for the years ended December 31, 2015 and 2014 was as follows:

	Balance 01/01/15	Additions	Deletions	Balance 12/31/15
Capital assets, not being depreciated				
Land	\$ 521,186	\$ 2,206	\$ -	\$ 523,392
Capital assets, being depreciated:				
Buildings and improvements	9,659,853	45,723	(32,889)	9,672,687
Furniture, equipment and machinery - dwelling	266,185	20,992	(1,289)	285,888
Furniture, equipment and machinery - nondwelling	325,877	1,939	(18,419)	309,397
Total capital assets, being depreciated	10,251,915	68,654	(52,597)	10,267,972
Less accumulated depreciation for:				
Buildings and improvements	(6,218,346)	(303,772)	31,712	(6,490,406)
Furniture, equipment and machinery - dwelling	(216,102)	(17,129)	1,272	(231,959)
Furniture, equipment and machinery - nondwelling	(340,494)	(17,615)	18,420	(339,689)
Total accumulated depreciation	(6,774,942)	(338,516)	51,404	(7,062,054)
Total capital assets being depreciated, net	3,476,973	(269,862)	(1,193)	3,205,918
Capital assets, net	\$ 3,998,159	\$ (267,656)	\$ (1,193)	\$ 3,729,310

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	Balance 01/01/14	Additions	Deletions	Balance 12/31/14
Capital assets, not being depreciated				
Land	\$ 521,186	\$ -	\$ -	\$ 521,186
Construction in progress	147,975	571,721	(719,696)	-
Total capital assets, not being depreciated	<u>669,161</u>	<u>571,721</u>	<u>(719,696)</u>	<u>521,186</u>
Capital assets, being depreciated:				
Buildings and improvements	9,193,208	719,696	(253,051)	9,659,853
Furniture, equipment and machinery - dwelling	264,760	6,414	(4,989)	266,185
Furniture, equipment and machinery - nondwelling	321,778	10,443	(6,344)	325,877
Total capital assets, being depreciated	<u>9,779,746</u>	<u>736,553</u>	<u>(264,384)</u>	<u>10,251,915</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,146,872)	(298,070)	226,596	(6,218,346)
Furniture, equipment and machinery - dwelling	(208,115)	(15,025)	7,038	(216,102)
Furniture, equipment and machinery - nondwelling	(284,349)	(60,440)	4,295	(340,494)
Total accumulated depreciation	<u>(6,639,336)</u>	<u>(373,535)</u>	<u>237,929</u>	<u>(6,774,942)</u>
Total capital assets being depreciated, net	<u>3,140,410</u>	<u>363,018</u>	<u>(26,455)</u>	<u>3,476,973</u>
Capital assets, net	<u>\$ 3,809,571</u>	<u>\$ 934,739</u>	<u>\$ (746,151)</u>	<u>\$ 3,998,159</u>

### Discretely Presented Component Units

Capital asset activity for the years ended December 31, 2015 and 2014 was as follows:

	Balance 01/01/15	Additions	Deletions	Balance 12/31/15
Capital assets, not being depreciated				
Land	\$ 576,543	\$ -	\$ -	\$ 576,543
Capital assets, being depreciated:				
Buildings and improvements	15,325,143	48,565	-	15,373,708
Furniture, equipment and machinery - dwelling	791,770	28,340	-	820,110
Total capital assets, being depreciated	<u>16,116,913</u>	<u>76,905</u>	<u>-</u>	<u>16,193,818</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,776,096)	(612,020)	-	(2,388,116)
Furniture, equipment and machinery - dwelling	(464,160)	(108,757)	-	(572,917)
Total accumulated depreciation	<u>(2,240,256)</u>	<u>(720,777)</u>	<u>-</u>	<u>(2,961,033)</u>
Total capital assets being depreciated, net	<u>13,876,657</u>	<u>(643,872)</u>	<u>-</u>	<u>13,232,785</u>
Capital assets, net	<u>\$ 14,453,200</u>	<u>\$ (643,872)</u>	<u>\$ -</u>	<u>\$ 13,809,328</u>

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	Balance 01/01/14	Additions	Deletions	Balance 12/31/14
Capital assets, not being depreciated				
Land	\$ 284,043	\$ 292,500	\$ -	\$ 576,543
Construction in progress	1,427,922	-	(1,427,922)	-
Total capital assets, not being depreciated	1,711,965	292,500	(1,427,922)	576,543
Capital assets, being depreciated:				
Buildings and improvements	10,751,876	4,618,497	(45,230)	15,325,143
Furniture, equipment and machinery - dwelling	571,638	220,132	-	791,770
Total capital assets, being depreciated	11,323,514	4,838,629	(45,230)	16,116,913
Less accumulated depreciation for:				
Buildings and improvements	(1,295,388)	(491,810)	11,102	(1,776,096)
Furniture, equipment and machinery - dwelling	(382,996)	(81,164)	-	(464,160)
Total accumulated depreciation	(1,678,384)	(572,974)	11,102	(2,240,256)
Total capital assets being depreciated, net	9,645,130	4,265,655	(34,128)	13,876,657
Capital assets, net	<u>\$ 11,357,095</u>	<u>\$ 4,558,155</u>	<u>\$ (1,462,050)</u>	<u>\$ 14,453,200</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, 2015 and 2014. The amount of interest receivable at December 31, 2015 and 2014 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, 2015 and 2014, the outstanding principal balance due to the Commission was \$211,761 and \$214,465, respectively. Interest income was \$13,179 and \$13,343 for the years ended December 31, 2015 and 2014, respectively. The amount of interest receivable at December 31, 2015 and 2014 was \$13,179 and \$13,898, 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, 2015 and 2014, long-term debt consisted of the following:

	2015	2014
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	\$ 742,480	\$ 846,081
Less current portion	(112,762)	(103,604)
	\$ 629,718	\$ 742,477

The following is a schedule of changes in mortgage payable and compensated absences for the years ended December 31, 2015 and 2014:

	Mortgage Payable	Compensated Absences
Balance, January 1, 2014	\$ 941,269	\$ 23,656
Increases	-	3,788
Decreases	(95,188)	-
Balance, December 31, 2014	846,081	27,444
Increases	-	-
Decreases	(103,601)	(263)
Balance, December 31, 2015	\$ 742,480	\$ 27,181

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, which 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 2015 and 2014 were \$67,267 and \$75,682, respectively.

