

**BROOKINGS COUNTY HOUSING & REDEVELOPMENT COMMISSION
BROOKINGS, SOUTH DAKOTA**

**PROJECT NUMBERS: SD056VO and SD 056MR
ANNUAL CONTRIBUTION CONTRACT NUMBER: SD056**

FINANCIAL REPORT

FOR THE ONE YEAR ENDING DECEMBER 31, 2012

WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA

P.O. Box 262

Madison, South Dakota 57042

**BROOKINGS COUNTY HOUSING & REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF BROOKINGS COUNTY, SOUTH DAKOTA**

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**TABLE OF CONTENTS TO THE FINANCIAL REPORT
FOR THE ONE YEAR ENDING DECEMBER 31, 2012**

FINANCIAL SECTION

- 1 Independent Auditor's Report**

- 4 Management's Discussion and Analysis
(Required Supplementary Information)**

- Basic Financial Statements:**
 - Government-wide Financial Statements:**
 - 9 Statement of Net Position**
 - 10 Statement of Activities**

 - Fund Financial Statements:**
 - Governmental Fund:**
 - 11 Balance Sheet**
 - 12 Statement of Revenues, Expenditures, and Changes in Fund Balance**
 - Fiduciary Funds:**
 - 13 Statement of Fiduciary Assets and Liabilities**

- 14 Notes to the Financial Statements**

SUPPLEMENTARY INFORMATION

- 23 Schedule of Program Balances**
- 24 Schedule of Program Revenues, Expenditures, and Changes in Program Balances**

- 25 Combining Schedule of Net Position of all Housing Choice Vouchers Programs Administered by the Brookings County Housing and Redevelopment Commission**
- 26 Combining Schedule of Revenues, Expenditures, and Changes in Net Position of all Housing Choice Vouchers Programs Administered by the Brookings County Housing and Redevelopment Commission**

- 27 Financial Data Schedule For the One Year Ending December 31, 2012
(Required by the Dept. of Housing and Urban Development)**

- 29 Schedule of Expenditures of Federal Awards**

GOVERNMENTAL SECTION

- 30 Report on Compliance and Other Matters and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

- 32 Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

- 34 Schedule of Prior Audit Findings and Questioned Costs**
- 34 Schedule of Current Audit Findings and Questioned Costs**

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

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
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Madison, South Dakota 57042
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Board of Commissioners
Brookings County Housing & Redevelopment Commission
Brookings, South Dakota

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

I have audited the accompanying financial statements of governmental activities, the major fund, and the aggregate remaining fund information of the Brookings County Housing & Redevelopment Commission (Commission), a component unit of Brookings County, South Dakota, as of and for the one year ending December 31, 2012, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my unmodified audit opinions on governmental activities, the major fund, and the aggregate remaining fund information.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the major fund, and the aggregate remaining fund information of the Brookings County Housing & Redevelopment Commission, a component unit of Brookings County, South Dakota, as of December 31, 2012, and the respective changes in financial position for the one year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (page 4 to 8) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters - Supplementary Information

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

The accompanying Schedule of Program Balances and Schedule of Program Revenues, Expenditures, and Changes in Program Balances (page 23 and 24) are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The accompanying Combining Schedule of Net Position of all Housing Choice Voucher Programs Administered by the Brookings County Housing and Redevelopment Commission and the Combining Schedule of Revenues, Expenditures, and Changes in Net Position of all Housing Choice Vouchers Programs Administered by the Brookings County Housing and Redevelopment Commission (page 25 and 26) are presented for the purpose of additional analysis and are not a required part of the basic financial stmts.

The accompanying Financial Data Schedules (page 27 and 28) are presented for purpose 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 (page 29) is presented for purposes of additional analysis, as required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial stmts.

Board of Commissioners
Brookings County Housing & Redevelopment Commission
Independent Auditor's Report - Page Three

The Schedule of Schedule of Program Balances, the Schedule of Program Revenues, Expenditures, and Changes in Program Balances, the Combining Schedule of Net Position of all Housing Choice Vouchers Programs Administered by the Brookings County Housing and Redevelopment Commission, the Combining Schedule of Revenues, Expenditures, and Changes in Net Position of all Housing Choice Vouchers Programs Administered by the Brookings County Housing and Redevelopment Commission, the Financial Data Schedules, and the Schedule of Expenditures of Federal Awards is information that is the responsibility of management. The information was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

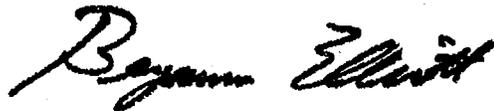
In my opinion, the Schedule of Schedule of Program Balances, the Schedule of Program Revenues, Expenditures, and Changes in Program Balances, the Combining Schedule of Net Position of all Housing Choice Vouchers Programs Administered by the Brookings County Housing and Redevelopment Commission, the Combining Schedule of Revenues, Expenditures, and Changes in Net Position of all Housing Choice Vouchers Programs Administered by the Brookings County Housing and Redevelopment Commission, the Financial Data Schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 12, 2013 (page 30) on my tests of the Commission's compliance with certain provisions of laws, regulations, contracts, grants and other matters and my consideration of the Commission's internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's compliance and internal control over financial reporting.

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

September 12, 2013



BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
 A COMPONENT UNIT OF BROOKINGS COUNTY, SOUTH DAKOTA

PROJECT NUMBERS: SD056VO and SD056MR
 PHA CODE: SD056

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)
 FOR THE ONE YEAR ENDING DECEMBER 31, 2012

The Brookings County Housing and Redevelopment Commission (Commission) offers readers of the Commission's financial statements this overview and analysis of our financial activities for the 2012 year.

The focus of these financial statements is on the housing programs operated by the Commission. The financial statements allow the reader to address relevant questions, have a basis for comparison (year-to-year or Commission-to-Commission) and assess the Commission's management. The MD&A offered in this section should be read in conjunction with the Commission's financial statements which follow.

FINANCIAL HIGHLIGHTS

Grants from the U. S. Department of Housing and Urban Development for all of our programs had a net decrease of \$511,252 from the 2011 year:

	2012	2011	Increase (Decrease)
Vouchers and FSS	\$ 738,635	\$ 1,243,257	\$ (504,622)
Family Self-sufficiency	42,904	61,294	(18,390)
Moderate rehabilitation	53,805	39,629	14,176
Section 8 administration	151,680	154,096	(2,416)
	-----	-----	-----
	\$ 987,024	\$ 1,498,276	\$ (511,252)

Housing Assistance Payments (HAP) for all of our programs increased by \$151,528 from the 2011 year as follows:

	2012	2011	Increase (Decrease)
Vouchers and FSS	\$ 1,038,623	\$ 913,843	\$ 124,780
Family Self-sufficiency	40,943	25,040	15,903
Moderate rehabilitation	53,945	39,680	14,265
Management fees:			
Vouchers	104,771	108,710	(3,939)
Family self-sufficiency	37,823	37,823	0
Moderate rehabilitation	7,642	7,123	519
	-----	-----	-----
	\$ 1,283,747	\$ 1,132,219	\$ 151,528

BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This financial statement consists of two parts: (1) management's discussion and analysis (page 4 to 8), (2) the basic financial statements (page 9 to 22). The basic financial statements include two types of statements that present the Commission from two different financial points of view.

