

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2016

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
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YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Brookings County Housing and Redevelopment Commission (the Commission), a component unit of Brookings County, South Dakota, as of and for the year ended December 31, 2016, 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 an opinion on these financial statements based on our audit. We conducted our 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 we 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Brookings County Housing and Redevelopment Commission, a component unit of Brookings County, South Dakota, as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our 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 expenditures of federal awards, 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* and the financial data schedule as required by Uniform Financial Reporting Standards issued by the Department of Housing and Urban Development are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information including the schedule of expenditures of federal awards, financial data schedule and combining financial statements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2017 on our consideration of the Brookings County Housing and Redevelopment Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Brookings County Housing and Redevelopment Commission's internal control over financial reporting and compliance.



Johnson, Mattson, Smail & Cavanaugh, PLLC
St. Louis Park, Minnesota
August 29, 2017

**BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

The Brookings County Housing and Redevelopment Commission (the Commission) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Commission's financial activity, (c) identify changes in the Commission's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Commission's financial statements.

FINANCIAL HIGHLIGHTS

- The Commission's net position increased by \$38,538 (or 34.8%) during 2016. Since the Commission engages only in business-type activities, the increase is all in the category of business-type net position. Net position was \$149,207 and \$110,669 for 2016 and 2015, respectively.
- The operating revenue increased by \$215,780 (or 15.8%) during 2016 and was \$1,577,833 and \$1,362,053 for 2016 and 2015, respectively.
- The total operating expenses of all Commission programs increased by \$172,470 (or 12.6%). Total operating expenses were \$1,539,897 and \$1,367,427 for 2016 and 2015, respectively.
- The net nonoperating revenues (expenses) increased by \$439 during 2016 and was \$513 and \$74 for 2016 and 2015, respectively.

**BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business. The Commission consists of exclusively enterprise funds, which use full accrual basis of accounting. All the Commission's activities are reported as a single enterprise fund. This method of accounting is similar to accounting utilized by the private sector accounting.

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Commission. The Statement of Net position presents financial information on all of the assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities and deferred inflows/outflows of resources, for the entire Commission. Net Position is reported in three broad categories:

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets, 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: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of Net Position that do not meet the definition of "Net Investment in in Capital Assets", or "Restricted Net Position".

The basic financial statements also include a *Statement of Revenues, Expenses and Changes in Net Position* (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income and operating grants, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Finally, a *Statement of Cash Flows* is included, which discloses net cash provided by or used for operating activities, non-capital financing activities, from capital and related financing activities, and investing activities.

Many of the programs maintained by the Commission are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

**BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

BASIC FINANCIAL STATEMENTS

Statement of Net Position

The following table reflects the condensed Statement of Net Position as of December 31, 2016 and 2015.

**TABLE 1
STATEMENT OF NET POSITION**

	2016	2015	Dollar Change	Percent Change
Current and Other Assets	\$ 333,989	\$ 220,739	\$ 113,250	51.3%
Capital Assets	2,324	1,862	462	24.8%
Total Assets	<u>336,313</u>	<u>222,601</u>	<u>113,712</u>	51.1%
Current Liabilities	143,805	33,651	110,154	327.3%
Noncurrent Liabilities	43,301	78,281	(34,980)	-44.7%
Total Liabilities	<u>187,106</u>	<u>111,932</u>	<u>75,174</u>	67.2%
Net Position				
Net Investment in Capital Assets	2,324	1,862	462	24.8%
Restricted	35,383	4,446	30,937	695.8%
Unrestricted	111,500	104,361	7,139	6.8%
Total Net Position	<u>\$ 149,207</u>	<u>\$ 110,669</u>	<u>\$ 38,538</u>	34.8%

For more detailed information, see the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

- Current and other assets increased by \$113,250, current liabilities increased by \$110,154.
- There are sufficient current assets (primarily cash and investments) to extinguish the current liabilities.
- Major increase in current assets and current liabilities is due to timing of receipt on 2017 payments received in December.

**BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

Statement of Revenues, Expenses and Changes in Net Position

The following table reflects the Changes in Net Position for the year ended December 31, 2016 and 2015.

**TABLE 2
CHANGES IN NET POSITION**

	2016	2015	Dollar Change	Percent Change
Revenues				
Operating Grants	1,575,525	1,358,010	217,515	16.0%
Other Revenue	2,308	4,043	(1,735)	-42.9%
Total Operating Revenue	<u>1,577,833</u>	<u>1,362,053</u>	<u>215,780</u>	15.8%
Operating Expenses				
Administration	158,184	137,085	21,099	15.4%
Tenant Services	37,823	37,508	315	0.8%
General Expense	9,471	7,237	2,234	30.9%
Housing Assistance Payments	1,333,421	1,184,745	148,676	12.5%
Depreciation	998	852	146	17.1%
Total Operating Expenses	<u>1,539,897</u>	<u>1,367,427</u>	<u>172,470</u>	12.6%
Operating Income (Loss)	<u>37,936</u>	<u>(5,374)</u>	<u>43,310</u>	805.9%
Nonoperating Revenue (Expenses)				
Interest Income	513	74	439	
Net Nonoperating Revenues (Expenses)	<u>513</u>	<u>74</u>	<u>439</u>	
Change In Net Position	38,449	(5,300)	43,749	
Net Position - Beginning	110,669	115,569	(4,900)	
Prior Period Adjustment	89	400	(311)	
Net Position-Ending	<u>\$ 149,207</u>	<u>\$ 110,669</u>	<u>\$ 38,538</u>	34.8%

Major Factors Affecting the Statement of Revenues, Expenses and Changes in Net Position

- Operating Grants and Housing assistance payments increased due to an increase in Housing Choice Voucher program enrollees and an increase in the average assistance amount.
- Administration expenses increased due to an increase in the number of enrollees in the programs.

**BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end the Commission had \$2,324 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation) of \$462 from the end of last year. This increase is due to the acquisition of furniture and equipment for the Housing Choice Vouchers Program.

**TABLE 3
CAPITAL ASSETS AT YEAR END**

	2016	2015
Depreciable Assets		
Furniture, Equipment and Machinery	\$ 21,356	\$ 19,896
Accumulated Depreciation, Net	(19,032)	(18,034)
Net Capital Assets	\$ 2,324	\$ 1,862

The following reconciliation summarizes the change in capital assets, which is presented in the detail in the notes.

**TABLE 4
CHANGE IN CAPITAL ASSETS**

Balance on 12/31/2015	\$	1,862
Increases		1,460
Decreases		-
Accumulated Depreciation, Net		(998)
Balance on 12/31/2016	\$	2,324

Debt Outstanding

As of December 31, 2016, the Commission has no outstanding debt.

**BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

ECONOMIC FACTORS

Significant economic factors affecting the Commission areas as follows:

- Federal funding of the Department of Housing and Urban Development.
- 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.

FINANCIAL CONTACT

This financial report is designed to provide a general overview of the Commission's finances and to demonstrate the Commission's accountability. If you have any questions regarding this report or need additional information, please contact the Brookings County Housing and Redevelopment Commission's Contracting Officer, Arlo Smith at PO Box 432, Brookings, South Dakota 57006 or call (605) 229-0180 or by e-mail at arlo@ramentinc.com.