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December 31, 2015 and 2014

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>
2016	\$ 112,762	\$ 58,782	\$ 171,544
2017	122,729	48,815	171,544
2018	133,577	37,967	171,544
2019	145,384	26,160	171,544
2020	158,235	13,309	171,544
2021	69,793	1,486	71,279
	<u>\$ 742,480</u>	<u>\$ 186,519</u>	<u>\$ 928,999</u>

**Discretely Presented Component Units**

At December 31, 2015 and 2014, long-term debt of the discretely presented component units consisted of the following:

	<u>2015</u>	<u>2014</u>
Lawson View - 6.76% Mortgage note payable with Richman Mortgage Assets Company, due in monthly installments of \$4,545, matures August 2026, secured by first position in substantially all Partnership assets.	\$ 643,136	\$ 653,804
Lawson View - 0% Mortgage note payable with South Dakota Housing Development Authority, due in annual installments of varying amounts, matures July 2039, secured by second position in substantially all Partnership assets.	321,635	321,635
Lawson View - 5.15% Note payable with Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, 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% HOME loan from South Dakota Housing Development Authority, \$3,100 monthly payments starting July 2011, due March 2035, secured by a mortgage on all property and equipment.	337,400	369,800
Sunshine Park - 6% mortgage note payable with Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, yearly 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.	211,761	214,465

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

Notes to Financial Statements

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
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 from South Dakota Housing Development Authority, principal due March 2050, secured by a mortgage and assignment of rents and leases.	331,841	331,841
Meadow Wood - 0% HOME loan from South Dakota Housing Development Authority (SDHDA), yearly 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.	499,549	586,559
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.	767,477	796,000
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.	857,659	882,859
	<u>4,532,449</u>	<u>4,718,954</u>
Less current portion	<u>(94,012)</u>	<u>(96,790)</u>
	<u>\$ 4,438,437</u>	<u>\$ 4,622,164</u>

The following is a schedule of changes in mortgage payable for the years ended December 31, 2015 and 2014:

	<u>Mortgage Payable</u>
Balance, January 1, 2014	\$ 4,249,158
Increases	882,859
Decreases	<u>(413,063)</u>
Balance, December 31, 2014	4,718,954
Decreases	<u>(186,505)</u>
Balance, December 31, 2015	<u>\$ 4,532,449</u>

Interest costs charged to expense for operations for the years ended December 31, 2015 and 2014 was \$113,320 and \$86,250, respectively.

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

Notes to Financial Statements

December 31, 2015 and 2014

A summary of required principal and interest payments on the mortgage notes are as follows:

<u>Year Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 94,012	\$ 110,432	\$ 204,444
2017	92,299	107,345	199,644
2018	89,451	104,192	193,643
2019	86,803	100,841	187,644
2020	90,263	97,381	187,644
2021-2025	451,875	435,293	887,168
2026-2030	913,478	196,020	1,109,498
2031-2035	1,122,981	115,260	1,238,241
2036-2040	1,259,446	71,423	1,330,869
2041-2045	-	-	-
2046-2050	331,841	-	331,841
	<u>\$ 4,532,449</u>	<u>\$ 1,338,187</u>	<u>\$ 5,870,636</u>

**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.

Payments in lieu of taxes, by program, for the years ended December 31, 2015 and 2014 were determined as follows:

	<u>2015</u>	
	<u>Public Housing</u>	<u>Sherman Apartments</u>
Rental income	\$ 317,405	\$ 171,705
Excess utilities	-	90
Non-dwelling rental charges to tenants	-	303
	<u>317,405</u>	<u>172,098</u>
Less allowable utilities	-	48,782
Net shelter rent	<u>\$ 317,405</u>	<u>\$ 123,316</u>
5% of gross shelter rent (PILOT)	<u>\$ 15,870</u>	<u>\$ -</u>
10% of net shelter rent (PILOT)	<u>\$ -</u>	<u>\$ 12,332</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
Notes to Financial Statements  
December 31, 2015 and 2014

	2014	
	Public Housing	Sherman Apartments
Rental income	\$ 316,656	\$ 156,951
Excess utilities	-	454
Non-dwelling rental charges to tenants	-	30
	316,656	157,435
Less allowable utilities	-	48,770
Net shelter rent	\$ 316,656	\$ 108,665
5% of gross shelter rent (PILOT)	\$ 15,833	\$ -
10% of net shelter rent (PILOT)	\$ -	\$ 10,867

**Note 7 - Retirement Plan**

All employees, except for employees less than half-time, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. 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> 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, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7% prior to 2008 and 1.55% thereafter of the employee's final three year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4% for service prior to 2008 and 2.0% thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733% for service prior to 2008 and 3.333% thereafter of employee final average compensation. All Class B employees with three years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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

Notes to Financial Statements  
December 31, 2015 and 2014

The annual increase in the amount of the SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more — 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
  - 90.0% to 99.9% funded — 2.1% minimum and 2.8% maximum COLA
  - 80.0% to 90.0% funded — 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% — 2.1% COLA

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. State statute also requires the employer to contribute an amount equal to the employee’s contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The Commission’s share of contributions to the SDRS for the fiscal year ended December 31, 2015, 2014 and 2013 were \$33,865, \$31,310 and \$32,811, respectively, equal to the required contributions each year.