Government-wide financial statements (View #1):

The first two statements are government-wide financial statements that provide both long-term and short-term information about the Commission's overall financial status.

Fund financial statements (View #2):

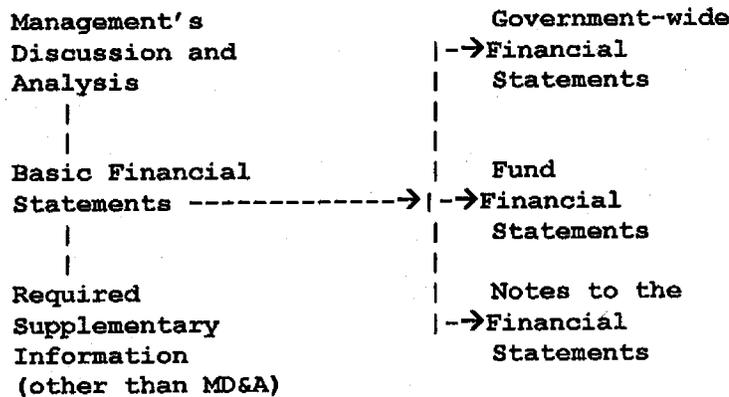
The remaining financial statements are fund financial statements that focus on significant operations of the governmental and fiduciary activities of the Commission.

The governmental fund financial statements tell how governmental services were financed in the short-term, as well as what remains for future spending. The Commission operates one governmental fund, the general fund, which accounts for a Housing Choice Voucher program, and a Moderate Rehabilitation program. These programs are funded by HUD operating grants.

The fiduciary fund financial statements provide information about the financial status of the Deuel, Hamlin, Kingsbury, and Moody Counties Housing and Redevelopment Commissions (HRC) for which the Brookings County HRC acts solely as a trustee or agent for the benefit of those Commissions to whom the balances and activity belong.

The financial statements also include notes that explain in more detail some of the information found in the financial statements.

Here is an overview of the required components of the Commission's financial statements.



Major features of these financial statements are:

They report all of the activity of the Commission.

The required government-wide statements are the:

Statement of Net Position -- All economic resources

Statement of Activities -- Full accrual

The required fund financial statements are the:

Balance Sheet -- Only current assets and current liabilities

Statement of Revenues, Expenditures, and Changes in Fund Balance
-- Modified accrual

Statement of Fiduciary Assets and Liabilities

-- All economic resources, full accrual

GOVERNMENT-WIDE STATEMENTS (Reporting the Commission as whole.)

The government-wide statements (page 9 and 10) report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Commission's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Commission's net position and how it has changed. Net position is the difference between the Commission's assets and liabilities. It is one way to measure the Commission's financial health (or financial position). Increases in net position is an improvement in the Commission's financial health. Decreases in net position is a decline in the Commission's financial health. To assess the Commission's overall financial health you also need to consider other factors such as future changes in operating grants from HUD.

The government-wide financial statements have two board categories of information: governmental activity and business-type activity. The Commission, however, has only governmental activity to report. Governmental activity of the Commission is the general fund which accounts for two programs the Commission operates: a Housing Choice Voucher program and a Moderate Rehabilitation program. These programs are financed by HUD operating grants.

FUND FINANCIAL STATEMENTS (Reporting on the Commission's funds.)

The fund financial statements (page 11 to 13) provide more detailed information about the Commission's general fund and fiduciary funds. Funds are accounting tools used to keep track of the receipts and disbursements of the Commission's resources.

The fund financial statements show information in two broad categories: governmental and fiduciary.

Governmental funds: The Commission's only governmental fund is its general fund, which focuses on how cash, and other financial assets which can readily be converted into cash, flow in and out of that fund and the balance left at year-end that is available for spending in the next year. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources available for spending in the near future to finance the Commission's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements to reconcile the difference between the government-wide statements and the fund financial statements.

Fiduciary funds: The Commission is the agent (or fiduciary) for the Deuel, Hamlin, Kingsbury, and Moody Counties Housing and Redevelopment Commissions (HRC). The Brookings County HRC is responsible for ensuring that the receipts into these funds are used for their intended purpose, which is to make Housing Assistant Payments (HAP) to landlords who have tenants living in those counties. All Brookings County HRC's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. Fiduciary funds are excluded from the Brookings County HRC's governmental-wide financial statements because the Brookings County HRC cannot use these assets to finance its operations.

ANALYSIS OF THE GOVERNMENT'S OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Based on a materiality threshold of \$75,000, the significant changes from 2011 to 2012 are:

	Increase (Decrease)	Reason
Current assets	(305,467)	Decrease in cash from additional HAP payments.
Restricted net position	(327,862)	Decrease in HAP subsidies.
HUD operating grants	(479,443)	Decrease in HAP subsidies.
Housing assist pymts	152,454	Increase in HAP payments. The Commission does not have a waiting list at year-end.

ANALYSIS OF GENERAL FUND

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Commission administers contracts with independent landlords who own rental units. The Commission subsidizes a tenant's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). HUD provides Annual Contributions Funding to enable the Commission to structure a lease that generally sets the participant's rent at 30% of household income.

In 2012 HUD funding for vouchers DECREASED \$504,622 and HAP payments to landlords INCREASED \$124,780 to use up excess restricted new position.

Moderate Rehabilitation Program - Under the Moderate Rehabilitation Program, the Commission contracts with the owners of two apartment complexes. The Commission subsidizes a tenant's rent through a Housing Assistance Payment made to the owners. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Commission to structure a lease that sets the participants' rent at 30% of household income.

In 2012 HUD funding for Moderate Rehabilitation program INCREASED \$14,176 and HAP payments INCREASED \$14,265 from normal operations.

DESCRIPTION OF CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital assets INCREASED \$2,011 to account for the purchase of a copier for \$2,800 and depreciation of \$789.

The Commission long-term liability is for the homebuyer maintenance reserve. See note 6 and 10.

CURRENTLY KNOWN FACTS - ECONOMIC FACTORS

The Commission is primarily dependent on HUD for funding its operations. The Commission is affected more by the federal budget than local economic conditions. Therefore, federal budget changes can have a significant affect on operations of the Commission.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Arlo Smith, Fee Accountant for the Brookings County Housing and Redevelopment Commission, at 605-229-0180. Specific requests may be submitted to Arlo Smith, RAM Enterprises, Inc., PO Box 1270, Aberdeen, South Dakota 57402-1270.