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2016

ASSETS

Current Assets

Cash and Cash Equivalents	\$	21,278
Cash and Cash Equivalents - Restricted		78,684
Accounts Receivable - Other, Net		12,429
Investments - Unrestricted		191,679
Investments - Restricted		27,364
Prepaid Expenses and Other Assets		2,555
Total Current Assets		333,989

Noncurrent Assets

Capital Assets

Furniture, Equipment & Machinery		21,356
Accumulated Depreciation		(19,032)
Total Capital Assets, Net		2,324
Total Assets		336,313

LIABILITIES

Current Liabilities

Unearned Revenue		116,410
Other Liabilities		27,395
Total Current Liabilities		143,805

Noncurrent Liabilities

Other Noncurrent Liabilities		43,301
Total Noncurrent Liabilities		43,301
Total Liabilities		187,106

NET POSITION

Net Investment in Capital Assets		2,324
Restricted		35,383
Unrestricted		111,500
Total Net Position	\$	149,207

**BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2016**

OPERATING REVENUES

HUD PHA Operating Grants	1,575,525
Fraud Recovery	1,340
Other Revenue	968
Total Operating Revenues	<u>1,577,833</u>

OPERATING EXPENSES

Administrative	158,184
Tenant Services	37,823
Insurance Premiums	2,204
General Expenses	7,267
Housing Assistance Payments	1,333,421
Depreciation Expense	998
Total Operating Expenses	<u>1,539,897</u>

OPERATING INCOME (LOSS)

37,936

NONOPERATING REVENUES (EXPENSES)

Investment Income - Unrestricted	513
Total Nonoperating Revenues (Expenses)	<u>513</u>

CHANGE IN NET POSITON

38,449

Net Position - Beginning of Year 110,669

Prior Period Adjustments 89

NET POSITION - END OF YEAR

\$ 149,207

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Rent	\$ 117,532
Operating Subsidies - HUD	1,592,136
Cash Received from Other Sources	2,663
Cash Paid to Other Suppliers of Goods or Services	(1,544,349)
Cash Payments to Employees for Services	(37,823)
Net Cash Provided (Used) by Operating Activities	<u>130,159</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	<u>(1,460)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,460)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>513</u>
Net Cash Provided by Investing Activities	513
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
	129,212
Cash and Cash Equivalents - Beginning of Year	<u>189,793</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 319,005</u></u>
 RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION	
Cash and Cash Equivalents	\$ 212,957
Restricted Assets - Cash and Investments	<u>106,048</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 319,005</u></u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 37,936
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	998
(Increase) Decrease in Assets:	
Accounts Receivable	18,088
Prepayments	(2,126)
Increase (Decrease) in Liabilities:	
Accounts Payable	(19,041)
Unearned Revenue	116,410
Accrued Expenses	(22,106)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 130,159</u></u>

**BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The accompanying financial statements of the Brookings County Housing and Redevelopment Commission (the Commission), a component unit of Brookings County, South Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Financial Reporting Entity

The Commission was created for the purpose of providing housing and redevelopment services to the local area. The Commission's primary operations are the administration of housing assistance programs for low-income residents. The governing body consists of a five-member board of commissioners appointed by the county board.

The Commission 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.

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Commission for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

- the organization is legally separate (can sue and be sued in their own name)
- the Commission holds the corporate powers of the organization
- the Commission appoints a voting majority of the organization's board
- the Commission is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Commission
- there is fiscal dependency by the organization on the Commission

Based on the previous criteria, the Commission has determined that there are no component units that should be considered as part of the Commission reporting entity.

Basis of Presentation

The Commission's accounts are organized as a proprietary (enterprise) fund. The operations are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. Enterprise funds are used to account for operations that provide a service to the public financed by charges to users of that service and activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fund Financial Statements

The Commission segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. All programs have been combined into one enterprise fund for financial statement presentation. The Commission has presented the following major proprietary funds:

**BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (cont.)

Housing Choice Vouchers Program

This program records the receipt of HUD grants and the subsequent payment to landlords of Housing Assistance Payments along with the other related expenses.

Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation

This program records the activity to provide housing assistance payments to participating owners on behalf of eligible low- and very-low income tenants. Housing assistance payments are used to make up the difference between the approved rent due to the owner for the dwelling unit and the occupant family's required contribution toward rent.