## Pension Assets, Pension Revenue, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At June 30, 2015 and 2014, SDRS is 104.1% and 107.3% , respectively, funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of SDRS, for the Commission as of this measurement period and reported by the Commission as of December 31, 2015 and 2014 are as follows:

	2015	2014
Proportionate share of net position restricted for pension benefits	\$ 3,176,792	\$ 3,275,952
Less proportionate share of total pension liability	3,051,765	3,053,451
Proportionate share of net pension asset	\$ 125,027	\$ 222,501

At December 31, 2015 and 2014, the Commission reported an asset of \$125,027 and \$222,501, respectively, for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015 and 2014 and the total pension asset used to calculate the net pension 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, 2015, the Commission’s proportion was 0.02948% which was a decrease of .0014% from its proportion measured as of June 30, 2014 of 0.03088%.

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

Notes to Financial Statements

December 31, 2015 and 2014

For the year ended December 31, 2015 and 2014, the Commission recognized pension expense of \$14,964 and pension revenue of \$9,882, respectively. At December 31, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 25,600	\$ -
Changes in assumption	99,139	-
Net difference between projected and actual earnings on pension plan investments	76,378	184,481
Changes in proportion and difference between Commission contributions and proportionate share of contributions	4,540	-
Project contributions subsequent to the measurement date	17,368	-
	<u>\$ 223,025</u>	<u>\$ 184,481</u>

At December 31, 2015, there is \$17,368 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, 2016. At December 31, 2014, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2014	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 18,827	\$ -
Changes in assumption	145,242	-
Net difference between projected and actual earnings on pension plan investments	-	257,693
Changes in proportion and difference between Commission contributions and proportionate share of contributions	-	-
Project contributions subsequent to the measurement date	15,794	-
	<u>\$ 179,863</u>	<u>\$ 257,693</u>

At December 31, 2014, there is \$15,794 reported as deferred outflow of resources related to pensions resulting from Commission contributions subsequent to the measurement date that was recognized as an increase of the net pension asset in the year ending December 31, 2015.

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

Notes to Financial Statements

December 31, 2015 and 2014

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2015 will be recognized in pension expense/(revenue) as follows:

<u>Year Ended</u> <u>December 31:</u>	<u>Amount</u>
2016	\$ 7,244
2017	7,244
2018	(14,618)
2019	21,306
	<u>\$ 21,176</u>

**Actuarial Assumptions**

The total pension asset in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	5.83% at entry to 3.87% after 30 years of service
Investment rate of return	7.25% through 2017 and 7.50% thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

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, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Notes to Financial Statements

December 31, 2015 and 2014

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	2.0%	0.8%
 Total	 <u>100.0%</u>	

**Discount Rate**

The discount rate used to measure the total pension asset was 7.25% through 2017 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from 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 asset.

**Sensitivity of Asset to Changes in the Discount Rate**

The following presents the Commission's proportionate share of net pension asset as of December 31, 2015 calculated using the discount rate of 7.25% through 2017 and 7.50% thereafter, as well as what the Commission's proportionate share of the net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.25/6.50%) or one percentage point higher (8.25/8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
The Commission's proportionate share of the net pension asset (liability)	\$ (314,694)	\$ 125,027	\$ 483,584

**Pension Plan Fiduciary Net Position**

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

**Note 8 - 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:

	2015	2014
Condensed Balance Sheets		
Assets		
Current assets	\$ 56,701	\$ 54,722
Capital assets	2,835,448	3,000,675
Other assets	483,613	466,149
	3,375,762	3,521,546
Deferred Outflows of Resources	15,277	-
Liabilities		
Current liabilities	155,148	147,162
Noncurrent liabilities	629,718	742,477
	784,866	889,639
Deferred Inflows of Resources	12,637	-
Net Position		
Net investment in capital assets	2,092,968	2,154,594
Restricted net position	486,253	466,149
Unrestricted net position	14,315	11,164
	\$ 2,593,536	\$ 2,631,907

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

Notes to Financial Statements  
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Condensed Statements of Revenues, Expenses and		
Changes in Net Position:		
Dwelling rental income pledged for debt service	\$ 179,219	\$ 161,178
Depreciation expense	(188,048)	(181,086)
Other operating income	1,126	655
Other operating expenses	<u>(209,906)</u>	<u>(202,291)</u>
Operating loss	(217,609)	(221,544)
Nonoperating revenues (expenses):		
Housing assistance payments	223,671	197,723
Investment earnings	12,942	18,664
Interest expense	(67,267)	(75,682)
Loss on disposal of fixed assets	<u>(18)</u>	<u>(26,457)</u>
Change in net position	<u>(48,281)</u>	<u>(107,296)</u>
Beginning net position	2,631,907	2,739,203
Adoption of new accounting standard	<u>9,910</u>	<u>-</u>
Beginning net position, restated	<u>2,641,817</u>	<u>2,739,203</u>
Ending net position	<u>\$ 2,593,536</u>	<u>\$ 2,631,907</u>
Condensed Statements of Cash Flows		
Net cash from (used for):		
Operating activities	\$ (42,158)	\$ (33,592)
Non-Capital and related financing activities	223,671	197,723
Capital and related financing activities	(194,382)	(942,163)
Investing activities	<u>12,942</u>	<u>18,663</u>
Net change	73	(759,369)
Beginning cash and cash equivalents	<u>514,537</u>	<u>1,273,906</u>
Ending cash and cash equivalents	<u>\$ 514,610</u>	<u>\$ 514,537</u>