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF BROOKINGS COUNTY, SOUTH DAKOTA
BROOKINGS, SOUTH DAKOTA

Project Number: Vouchers - SD056VO
Project Number: Moderate Rehabilitation - SD056MR
PHA Code: SD056

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
CONDENSED FINANCIAL INFORMATION
GENERAL FUND FOR THE TWO YEARS ENDING DECEMBER 31, 2012

	12-31-12	12-31-11	Amount Change	% Change
Current assets	193,156	498,623	(305,467)	(61)
Capital assets	2,692	681	2,011	295
Total assets	195,848	499,304	(303,456)	(61)
Current liabilities	51,152	34,175	16,977	50
Non-current liabilities	25,610	20,211	5,399	27
Total liabilities	76,762	54,386	22,376	41
Net position:				
Net invested in capital assets	2,692	681	2,011	295
Restricted	96,659	424,521	(327,862)	(77)
Unrestricted	19,735	19,716	19	0
Net position	119,086	444,918	(325,832)	(73)
Revenues:				
Program revenues:				
HUD operating grants	981,943	1,461,386	(479,443)	(33)
Other revenue and reimbursements	7,606	29,443	(21,837)	(74)
General revenues:				
Interest earned	330	456	(126)	(28)
Total revenue	989,879	1,491,285	(501,406)	(34)
Expenses:				
Housing assistance payments	1,092,568	940,114	152,454	16
Family self-sufficiency payments	40,943	25,040	15,903	64
Administration	132,119	137,576	(5,457)	(4)
Tenant services	37,823	37,823	0	0
General	11,469	9,775	1,694	17
Depreciation	789	674	115	17
Total expenses	1,315,711	1,151,002	164,709	14
Income (loss)	(325,832)	340,283	(666,115)	(196)
Loss on disposal of capital asset		(37)		
Change in net position	(325,832)	340,246		
Net position:				
December 31, 2010		104,672		
December 31, 2011	444,918	444,918		
December 31, 2012	119,086			

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF BROOKINGS COUNTY, SOUTH DAKOTA
BROOKINGS, SOUTH DAKOTA

Project Number: Vouchers - SD056VO
Project Number: Moderate Rehabilitation - SD056MR
PHA Code: SD056

GOVERNMENT WIDE - STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2012

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Unrestricted cash:			
Checking	732.96		732.96
Checking - FSS expense	4,451.74		4,451.74
Savings and CDs	102,376.30		102,376.30
Restricted cash:			
Savings and CDs - Excess HAP	7,142.02		7,142.02
Savings - FSS escrow	42,362.12		42,362.12
Savings - FSS mortgage maint res	25,610.28		25,610.28
Accounts receivable:			
Tenants	1,643.10		1,643.10
HUD	6,386.53		6,386.53
Miscellaneous	1,919.94		1,919.94
Internal balances	0.00		0.00
Accrued interest	21.07		21.07
Prepaid insurance	135.07		135.07
Deposit	375.00		375.00
Total current assets	193,156.13	0.00	193,156.13
Noncurrent assets:			
Capital assets:			
Equipment - administration	19,704.63		19,704.63
Accumulated depreciation	(17,012.63)		(17,012.63)
Total noncurrent assets	2,692.00	0.00	2,692.00
Total assets	195,848.13	0.00	195,848.13
LIABILITIES			
Current liabilities:			
Accounts payable	4,338.05		4,338.05
Accounts payable - HUD	0.00		0.00
Family self-sufficiency (FSS):			
Escrow	42,362.12		42,362.12
Expense	4,451.74		4,451.74
Total current liabilities	51,151.91	0.00	51,151.91
Noncurrent liabilities:			
FSS mortgage maintenance reserve	25,610.28		25,610.28
Total liabilities	76,762.19	0.00	76,762.19
NET POSITION			
Net invested in capital assets	2,692.00		2,692.00
Restricted - Excess HAP	7,142.02		7,142.02
Restricted, post-2003 earnings	89,517.14		89,517.14
Unrestricted, pre-2004 earnings	19,734.78		19,734.78
Total net position	119,085.94	0.00	119,085.94

See accompanying notes.

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
 A COMPONENT UNIT OF BROOKINGS COUNTY, SOUTH DAKOTA
 BROOKINGS, SOUTH DAKOTA

Project Number: Vouchers - SD056VO
 Project Number: Moderate Rehabilitation - SD056MR
 FHA Code: SD056

GOVERNMENT WIDE - STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDING DECEMBER 31, 2012

Functions/Programs:	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position		
		Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary Government:							
Governmental activities:							
Health and welfare	1,315,710.75	7,599.66	981,942.53		(326,168.56)		(326,168.56)
Total governmental activities	1,315,710.75	7,599.66	981,942.53	0.00	(326,168.56)	0.00	(326,168.56)
Business-type activities:							
None							0.00
Total business-type activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total primary government	<u>1,315,710.75</u>	<u>7,599.66</u>	<u>981,942.53</u>	<u>0.00</u>	<u>(326,168.56)</u>	<u>0.00</u>	<u>(326,168.56)</u>
General revenues:							
Interest earnings					337.02		337.02
Total general revenues					337.02	0.00	337.02
Change in net position					(325,831.54)	0.00	(325,831.54)
Net position, January 1, 2012					444,917.48		444,917.48
Net position, December 31, 2012					<u>119,085.94</u>	<u>0.00</u>	<u>119,085.94</u>

See accompanying notes.

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF BROOKINGS COUNTY, SOUTH DAKOTA
BROOKINGS, SOUTH DAKOTA

Project Number: Vouchers - SD056VO
Project Number: Moderate Rehabilitation - SD056MR
PHA Code: SD056

BALANCE SHEET - GOVERNMENTAL FUND
AS OF DECEMBER 31, 2012

	General Fund
ASSETS	
Current assets:	
Unrestricted cash:	
Checking	732.96
Checking - FSS expense	4,451.74
Savings and CDs	102,376.30
Restricted cash:	
Savings and CDs - Excess HAP	7,142.02
Savings - FSS escrow	42,362.12
Savings - FSS mortgage maintenance reserve	25,610.28
Accounts receivable:	
Tenants	1,643.10
HUD	6,386.53
Miscellaneous	1,919.94
Accrued interest	21.07
Prepaid insurance	135.07
Deposit	375.00
Interprogram balances	0.00

Total assets	193,156.13
	=====
LIABILITIES	
Current liabilities:	
Accounts payable	4,338.05
Family-self sufficiency (FSS):	
Escrow	42,362.12
Expense	4,451.74

Total current liabilities	51,151.91

Noncurrent liabilities:	
FSS mortgage maintenance reserve	25,610.28

Total liabilities	76,762.19

Fund balance:	
Nonspendable	0.00
Restricted - Excess HAP	7,142.02
Restricted - Post-2003 earnings	89,517.14
Committed	0.00
Assigned	0.00
Unassigned - Pre-2004 earnings	19,734.78

Total fund balance	116,393.94

Total liabilities and fund balance	193,156.13
	=====
Reconciliation of the above balance sheet to the government-wide statement of net position.	
Total fund balance - governmental funds (above)	116,393.94
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the balance sheet above.	
Therefore: Add the cost of capital assets	19,704.63
Subtract associated accum depreciation	(17,012.63)

Total net position on government-wide statement of net position	119,085.94
	=====

See accompanying notes.

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF BROOKINGS COUNTY, SOUTH DAKOTA
BROOKINGS, SOUTH DAKOTA

Project Number: Vouchers - SD056VO
Project Number: Moderate Rehabilitation - SD056MR
PHA Code: SD056

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE -- GOVERNMENTAL FUND
FOR THE YEAR ENDING DECEMBER 31, 2012

	General Fund
Revenue:	
Intergovernmental revenue:	
HUD operating grants:	
Section 8 administration	151,679.92
HAP programs	792,439.61
FSS program	37,823.00
FSS program - absorption	5,081.08
Miscellaneous revenue:	
Interest earned - HUD (restricted)	222.00
Interest earned	115.02
Fraud recovery	2,494.58
Other	24.00
Total revenue	989,879.21
Expenditures:	
Health and welfare:	
Housing assistance payments	1,092,567.61
Family self-sufficiency payments	40,943.00
Administrative	132,119.43
Tenant services	37,823.00
General expenses	11,468.40
Capital outlay	2,800.00
Total expenditures	1,317,721.44
Excess of revenues over (under) expenditures	(327,842.23)
Other financing sources (uses):	
None	0.00
Net change in fund balance	(327,842.23)
Fund balance:	
January 1, 2012	444,236.17
December 31, 2012	116,393.94
Reconciliation of the above statement of revenues, expenditures, and changes in fund balance to the government-wide statement of activities.	
Net change in fund balance (above).	(327,842.23)
Governmental funds report capital outlays as expenditures. However, the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense.	
Current year capitalized cost are:	2,800.00
Current year depreciation is:	(789.31)
Current year loss on disposal of capital assets	0.00
Change in net position on government-wide statement of activities	(325,831.54)
See accompanying notes.	

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF BROOKINGS COUNTY, SOUTH DAKOTA
BROOKINGS, SOUTH DAKOTA

Project Number: Vouchers - SD056VO
Project Number: Moderate Rehabilitation - SD056MR
PHA Code: SD056

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AS OF DECEMBER 31, 2012

ASSETS	Agency Funds
Current assets:	
Unrestricted cash:	
Checking	0.00
Total assets	0.00
LIABILITIES	
Current liabilities:	
Amounts held for others	0.00
Total current liabilities	0.00
Noncurrent liabilities:	
None	0.00
Total liabilities	0.00

See accompanying notes.

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF BROOKINGS COUNTY, SOUTH DAKOTA
DECEMBER 31, 2012

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity:

The Brookings County Housing and Redevelopment Commission, (Commission) a component unit of Brookings County, South Dakota, was organized in 2001 pursuant to the Municipal Housing and Redevelopment Act of South Dakota as a public housing agency formed to provide financial assistance for low income public housing pursuant to the United States Housing Act of 1937, (42 U.S.C., 1401, et seq.). The Brookings County Commission appoints the five directors of the governing board for five-year staggered terms. The Commission elects its own chairperson and recruits and employs its management personnel and other workers. The Brookings County Commission has the ability to veto or otherwise modify the Commission's decision to construct a specific project and issue debt.

The primary government is Brookings County, South Dakota.

At December 31, 2012, the Commission's officials were:

City of Brookings:
Tim Reed, Mayor

Contracting Officer:
Arlo Smith

Brookings County Housing and
Redevelopment Commission:
Steve Chappell, President
Cyndy Boesch
Mike Holzhauser
Jacki Kyllonen
Gerald Warmann

Attorney:
Brookings County Attorney

Program Specialist:
Nyla Smith

The Commission has no significant related party activity with these individuals.

The Commission also has Joint Powers Agreements to administer, through agency funds, the same low income public housing programs for Deuel, Hamlin, Kingsbury, and Moody Counties Housing and Redevelopment Commissions.

b. Basis of Presentation:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the Commission as a whole. These statements include all funds of the reporting entity except fiduciary funds. These statements distinguish between the governmental and business-type activities (if any). Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities (if any) are financed in whole or in part by fees charged to external parties for goods and services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components: net invested in capital assets; restricted (distinguishing between major categories of restrictions); and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Commission's governmental activities and for each segment of business-type activities (if any) of the Commission. Direct expenses associated with a specific program or function are clearly identifiable. Program revenues include (a) charges paid by recipients for good and services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements of the Commission are organized into funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenditures. Funds are organized into three major categories: governmental, business-type (if any), and fiduciary. An emphasis is placed on major funds within the governmental and business-type categories. A fund is considered major if it is the primary operating fund of the Commission.

The funds of the Commission are described below within their respective fund types:

Governmental Funds

General Fund - A fund authorized by South Dakota Codified Law (SDCL) Chapter 11-7 to met all the general operational costs of the Commission except those required to be accounted for in another fund. The Commission operates only a general fund, which is always a major fund.

Through the general fund the Commission administers two low-income housing assistance payment (HAP) programs: a Section 8 housing choice voucher program (CFDA 14.871) with 4,164 Unit Months Available and 3251 Unit Months Leased during 2012 and a Section 8 moderate rehabilitation program (CFDA 14.856) with 168 Unit Months Available and 131 Unit Months Leased during 2012.

The Department of Housing and Urban Development (HUD) funds the HAP programs. The Commission issues checks to landlords who provide housing to low-income tenants who qualify under HUD guidelines. The Commission does inspect properties to see that they are kept within HUD guidelines.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

Agency Fund Type - agency funds are used to account for resources held by the Commission in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature, they do not involve the measurement of results of operations. The Commission has Joint Powers Agreements with the Housing and Redevelopment Commissions (HRC) of Deuel, Hamlin, Kingsbury, and Moody Counties. The Brookings County HRC is responsible for administering the HUD Housing Choice Vouchers program for these other Commissions by qualifying tenants and making Housing Assistant Payment (HAP) disbursements to the landlords of those tenants.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus

Government-wide Financial Statements:

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the "economic resources" measurement focus.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus is used for governmental funds. The "economic resources" measurement focus is used for business-type funds and fiduciary funds.