**Note 9 - 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 10 - 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, 2015 and 2014, 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 11 - 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 \$26,434 and \$25,439 for the years ended December 31, 2015 and 2014, respectively. The Commission also charges for maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$10,434 and \$15,049 for the years ended December 31, 2015 and 2014, respectively. Total amount due from Lawson View Townhomes Limited Partnership was \$2,133 and \$1,353 as of December 31, 2015 and 2014, respectively. During the years ended December 31, 2015 and 2014, the Commission also paid Lawson View \$3,497 and \$9,283, 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, 2015 and 2014 was \$77,998 and \$95,332, 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 plus an annual salary of \$3,950. Management fees earned by the Commission from this partnership were \$21,521 and \$21,110 for the years ended December 31, 2015 and 2014, respectively. The Commission also charges for maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$8,967 and \$10,023 for the years ended December 31, 2015 and 2014, respectively. Total amount due from Sunshine Park Limited Partnership was \$2,162 and \$1,249 as of December 31, 2015 and 2014, respectively. During the years ended December 31, 2015 and 2014, the Commission also paid Sunshine Park \$85,563 and \$112,093, 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 plus an annual salary of \$5,200 increasing 3% each year starting January 2014. The management fee earned by the Commission from this partnership was \$23,922 and \$22,786 for the years ended December 31, 2015 and 2014, respectively. The Commission also charges for maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$10,276 and \$10,120 for the years ended December 31, 2015 and 2014, respectively. Total amount due from Meadow Wood Townhomes Limited Partnership was \$2,002 and \$1,323 as of December 31, 2015 and 2014, respectively. During the years ended December 31, 2015 and 2014, the Commission also paid Meadow Wood \$62,542 and \$60,425, respectively, for voucher housing assistance payments on behalf of residents of the complex.

During 2014, the Commission began providing 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 \$32,683 and \$14,310 for the years ended December 31, 2015 and 2014, respectively. Maintenance fee income earned by the Commission was \$20,664 and \$9,604 for the years ended December 31, 2015 and 2014, respectively. The total amount due from Jackson Height Apartments Limited Partnership was \$2,938 and \$6,474 as of December 31, 2015 and 2014, respectively. During the years ended December 31, 2015 and 2014, the Commission also paid Jackson Heights \$85,604 and \$14,964, 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. Total development fees earned under the agreement by the Commission for the years ended December 31, 2015 and 2014 was \$0 and \$70,038, respectively, with total due to the Commission of \$26,301 and \$56,942 as of December 31, 2015 and 2014, respectively.

During 2015, the Commission paid for expenses for Central Villas Limited Partnership, a project that was anticipated to be formed in 2016. The total expenses paid by the Commission in 2015 were \$6,434 which are expected to be reimbursed when the project receives funding.

Lawson View Townhomes Limited Partnership borrowed \$1.5 million from Citicorp for the rehabilitation of the project. The Commission signed a completion 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. The project was substantially completed and began operations in December 2008, which fulfilled the requirements of this guarantee so as of that date, this guarantee is no longer in effect. 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. In addition, to induce the tax credit partners to become partners in the project, the Commission also signed an unconditional guarantee of the debts, obligations of the general partner, completion of construction of the project, a repurchase obligation to the tax credit partners should the project fail certain qualifying tests and the guarantee of ultimate performance of the project. In essence, the Commission would be the responsible party, should the project not succeed or operate as intended and if the general partner does not perform as per the limited partnership agreement.

Sunshine Park Limited Partnership borrowed \$1.7 million from Citicorp for the construction of the project. The Commission signed a completion 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. The project was substantially completed and began operations in July 2010, which fulfilled the requirements of this guarantee so as of that date, this guarantee is no longer in effect. 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. In addition, to induce the tax credit partners to become partners in the project, the Commission also signed an unconditional guarantee of the debts, obligations of the general partner, completion of construction of the project, a repurchase obligation to the tax credit partners should the project fail certain qualifying tests and the guarantee of ultimate performance of the project. In essence, the Commission would be the responsible party, should the project not succeed or operate as intended.

Meadow Woods Townhomes Limited Partnership borrowed funds for the construction of the project from Citicorp with the maximum amount to be disbursed of \$2.7 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. In addition, to induce the tax credit partners to become partners in the project, the Commission also signed an unconditional guarantee of the debts, obligations of the general partner, completion of construction for the project, a repurchase obligation to the tax credit partners should the project fail certain qualifying tests and the guarantee of the ultimate performance of the project. In essence, the Commission would be the responsible party, should the project not succeed or operate as intended.

Jackson Heights Limited Partnership borrowed funds for the constructions of the project from First Dakota National Bank with the maximum amount to be disbursed of \$4.0 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. In addition, to induce the tax credit partners to become partners in the project, the Commission also signed an unconditional guarantee of the debts, obligations of the general partner, completion of construction for the project, a repurchase obligation to the tax credit partners should the project fail certain qualifying tests and the guarantee of the ultimate performance of the project. Also, the terms of the partnership agreement require the Commission to always have on hand in the management account \$200,000 in liquid assets that are available in the event short-term operating deficit loans are needed by the project. In essence, the Commission would be the responsible party, should the project not succeed or operate as intended.

## **Note 12 - Commitments**

The Commission, along with another party, has committed to purchase a section of land in Aberdeen for an apartment project. Both parties have each placed a \$2,500 deposit on the land. The total purchase price of the land is \$141,000. Subsequent to year end, the Commission along with the other party purchased the land and donated it to the Central Villas Limited Partnership (see Note 14).

**Note 13 - Adoption of New Accounting Standard**

As of January 1, 2014, the Commission adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension asset and deferred outflows of resources related to contributions made after the measurement date as follows:

	Primary Government	Total
Net position at December 31, 2013, as previously stated	\$ 5,105,048	\$ 5,200,688
Net pension asset at December 31, 2013	87,074	87,074
Deferred outflows of resources related to contributions made during the six months ended December 31, 2013	16,405	16,405
Net position at January 1, 2014, as restated	\$ 5,208,527	\$ 5,304,167

The Commission also restated the Statement of Revenues, Expenses and Changes in Net Position for the year ended December 31, 2014 to increase the change in net position by \$41,192, related to the adoption of this new accounting standard.

**Note 14 - Subsequent Events**

Subsequent to year end, Central Villas Limited Partnership was formed, with the Commission being the general partner of this partnership. The partnership was formed for the purpose of constructing a new affordable housing development for senior citizens (55 and older) called Central Villas. Construction is anticipated to begin in May 2016 with spring 2017 as a targeted opening date.



Required Supplementary Information  
December 31, 2015 and 2014

**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, 2015

Pension Plan	Fiscal Year Ending	Employer's Percentage of the Net Pension Asset	Employer's Proportionate Share of the Net Pension Asset (a)	Employer's Covered- Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Asset as a Percentage of its Covered- Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
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.

The Housing and Redevelopment Commission  
 Schedule of Pension Contributions  
 Year Ended December 31, 2015

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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	12/31/2015	\$ 33,866	\$ 33,866	-	\$ 564,424	6.0%
SDRS	12/31/2014	31,310	31,310	-	523,852	6.0%



Supplementary Information  
December 31, 2015 and 2014

**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, 2015

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
<b>Assets</b>												
<b>Current Assets</b>												
<b>Cash</b>												
111	Cash - unrestricted	\$ 63,150	\$ 99,416	\$ -	\$ 25,100	\$ 831,289	\$ -	\$ -	\$ 472,867	\$ -	\$ -	\$ 1,491,822
113	Cash - other restricted	-	705	-	-	-	-	-	-	-	-	705
114	Cash - tenant security deposits	25,942	-	-	14,461	-	-	-	65,244	-	-	105,647
100	<b>Total cash</b>	<b>89,092</b>	<b>100,121</b>	<b>-</b>	<b>39,561</b>	<b>831,289</b>	<b>-</b>	<b>-</b>	<b>538,111</b>	<b>-</b>	<b>-</b>	<b>1,598,174</b>
<b>Receivables</b>												
122	Accounts receivable - HUD other projects	-	-	-	-	13,612	-	8,667	-	-	-	22,279
124	Accounts receivable - other governments	-	-	-	944	-	-	-	-	-	-	944
125	Accounts receivable - miscellaneous	-	8,800	-	-	32,564	-	-	-	-	-	41,364
126	Accounts receivable-tenants-dwelling rents	1,172	-	-	441	-	-	-	12,042	-	-	13,655
128	Fraud recovery	1,412	-	-	-	-	-	-	-	-	-	1,412
129	Accrued interest receivable	-	-	-	-	23,479	-	-	-	-	-	23,479
120	<b>Total receivables, net of allowances for doubtful accounts</b>	<b>2,584</b>	<b>8,800</b>	<b>-</b>	<b>1,385</b>	<b>69,655</b>	<b>-</b>	<b>8,667</b>	<b>12,042</b>	<b>-</b>	<b>-</b>	<b>103,133</b>
142	Prepaid expenses and other assets	6,864	1,172	-	6,684	3,410	-	-	16,823	-	-	34,953
144	Interprogram receivables	14,754	-	-	10,418	7,276	-	-	-	-	(32,448)	-
150	<b>Total current assets</b>	<b>113,294</b>	<b>110,093</b>	<b>-</b>	<b>58,048</b>	<b>911,630</b>	<b>-</b>	<b>8,667</b>	<b>566,976</b>	<b>-</b>	<b>(32,448)</b>	<b>1,736,260</b>
<b>Fixed Assets</b>												
161	Land	122,600	-	-	400,792	-	-	-	576,543	-	-	1,099,935
162	Buildings	5,093,746	-	-	4,578,942	-	-	-	15,373,708	-	-	25,046,396
163	Furniture, equipment and machinery - dwellings	151,521	-	-	134,367	-	-	-	820,110	-	-	1,105,998
164	Furniture, equipment and machinery - administration	212,590	52,113	-	13,715	30,979	-	-	-	-	-	309,397
166	Accumulated depreciation	(4,715,813)	(36,916)	-	(2,292,367)	(16,957)	-	-	(2,961,033)	-	-	(10,023,086)
160	<b>Total fixed assets, net of accumulated depreciation</b>	<b>864,644</b>	<b>15,197</b>	<b>-</b>	<b>2,835,449</b>	<b>14,022</b>	<b>-</b>	<b>-</b>	<b>13,809,328</b>	<b>-</b>	<b>-</b>	<b>17,538,640</b>
171	Notes, loans, and mortgages receivable - noncurrent	-	-	-	-	411,761	-	-	-	-	-	411,761
174	Other assets	46,260	30,532	-	483,613	39,671	-	69,331	888,961	-	-	1,558,368
176	Investments	-	-	-	-	153	-	308	-	-	-	461
180	<b>Total noncurrent assets</b>	<b>910,904</b>	<b>45,729</b>	<b>-</b>	<b>3,319,062</b>	<b>465,607</b>	<b>-</b>	<b>69,639</b>	<b>14,698,289</b>	<b>-</b>	<b>-</b>	<b>19,509,230</b>
190	<b>Total assets</b>	<b>1,024,198</b>	<b>155,822</b>	<b>-</b>	<b>3,377,110</b>	<b>1,377,237</b>	<b>-</b>	<b>78,306</b>	<b>15,265,265</b>	<b>-</b>	<b>(32,448)</b>	<b>21,245,490</b>
200	Deferred outflows of resources	82,519	54,463	-	15,277	70,766	-	-	-	-	-	223,025
290	<b>Total assets and deferred outflow of resources</b>	<b>\$ 1,106,717</b>	<b>\$ 210,285</b>	<b>\$ -</b>	<b>\$ 3,392,387</b>	<b>\$ 1,448,003</b>	<b>\$ -</b>	<b>\$ 78,306</b>	<b>\$ 15,265,265</b>	<b>\$ -</b>	<b>\$ (32,448)</b>	<b>\$ 21,468,515</b>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
 Financial Data Schedule  
 December 31, 2015