Basis of Accounting

Government-wide Financial Statements:

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the full accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All government funds are accounted for using the modified accrual basis of accounting. Here revenues generally are recognized when they become Measurable and available. "Available" means resources are collected or to be collected soon enough after year end that they can be used to pay the bills of the current period. The accrual period does not exceed one bill paying cycle, and for the Commission that cycle is considered to be 30 days. The revenues that are accrued at December 31, 2012 are tenant, HUD, and miscellaneous receivables and interest receivable.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

Fiduciary funds are accounted for using the accrual basis of accounting. Here revenues are recognized when they are earned and their expenses are recognized when they are incurred.

d. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations, and that have initial useful lives extending beyond a single reporting period.

Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. The Commission has no infrastructure assets.

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

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. Capitalization thresholds and estimated useful lives by type of asset is as follows:

Equipment: A threshold of \$ 500
Estimated useful life of 5 years

Government-wide Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

At December 31, 2012 zero percent of capital assets are determined by estimates of historical cost.

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

Interest costs incurred during construction of general capital assets are not capitalized with the capital asset costs.

Depreciation is recorded on exhaustible capital assets in the government-wide statement of activities. See note 8.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets (if any) used in fiduciary funds are accounted for on the accrual basis of accounting.

e. Long-term Liabilities:

The Commission has no long-term liabilities except for homebuyer maintenance reserves. See note 6.

f. Program Revenues:

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than contributors to the Commission's general support. Program revenues are classified into three categories as follows:

- Charges for services and reimbursements - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
- Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
- Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

g. Equity Classifications:

Government-wide Statements:

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

- Net Invested 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.
- 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.
- Unrestricted Net Position - Other net position that does not meet the criteria of 1 or 2 above.

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity (if any) is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (except for agency funds, which have no fund equity) is reported as "Net Position" held in trust for a purpose.

h. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Commission classifies governmental fund balance as follows:

- Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board or Contracting Officer.
- Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balance in other governmental funds.

The Brookings County Housing and Redevelopment Commission fund balance classifications are make up of:

<u>Fund Balance Classifications</u>	<u>Account</u>	<u>Authority or Action</u>	<u>Amount</u>	
Nonspendable	None		0	
Restricted	Excess HAP	HUD directive	7,142	
	Post 2003 earnings	HUD directive	89,517	Note 1
Committed	None		0	
Assigned	None		0	
Unassigned	Pre 2004 earnings		19,735	

			116,394	

Note 1 - Administrative fee equity limited by Congress to Section 8 housing-related activities only.

The Commission uses "restricted" and "committed" amounts first when restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Commission would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made.

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

The Commission has no special revenue funds.

i. Application of Net Position:

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

j. Accounting Estimates:

The presentation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from those estimates and assumptions. Following is an estimate made by management for these financial statements.

* Depreciation -- estimated service lives

2. DEPOSITS, INVESTMENTS AND CASH FLOWS

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

Deposits are reported at costs, plus interest, if the account is of the add-on type. The Commission's policy is to credit all income from deposits and investments to the general fund.

Actual bank balances at December 31, 2012 were as follows: Insured \$186,695, Collateralized ** \$0 for a total of \$186,695. The carrying amount of these deposits was \$182,675.

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

Restricted cash is:

7,142.02	Held for excess HUD voucher grants from previous years reduced by current year excess HAP payments to landlords. This was implemented by HUD to reduce reserve funds at housing authorities across the nation.
42,362.12	Held for the Family Self-Sufficiency (FSS) Escrow Program including its home ownership clients. This money is held for FSS clients until they complete a five-year program to improve their earned income.
25,610.28	Held in a maintenance reserve for FSS home ownership clients that are using the Housing Voucher program to help purchase a home.

75,114.42	

Investments - In general, SDCL 4-5-6 and 11-7-31 permits funds of the Commission to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safe-keeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

The Commission had no investments during 2012.

Certificates of deposit, with a term to maturity of greater than 3 months when purchased, are insured or collateralized and are considered deposits.

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

Interest Rate Risk - The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk - The Commission places no limit on the amount that may be deposited/invested in any one institution.

Custodial Risk - The risk that, in the event of a depository failure, the Commission's deposits may not be returned to it. At December 31, 2012, the Commission's deposits in financial institutions were not exposed to custodial credit risks because all deposits were FDIC insured.

3. OPERATING LEASE

The Commission leased office space for the 2012 year for a minimum yearly lease payment of \$6,660.

4. RECEIVABLE AND PAYABLES

Receivables and payables are not aggregated in the financial statements. The Commission expects to collect all receivables within one year. Allowance for doubtful accounts is not material to these financial statements.

At December 31, 2012 the Commission had an accounts receivable from HUD of \$6,387 for under funding the moderate rehabilitation program Housing Assistance Payments (HAP).

5. PREPAID EXPENSES

At December 31, 2012 the Commission's prepaid expenses of \$510 were for prepaid insurance of \$135 and a rent deposit of \$375.

6. LIABILITIES

At December 31, 2012 liabilities consist of the following:

FSS escrow deposits	\$ 42,362
FSS expense donation deposits	4,452
FSS homebuyer maintenance reserve	25,610

	\$ 72,424
Accounts payable due vendors	4,338

	\$ 76,762

The Commission has no debt or no conduit debt.

7. INTERPROGRAM BALANCES

The Moderate Rehabilitation program does not have its own cash account. Consequently, all of its receipts and disbursements are processed through the Housing Choice Voucher program using a revolving account.

8. CHANGES IN CAPITAL ASSETS

Changes in capital assets for the one-year ending December 31, 2011 are:

	12-31-2011	Additions	Deletions	12-31-2012
Equipment	22,920	2,800	(6,015)	19,705
Accum depr	(22,239)	(789)	6,015	(17,013)
	=====	=====	=====	=====
	681	2,011	0	2,692

9. PRE-2004 EARNINGS

HUD guidelines allow pre-2004 earnings to be donated to community organizations. Earnings from 2004 and after cannot be donated to community organizations. Pre-2004 earnings are shown as unassigned fund balance in the fund financial statement's balance sheet.

In 2012 pre-2004 earnings were used as follows:

December 31, 2011	19,716
Interest earnings	19

December 31, 2012	19,735
	=====

10. FAMILY SELF-SUFFICIENCY (FSS) PROGRAM

The Family Self-Sufficiency Program is accounted for within the housing choice voucher program (CFDA 14.871) as a current liability. A recap of the Family Self-Sufficiency Program activity is as follows:

	Checking (donations) (for client expenses)	Savings (HUD subsidy) (escrow for client contract)
HUD's HAP match to:		
Clients' escrow		40,943.00
Homebuyers' maintenance accounts		5,363.00
Return of clients' escrow to Commission (absorption)		(5,081.08)
Private donations	1,376.60	
Interest earned	2.20	50.08
Client disbursements	(759.59)	(12,254.73)
	-----	-----
Net change in cash	619.21	29,020.27
Cash: December 31, 2011	3,832.53	38,952.13
	-----	-----
Cash: December 31, 2012	4,451.74	67,972.40
	=====	=====

The expense cash is for the Commission to disburse to FSS clients as it sees a need. Escrow cash, based on HUD guidelines, is given to clients after they have fulfilled a five year contract and reached individually established goals. If the client doesn't fulfill their contract, the money is not given to them. Instead the money is "absorbed" and returned to HUD.

11. ECONOMIC DEPENDENCY

The Commission receives grants from the Department of Housing and Urban Development (HUD). These grants represent 99% of total revenues for the year ending December 31, 2012.

12. COMMITMENTS AND CONTINGENCIES

Litigation: At December 31, 2012 the Commission was not involved in any threatened litigation.

Examinations: The Commission is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing grants given to the Commission in the current and prior years. There were no examinations during the year ended December 31, 2012.

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

Risk Management: The Commission is exposed to various risks of losses related to torts, theft of and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission carries commercial insurance coverage for these risks to the extent deemed prudent by the Commission's management. No claims have been made upon the Commission.

The Commission does not carry worker's compensation insurance, unemployment insurance or employee health insurance because all employees are the responsibility of RAM Enterprises, Inc. of Aberdeen, South Dakota.

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
 A COMPONENT UNIT OF BROOKINGS COUNTY, SOUTH DAKOTA
 BROOKINGS, SOUTH DAKOTA

Project Number: Vouchers - SD056VO
 Project Number: Moderate Rehabilitation - SD056MR
 PHA Code: SD056

SCHEDULE OF PROGRAM BALANCES
 AS OF DECEMBER 31, 2012

ASSETS	Housing Choice Vouchers Program	Moderate Rehabilitatio: Program	Totals
Current assets:			
Unrestricted cash:			
Checking	732.96		732.96
Checking - FSS expense	4,451.74		4,451.74
Savings and CDs	102,376.30		102,376.30
Restricted cash:			
Savings and CDs - Excess HAP	7,142.02		7,142.02
Savings - FSS escrow	42,362.12		42,362.12
Savings - FSS mortgage maintenance reserve	25,610.28		25,610.28
Accounts receivable:			
Tenants	1,643.10		1,643.10
HUD	0.00	6,386.53	6,386.53
Miscellaneous	1,919.94		1,919.94
Accrued interest	21.07		21.07
Prepaid insurance	135.07		135.07
Deposit	375.00		375.00
Interprogram balances	(7,357.40)	7,357.40	0.00
Total assets	179,412.20	13,743.93	193,156.13
LIABILITIES			
Current liabilities:			
Accounts payable	4,338.05		4,338.05
Family-self sufficiency (FSS):			
Escrow	42,362.12		42,362.12
Expense	4,451.74		4,451.74
Total current liabilities	51,151.91	0.00	51,151.91
Noncurrent liabilities:			
FSS mortgage maintenance reserve	25,610.28		25,610.28
Total liabilities	76,762.19	0.00	76,762.19
Program balance:			
Nonspendable	0.00		0.00
Restricted - Excess HAP	7,142.02		7,142.02
Restricted - Post-2003 earnings	75,773.21	13,743.93	89,517.14
Committed	0.00		0.00
Assigned	0.00		0.00
Unassigned - Pre-2004 earnings	19,734.78		19,734.78
Total program balance	102,650.01	13,743.93	116,393.94
Total liabilities and program balance	179,412.20	13,743.93	193,156.13

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF BROOKINGS COUNTY, SOUTH DAKOTA
BROOKINGS, SOUTH DAKOTA

Project Number: Vouchers - SD056VO
Project Number: Moderate Rehabilitation - SD056MR
PHA Code: SD056

SCHEDULE OF PROGRAM REVENUES, EXPENDITURES, AND
CHANGES IN PROGRAM BALANCES
FOR THE YEAR ENDING DECEMBER 31, 2012

	Housing Choice Vouchers Program	Moderate Rehabilitatio: Program	Total
	-----	-----	-----
Revenue:			
Intergovernmental revenue:			
HUD operating grants:			
Section 8 administration	141,884.00	9,795.92	151,679.92
HAP programs	738,635.00	53,804.61	792,439.61
FSS program	37,823.00		37,823.00
FSS program - absorption	5,081.08		5,081.08
Miscellaneous revenue:			
Interest earned - HUD (restricted)	182.00	40.00	222.00
Interest earned	101.02	14.00	115.02
Fraud recovery	2,294.58	200.00	2,494.58
Other	24.00		24.00
Total revenue	926,024.68	63,854.53	989,879.21
	-----	-----	-----
Expenditures:			
Health and welfare:			
Housing assistance payments	1,038,623.00	53,944.61	1,092,567.61
Family self-sufficiency payments	40,943.00		40,943.00
Administrative	123,135.71	8,983.72	132,119.43
Tenant services	37,823.00		37,823.00
General expenses	11,328.40	140.00	11,468.40
Capital outlay	2,800.00		2,800.00
Total expenditures	1,254,653.11	63,068.33	1,317,721.44
	-----	-----	-----
Excess of revenues over (under) expenditures	(328,628.43)	786.20	(327,842.23)
	-----	-----	-----
Other financing sources (uses):			
None			0.00
	-----	-----	-----
Net change in program balance	(328,628.43)	786.20	(327,842.23)
	-----	-----	-----
Program balance:			
January 1, 2012	431,278.44	12,957.73	444,236.17
December 31, 2012	102,650.01	13,743.93	116,393.94
	=====	=====	=====

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF BROOKINGS COUNTY, SOUTH DAKOTA
BROOKINGS, SOUTH DAKOTA

Project Number: Vouchers - SD056VO
Project Number: Moderate Rehabilitation - SD056MR
PHA Code: SD056

COMBINING SCHEDULE OF NET POSITION OF ALL HOUSING CHOICE
VOUCHERS PROGRAMS ADMINISTERED BY THE BROOKINGS COUNTY
HOUSING AND REDEVELOPMENT COMMISSION
AS OF DECEMBER 31, 2012