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	\$ 3,531	\$ 895	\$ -	\$ 5,510	\$ 175	\$ -	\$ -	\$ 38,783	\$ -	\$ -	\$ 48,894
321	Accrued wage/payroll taxes payable	4,398	2,401	-	1,083	3,206	-	-	-	-	-	11,088
322	Accrued compensated absences	10,557	6,290	-	2,156	8,179	-	-	-	-	-	27,182
325	Accrued interest payable	-	5	-	5,318	-	-	-	30,935	-	-	36,258
331	Accounts Payable - HUD PHA projects	-	1,165	-	-	-	-	-	-	-	-	1,165
333	Accounts payable - other government	15,870	-	-	12,332	784	-	-	-	-	-	28,986
341	Tenant security deposits	25,942	-	-	14,461	-	-	-	64,802	-	-	105,205
342	Unearned revenues	2,173	-	-	131	-	-	-	-	-	-	2,304
343	Current portion of long-term debt - capital projects	-	-	-	112,762	-	-	-	94,012	-	-	206,774
345	Other current liabilities	-	-	-	1,396	-	-	-	19,294	-	-	20,690
347	Interprogram payables	-	5,930	-	1,346	25,172	-	-	-	-	(32,448)	-
310	Total current liabilities	62,471	16,686	-	156,495	37,516	-	-	247,826	-	(32,448)	488,546
Noncurrent Liabilities												
351	Long-term debt, net of current - capital projects	-	-	-	629,718	-	-	-	4,680,811	-	-	5,310,529
300	Total liabilities	62,471	16,686	-	786,213	37,516	-	-	4,928,637	-	(32,448)	5,799,075
400	Deferred inflows of resources	68,258	45,050	-	12,637	58,536	-	-	-	-	-	184,481
508.1	Net investment in capital assets	864,644	15,197	-	2,092,969	14,022	-	-	9,276,879	-	-	12,263,711
511.1	Restricted net position	-	705	-	475,049	-	-	-	726,945	-	-	1,202,699
512.1	Unrestricted net position	164,872	167,976	-	35,429	1,337,929	-	78,306	332,804	-	-	2,117,316
513	Total equity/net position	1,029,516	183,878	-	2,603,447	1,351,951	-	78,306	10,336,628	-	-	15,583,726
600	Total liabilities and equity/net position	\$ 1,160,245	\$ 245,614	\$ -	\$ 3,402,297	\$ 1,448,003	\$ -	\$ 78,306	\$ 15,265,265	\$ -	\$ (32,448)	\$ 21,567,282

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
Financial Data Schedule  
December 31, 2015