	Total	Brookings County General Fund (1) (2)	Deuel County Agency Fund	Hamlin County Agency Fund	Kingsbury County Agency Fund	Moody County Agency Fund
ASSETS						
Current assets:						
Unrestricted cash:						
Checking	732.96	732.96	0.00	0.00	0.00	0.00
Checking - FSS expense	4,451.74	4,451.74				
Savings and CDs	102,376.30	102,376.30				
Restricted cash:						
Savings and CDs - Excess HAP	7,142.02	7,142.02				
Savings - FSS escrow	42,362.12	42,362.12				
Savings - FSS mortgage maint :	25,610.28	25,610.28				
Accounts receivable:						
Tenants	1,643.10	1,643.10				
HUD	6,386.53	6,386.53				
Miscellaneous	1,919.94	1,919.94				
Accrued interest	21.07	21.07				
Prepaid insurance	135.07	135.07				
Deposit	375.00	375.00				
Total current assets	193,156.13	193,156.13	0.00	0.00	0.00	0.00
Noncurrent assets:						
Capital assets:						
Equipment - administration	19,704.63	19,704.63				
Accumulated depreciation	(17,012.63)	(17,012.63)				
Total noncurrent assets	2,692.00	2,692.00	0.00	0.00	0.00	0.00
Total assets	195,848.13	195,848.13	0.00	0.00	0.00	0.00
LIABILITIES						
Current liabilities:						
Accounts payable	4,338.05	4,338.05				
Accounts payable - HUD	0.00	0.00				
Family-self sufficiency program:						
Escrow	42,362.12	42,362.12				
Expense	4,451.74	4,451.74				
Total current liabilities	51,151.91	51,151.91	0.00	0.00	0.00	0.00
Noncurrent liabilities:						
FSS mortgage maintenance res	25,610.28	25,610.28				
Total liabilities	76,762.19	76,762.19	0.00	0.00	0.00	0.00
NET POSITION						
Net invested in capital assets	2,692.00	2,692.00				
Restricted - Excess HAP	7,142.02	7,142.02				
Restricted, post-2003 earnings	89,517.14	89,517.14	0.00	0.00	0.00	0.00
Unrestricted, pre-2004 earnings	19,734.78	19,734.78				
Total net position	119,085.94	119,085.94	0.00	0.00	0.00	0.00

(1) Includes portability

(2) Includes Moderate Rehabilitation program

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
 A COMPONENT UNIT OF BROOKINGS COUNTY, SOUTH DAKOTA
 BROOKINGS, SOUTH DAKOTA

Project Number: Vouchers - SD056VO
 Project Number: Moderate Rehabilitation - SD056MR
 PHA Code: SD056

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN NET POSITION OF ALL HOUSING CHOICE VOUCHERS PROGRAMS
 ADMINISTERED BY THE BROOKINGS COUNTY HOUSING AND
 REDEVELOPMENT COMMISSION
 FOR THE YEAR ENDING DECEMBER 31, 2012

	Total	Brookings County General Fund (1) (2)	Deuel County Agency Fund	Hamlin County Agency Fund	Kingsbury County Agency Fund	Moody County Agency Fund
Revenue:						
Intergovernmental revenue:						
HUD operating grants:						
Section 8 administration	151,679.92	151,679.92				
HAP programs	941,317.61	792,439.61	36,952.00	24,015.00	52,647.00	35,264.00
FSS program	37,823.00	37,823.00				
FSS program - absorption	5,081.08	5,081.08				
Miscellaneous revenue:						
Interest earned - HUD	222.00	222.00				
Interest earned	115.02	115.02				
Fraud recovery	2,494.58	2,494.58				
Other	24.00	24.00				
Total revenue	1,138,757.21	989,879.21	36,952.00	24,015.00	52,647.00	35,264.00
Expenditures:						
Health and welfare:						
Housing assistance payments	1,241,445.61	1,092,567.61	36,952.00	24,015.00	52,647.00	35,264.00
Family self-sufficiency pymts	40,943.00	40,943.00				
Administrative	132,119.43	132,119.43				
Tenant services	37,823.00	37,823.00				
General expenses	11,468.40	11,468.40				
Depreciation	789.31	789.31				
Total expenditures	1,464,588.75	1,315,710.75	36,952.00	24,015.00	52,647.00	35,264.00
Excess of revenues over (under) expenditures	(325,831.54)	(325,831.54)	0.00	0.00	0.00	0.00
Other financing sources (uses):						
None	0.00					
Change in net position	(325,831.54)	(325,831.54)	0.00	0.00	0.00	0.00
Net position:						
January 1, 2012	444,917.48	444,917.48	0.00	0.00	0.00	0.00
December 31, 2012	119,085.94	119,085.94	0.00	0.00	0.00	0.00

(1) Includes portability

(2) Includes Moderate Rehabilitation program

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
 A COMPONENT UNIT OF BROOKINGS COUNTY, SOUTH DAKOTA
 DECEMBER 31, 2012

As referenced in auditor's
 opinion on page 2.

Project Number: Vouchers - SD056VO
 Project Number: Moderate Rehabilitation - SD056MR
 PHA Code: SD056

Financial Data Schedule (FDS) For the One Year Ending December 31, 2012 Required by the Dept. of Housing and Urban Development (HUD)		Financial Data Schedule		
		Per audited schedule on page 25 ## 12-31-12	Reclass	Housing Choice Vouchers CFDA # 14.871 12-31-12
Line Item #				
ASSETS				
Current assets:				
111	Cash - unrestricted	107,562		107,562
113	Cash - other restricted	49,504		49,504
122	Accts Rec - HUD	6,387		6,387
125	Accts Rec - miscellaneous	1,920		1,920
126	Accts Rec - tenants	1,643		1,643
129	Accts Rec - accrued interest	21		21
132	Investments - restricted	25,610		25,610
142	Prepaid expenses and other assets	510		510
144	Interprogram due from	0	(7,357)	7,357
150	Total current assets:	193,157	(7,357)	186,770
Noncurrent assets:				
164	Furniture, equipment - administration	19,705		19,705
166	Accumulated depreciation	(17,013)		(17,013)
160	Total non-current assets:	2,692	0	2,692
190	Total assets	195,849	(7,357)	189,462
LIABILITIES				
Current liabilities:				
312	Accounts payable	4,339		4,339
345	Other current liabilities	46,814	4,452	42,362
347	Interprogram due to	0	(7,357)	7,357
310	Total current liabilities	51,153	(2,905)	54,058
Noncurrent liabilities:				
353	Other	25,610	(4,452)	30,062
300	Total liabilities	76,763	(7,357)	84,120
NET POSITION				
508.1	Net invested in capital assets	2,692		2,692
511.1	Restricted net assets (excess HAP)	7,142		7,142
511.1	Restricted net assets - Post-2003	89,517	89,517	0
512.1	Unrestricted net assets - Pre-2004	19,735	(89,517)	95,508
513	Total net position	119,086	0	105,342
Total liabilities and net position		195,849	(7,357)	189,462

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
 A COMPONENT UNIT OF BROOKINGS COUNTY, SOUTH DAKOTA
 DECEMBER 31, 2012

Financial Data Schedule (FDS)
 For the One Year Ending December 31, 2012
 Required by the Dept. of Housing
 and Urban Development

As referenced in auditor's
 opinion on page 2.

Financial Data Schedule

Line Item #		Per audited schedule on page 26 ## 12-31-12	Reclass	Housing Choice Vouchers CFDA # 14.871 12-31-12	Section 8 MOD Rehab. CFDA # 14.856 12-31-12
REVENUE					
70600	HUD PHA operating grants	1,130,821		1,067,220	63,601
71100	Investment income - unrestricted	116		102	14
71400	Fraud recovery	2,494		2,294	200
71500	Other revenue - FSS absorption	5,081	5,081		
71500	Other revenue	24	(5,081)	5,105	
72000	Investment income - restricted	222		182	40
700	Total revenue	1,138,758	0	1,074,903	63,855
EXPENSES					
Expenses - administrative:					
91200	Auditing fee	3,350		2,826	524
91300	Management fee	112,413		104,771	7,642
91600	Office expenses	16,357		15,539	818
Expenses - tenant services:					
92100	Salaries	37,823		37,823	
Expenses - general:					
96120	Liability insurance	2,077		1,949	128
96140	All other insurance	232		220	12
96200	Other general expenses	9,160		9,160	
Other expenses:					
97300	Housing Assistance Payments (HAP)	1,282,389		1,228,444	53,945
97400	Depreciation	789		789	
900	Total expenses	1,464,590	0	1,401,521	63,069
Other financing sources (uses):					
	None	0			
1010	Total other financing sources (uses):	0	0	0	0
1000	Change in net position	(325,832)	0	(326,618)	786
NET POSITION					
11030	Beginning	444,918		431,960	12,958
	Ending	119,086	0	105,342	13,744

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
 A COMPONENT UNIT OF BROOKINGS COUNTY, SOUTH DAKOTA
 BROOKINGS, SOUTH DAKOTA

Project Number: Vouchers - SD056VO
 Project Number: Moderate Rehabilitation - SD056MR
 PHA Code: SD056

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDING DECEMBER 31, 2012

	Federal CFDA Number	2012 Expenditures
Direct Federal Programs:		
U.S. Department of Housing and Urban Development:		
Lower Income Housing Assistance Program (Note 2) Section 8 - Moderate Rehabilitation PHA Code: SD056MR	14.856	63,601
Housing Choice Vouchers (Note 4) PHA Code: SD056VO	14.871	1,067,220 -----
Total Federal Awards		1,130,821 =====

Note 1:
 The above Schedule of Expenditures of Federal Awards includes the federal grant activity of the Brookings County Housing and Redevelopment Commission (HRC). It also includes federal grant activity administered by Brookings County HRC for Deuel, Hamlin, Kingsbury, and Moody Counties HRCs. It is presented on the full accrual basis of accounting. The information is presented in accordance with the requirements of OMB Circular A-133, "Audit of States, Local Governments, and Non-Profit Organizations".

Note 2:
 This program is part of the Section 8 Project-Based Cluster.

Note 3:
 Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent grants received rather than federal expenditures.

Note 4:
 This is a major program.

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

Board of Commissioners
Brookings County Housing & Redevelopment Commission
Brookings, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities, the major fund, and the aggregate remaining fund information of the Brookings County Housing & Redevelopment Commission (Commission), the component unit of Brookings County, South Dakota, as of December 31, 2012, and for the one year then ended, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued my report thereon dated September 12, 2013, which was unmodified.

Compliance and Other Matters

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

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

Internal Control Over Financial Reporting

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

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

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

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

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of Brookings County Housing & Redevelopment Commission in a separate Letter of Comments dated September 12, 2013.

Purpose of the Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's compliance and internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

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

September 12, 2013



REPORT ON
COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Brookings County Housing and Redevelopment Commission
Brookings, South Dakota

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program

I have audited Brookings County Housing and Redevelopment Commission's (Commission), a component unit of Brookings County, South Dakota, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement*, that that could have a direct and material effect on the Commission's major federal program for the year ended December 31, 2012.

The Commission's major federal program is identified in the summary of auditor's results section in the accompanying schedule of current audit findings and questioned cost (page 34).

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance on the Commission's major federal program based on my audit of the types of compliance requirements referred to above.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on a major federal program, occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on the Commission's compliance with its major federal program requirements. However, my audit does not provide a legal determination on the Commission's compliance with those requirements.

Opinion on the Commission's Major Federal Program

In my opinion the Brookings County Housing and Redevelopment Commission, Brookings County, South Dakota, complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on the Commission's major federal program for the one year ended December 31, 2012.

Report on Internal Control over Compliance

Management of the Brookings County Housing and Redevelopment Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs. In planning and performing my audit of compliance, I considered the Commission's internal control over compliance with types of requirements that could have a direct and material effect on a major federal program to determine auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance with the Commission's major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency* in internal control over compliance is a deficiency, or 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.

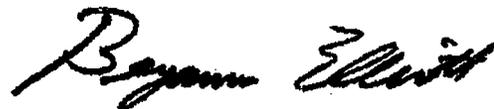
My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. I did not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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

However, as required by South Dakota Codified Law 4-11-11, this report and my report on compliance for each major federal program are matters of public record and their distribution is not limited.

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



September 12, 2013

BROOKINGS COUNTY HOUSING & REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF BROOKINGS COUNTY, SOUTH DAKOTA
DECEMBER 31, 2012

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Prior Federal Compliance Audit Findings:

There were no prior year federal compliance audit findings.

Prior Other Audit Findings:

There were no prior year other audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

A. Summary of Independent Auditor's Results:

Financial Statements:

Type of auditor's report issued:	Unqualified on: Governmental Activities Major Fund Aggregate Remaining Fund
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Material noncompliance noted:	None Reported
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Internal control over financial reporting: * Material weakness(es) identified.	None Reported
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* Significant deficiency(ies) identified that are not considered to be material weaknesses.	None Reported
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Federal Awards:

Type of auditor's report issued on compliance for major programs:	Unqualified
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Internal control over major programs: * Material weakness(es) identified.	None Reported
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* Significant deficiency(ies) identified that are not considered to be material weaknesses.	None Reported
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Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133.	No
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Identification of major programs:

Dept. of Housing and Urban Development:
CFDA No. 14.871 Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and Type B federal award programs.	\$300,000
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Does the Brookings County Housing and Redevelopment Commission qualify as a low-risk auditee?	Yes
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B. Current Federal Compliance Audit Findings:

There are no written current federal audit findings to report.

C. Current Other Audit Findings:

There are no written current other audit findings to report.