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
<b>Revenues</b>												
703	Net tenant rental revenue	\$ 317,405	\$ -	\$ -	\$ 172,817	\$ -	\$ -	\$ -	\$ 824,270	\$ -	\$ -	\$ 1,314,492
704	Tenant revenue - other	14,039	-	-	5,796	-	-	-	-	-	-	19,835
705	Total tenant revenue	331,444	-	-	178,613	-	-	-	824,270	-	-	1,334,327
706	HUD PHA Operating grants	116,655	-	103,100	-	-	-	-	-	-	-	219,755
706	Housing Assistance Payments	-	1,447,852	-	224,368	-	-	-	172,250	-	-	1,844,470
706	Ongoing Admin Fees Earned	-	225,777	-	-	-	-	-	-	-	-	225,777
706.1	Capital grants	-	-	39,935	-	-	-	-	-	-	-	39,935
708	Other government grants	-	-	-	-	-	46,819	-	-	-	-	46,819
711	Investment income - unrestricted	-	12	-	1	23,545	-	-	965	-	-	24,523
714	Fraud recovery	-	16,870	-	-	-	-	-	-	-	-	16,870
715	Other revenue	7,484	-	-	1,036	256,385	-	-	214,824	-	(27,696)	452,033
716	Gain/loss on the sale of fixed assets	(1,175)	-	-	(18)	-	-	-	-	-	-	(1,193)
720	Investment income - restricted	2	-	-	12,942	-	-	-	-	-	-	12,944
700	Total revenues	454,410	1,690,511	143,035	416,942	279,930	46,819	-	1,212,309	-	(27,696)	4,216,260
<b>Expenses</b>												
<b>Administrative</b>												
911	Administrative salaries	169,381	139,557	-	-	135,539	-	-	28,978	-	-	473,455
912	Auditing fees	3,604	6,964	-	8,604	6,963	-	-	24,462	-	-	50,597
913	Management fees	-	-	-	27,696	-	-	-	81,857	-	(27,696)	81,857
914	Advertising and marketing	605	490	-	1,937	-	-	-	164	-	-	3,196
915	Employee benefit contributions - administrative	29,770	23,910	-	-	22,923	-	-	-	-	-	76,603
916	Office expense	9,922	21,415	-	6,266	-	-	-	17,126	-	-	54,729
917	Legal expense	847	-	-	-	-	-	-	700	-	-	1,547
918	Travel	4,963	6,913	-	2,199	2,045	-	-	11,742	-	-	27,862
919	Other operating - administrative	-	3,425	-	2,448	50,264	-	200	26,758	-	-	83,095
<b>Tenant services</b>												
921	Tenant services - salaries	6,897	-	-	13,730	-	-	-	-	-	-	20,627
923	Employee benefit contributions - tenant services	1,257	-	-	2,939	-	-	-	-	-	-	4,196
924	Tenant services - other	4,844	-	-	2,507	-	-	-	-	-	-	7,351
<b>Utilities</b>												
931	Water	13,867	-	-	8,437	-	-	-	40,512	-	-	62,816
932	Electricity	32,239	-	-	32,328	-	-	-	58,045	-	-	122,612
933	Gas	16,334	-	-	5,943	-	-	-	27,683	-	-	49,960
<b>Ordinary maintenance and operation</b>												
941	Ordinary maintenance and operations - labor	40,030	-	-	24,577	47,036	-	-	-	-	-	111,643
942	Ordinary maintenance and operations - materials and other	13,571	-	-	3,771	1,534	-	-	7,249	-	-	26,125
943	Ordinary maintenance and operations - contract costs	47,534	-	-	27,858	256	-	-	147,462	-	-	223,110
945	Employee benefit contributions-ordinary maintenance	7,182	-	-	5,225	8,054	-	-	-	-	-	20,461
<b>Protective services</b>												
951	Protective services - labor	-	-	-	1,200	-	-	-	-	-	-	1,200
952	Protective services - other contract costs	1,924	-	-	4,917	-	-	-	-	-	-	6,841

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
Financial Data Schedule  
December 31, 2015

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	15,093	-	-	6,153	-	-	-	14,365	-	-	35,611
961.2	Liability insurance	103	494	-	-	53	-	-	14,364	-	-	15,014
961.3	Workmen's compensation	3,186	1,997	-	797	1,989	-	-	-	-	-	7,969
961.4	All other insurance	1,899	729	-	-	495	-	-	-	-	-	3,123
962	Other general expenses	(6,412)	(4,232)	-	(95)	(5,494)	-	-	780	-	-	(15,453)
963	Payments in lieu of taxes	15,870	-	-	12,332	-	-	-	-	-	-	28,202
964	Bad debt - tenant rents	9,041	-	-	192	-	-	-	8,684	-	-	17,917
967	Interest expense	-	-	-	67,267	-	-	-	113,323	-	-	180,590
969	Total operating expenses	443,551	201,662	-	269,228	271,657	-	200	624,254	-	(27,696)	1,782,856
970	Excess (deficiency) operating revenue over (under) operating expenses	10,859	1,488,849	143,035	147,714	8,273	46,819	(200)	588,055	-	-	2,433,404
Other expenses												
971	Extraordinary maintenance	74,517	-	-	7,944	-	-	-	3,447	-	-	85,908
973	Housing assistance payments	-	1,482,924	-	-	-	-	-	-	-	-	1,482,924
973.5	HAP portability in	-	-	-	-	-	-	-	-	-	-	-
974	Depreciation expense	145,124	3,977	-	188,048	1,367	-	-	734,290	-	-	1,072,806
900	Total expenses	663,192	1,688,563	-	465,220	273,024	-	200	1,361,991	-	(27,696)	4,424,494
1001	Operating transfers in	103,100	-	-	-	46,819	-	-	-	-	-	149,919
1002	Operating transfers out	-	-	(103,100)	-	-	(46,819)	-	-	-	-	(149,919)
1004	Operating transfers from/to component unit	-	-	-	-	17,134	-	(17,134)	-	-	-	-
1010	Total other financing sources (uses)	103,100	-	(103,100)	-	63,953	(46,819)	(17,134)	-	-	-	-
1000	Excess (deficiency) of operating revenue over (under) expenses	<u>\$ (105,682)</u>	<u>\$ 1,948</u>	<u>\$ 39,935</u>	<u>\$ (48,278)</u>	<u>\$ 70,859</u>	<u>\$ -</u>	<u>\$ (17,334)</u>	<u>\$ (149,682)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (208,234)</u>
1104	Prior Period Adjustments and Equity transfers	\$ 93,463	\$ 35,329	\$ (39,935)	\$ 9,910	\$ 45,904	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,671
Memo account information												
1103	Beginning equity	\$ 1,041,735	\$ 146,601	\$ -	\$ 2,641,815	\$ 1,235,188	\$ -	\$ 95,640	\$ 10,486,310	\$ -	\$ -	\$ 15,647,289
1120	Gross number of units	1,200	6,036	-	612	-	-	-	-	-	-	7,848
1121	Number of unit months leased	1,170	4,388	-	607	-	-	-	-	-	-	6,165
1127	Excess cash	(16,842)	-	-	-	-	-	-	-	-	-	(16,842)
1117	Administrative fee equity	-	147,844	-	-	-	-	-	-	-	-	147,844
1118	Housing assistance payments equity	-	705	-	-	-	-	-	-	-	-	705
1163	Furniture and equipment - dwelling purchases	359	-	-	-	-	-	-	-	-	-	359
1164	Furniture and equipment - administrative purchases	7,729	-	-	-	-	-	-	-	-	-	7,729
1166	Infrastructure purchases	-	-	39,935	-	-	-	-	-	-	-	-

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
 Schedule of Modernization Projects Completed  
 December 31, 2015

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Classification	Project # SD06P034501-14
1406 Operations	\$ 99,842
Total capital fund project expenditures	\$ 99,842
Capital Fund Advances Received Through December 31, 2015	\$ 99,842
Total capital fund amount approved	\$ 99,842

Classification	Project # SD06P034501-15
1406 Operations	\$ 98,532
Total capital fund project expenditures	\$ 98,532
Capital Fund Advances Received Through December 31, 2015	\$ 98,532
Total capital fund amount approved	\$ 98,532

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, were submitted to HUD for approval on December 29, 2015 and June 24, 2015 for Project # SD06P034501-15 and for Project # SD06P034501-14, respectively.



CPAs & BUSINESS ADVISORS

**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 fiduciary fund of The Housing and Redevelopment Commission, a component unit of the City of Aberdeen, South Dakota (the “Commission”), as of and for the year ended December 31, 2015, 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 29, 2016.

**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.

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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we have identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. We consider the deficiency described as item 2015-A in the accompanying schedule of findings and questioned costs to be a material weakness.

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.

### **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 Findings**

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.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota  
April 29, 2016



CPAs & BUSINESS ADVISORS

## **Independent Auditor’s Report on Compliance for Each 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 Each 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, 2015. 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 requirements of laws, regulations, contracts and grants 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 Each Major Federal Program**

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of its major federal program for the year ended December 31, 2015.

## Report on Internal Control over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with 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 a major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota  
April 29, 2016

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
U.S Department of Housing and Urban Development				
Direct Federal Funding				
Public and Indian Housing	14.850	N/A	\$ 116,655	\$ -
Public Housing Capital Fund	14.872	N/A	143,035	-
Section 8 Housing Choice Vouchers	14.871	N/A	1,692,794	-
Pass Through South Dakota Housing Development Authority				
Section 8 New Construction and Substantial Rehabilitation	14.182	SD99-H001-089	225,288	-
HOME Investment Partnerships Program	14.239	*****	46,819	-
Total U.S. Department of Housing and Urban Development			<u>2,224,591</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 2,224,591</u>	<u>\$ -</u>

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

**Notes to Schedule of Expenditures of Federal Awards**

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Commission, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. The Commission received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the 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 on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E – Cost Principles of 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.

The Commission has not elected to use 10% de minimis cost rate.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2015

**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	None Reported
 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:	 No

**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

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**Section II – Financial Statement Findings**

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**Finding 2015-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**

**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 and disclosures, 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 and accompanying notes to those financial statements 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: Management agrees with the finding.

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**Section III – Federal Award Findings and Questioned Costs**

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No findings reported in the current year.

**Financial Statement Findings**

**Finding 2014-A - Financial Statements, Footnotes and Schedule of Expenditures of Federal Awards Are Prepared by the Auditor, Which at Times Includes Material Proposed Adjustment to the Financial Statements**

Initial Fiscal Year Finding Occurred: 2006

Finding Summary: The Commission does not have an internal control system designed to provide for the preparation of the financial statements being audited, including all necessary adjustments.

Status: This finding has not been resolved as of December 31, 2015. The reason for the finding's recurrence is that the Commission's current staffing model does not allow for a cost effective solution. Planned actions include management and the Board of Directors to annually review for propriety the draft financial statements, footnotes, and schedule of expenditures of federal awards prepared by the auditor and to review all recommended auditing adjusting entries proposed by the auditor.

**Federal Award Findings**

**Finding 2014-001 – Incorrect Use of Payment Standard Amounts**

**U.S Department of Housing and Urban Development  
CFDA #14.871  
Section 8 Housing Choice Vouchers**

**Compliance Requirement: Allowable Activities / Allowable Costs  
Significant Deficiency in Internal Control over Compliance**

Initial Fiscal Year Finding Occurred: 2014

Finding Summary: The Commission does not have a control in place for review of the payment standards used for tenant files on annual reviews. In one of the 100 tenant files that payment standards were reviewed, the incorrect payment standard was used and HAP assistance was calculated incorrectly for two months.

Status: Corrective action has been taken and finding has been resolved.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota  
Management's Corrective Action Plan (Unaudited)  
Year Ended December 31, 2015

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The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota respectfully submits the following corrective action plan for its audit finding for the year ended December 31, 2015.

Independent Public Accounting Firm: Eide Bailly LLP  
PO Box 430  
Aberdeen, SD 57402-0430

Audit Period: January 1, 2015 – December 31, 2015

**Finding 2015-A – Preparation of Financial Statements, Related Footnotes, Schedule of Expenditures of Federal Awards, and Propensity for Proposed Adjusting Entries**

Planned Action: Management and the Board of Directors will review for propriety the draft financial statements, footnotes, and schedule of expenditures of federal awards prepared by the auditor and review all recommended audit adjusting entries proposed by the auditor. Due to the Commission's size, we will accept the risk associated with the condition based on cost and other considerations.

Contact Person: Jody A. Zueger

Anticipated Completion Date: Ongoing