PIH Family Self-Sufficiency Program

This program records the activity to provide payment for the annual salary and fringe benefits of FSS program coordinators. The FSS program enables families assisted through the Housing Choice Voucher (HCV) and Public Housing (PH) programs to increase their earned income and reduce their dependency on social services and rental subsidies.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. According to the Commission's policy, governmental operating grants are considered operating revenues. The other principal operating revenues of the Commission are rent and maintenance charges to residents and operating fees earned. Operating expenses for proprietary funds include the administrative costs of providing the service. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenues susceptible to accrual include rental income and capital grants earned but not received. Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenue is recognized when the corresponding expenditure is incurred. The Commission also receives an annual appropriation from HUD, which is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period.

Investment earnings and revenue from other sources are recognized when earned.

**BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budget Information

The Commission adopts an estimated revenue and expenditure budget for each fund. Comparisons of estimated revenues and budgeted expenditures to actual are not presented in the financial statements. Amendments to the original budget require board approval. Appropriations lapse at year end. The Commission does not use encumbrance accounting.

Assets, Liabilities, and Net Position Accounts

1. **Assets**

Cash and Cash Equivalents

All checking, savings, certificates of deposit and cash on hand are included in cash for the cash flow statement. Cash equivalents are considered to be short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less.

Investments

Investments are stated at fair value, except for nonnegotiable certificates of deposit, which are on a cost basis, and short-term money market investments, which are stated at amortized cost. The fair value of investments is based on quoted market prices. Short-term investments are valued at cost, which approximates fair value.

Receivables

Accounts receivable have been adjusted for all known uncollectible accounts.

Prepaid Items

Certain payments made for insurance reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by grantors and other external parties.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of each fund involved.

Capital Assets

Capital assets, which includes property, buildings, furniture and equipment, are reported in the applicable business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Capital assets are depreciated using the straight line method over the estimated useful lives of the individual assets, which range from three to forty years.

Furniture, Equipment and Machinery

5 years

**BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Liabilities

All liabilities are recorded as incurred in the appropriate fund.

3. Unearned Revenue

The Commission reports prepaid revenues on its statement of net position. Prepaid revenues arise when resources are received by the Commission before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Commission has a legal claim to the resources, the liability for prepaid revenue is removed from the statement of net position and the revenue is recognized.

4. Compensated Absences

The Commission has no employees. The Commission's staffing is contracted through a management company.

5. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted are amounts that do not meet the definition of restricted or net investment in capital assets.

6. Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The Commission's cash and investments at year end were comprised of the following:

	Carrying Amount	Bank Balance
Demand and time deposits	\$ 99,962	\$ 116,488
Investments (Certificates of Deposit)	219,043	219,043
Total Cash and Investments	\$ 319,005	\$ 335,531
Reconciliation to financial statements		
Per statement of net position		
Unrestricted cash and investments	\$ 212,957	
Restricted cash and investments	106,048	
Total Cash and Investments	\$ 319,005	

**BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Deposits

The Commission had bank deposits at four financial institutions as of December 31, 2016. The Commission's 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 the 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.

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the Commission's deposits may not be returned to the Commission. As of December 31, 2016, the Commission's deposits were not exposed to custodial credit risk.

Investments

As stated in SDCL 11-7-31 , a commission shall have power to invest any funds held in reserves or debt service funds, or any funds not required for immediate disbursement, in property or securities in which savings banks may legally invest funds subject to their control. In general, SDCL 4-5-6 permits housing authority 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 full 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.

As of and during the year ended December 31, 2016, the Commission did not own any investments that required disclosure regarding interest rate risk, credit risk, custodial credit risk, or concentration of credit risk.

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets; Level 2 investments are valued using inputs that are based on quoted prices for singular assets or inputs that are observable, either directly or indirectly; Level 3 investments are valued using inputs that are unobservable.

Investment Type	12/31/2016	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investment at Fair Value:				
Certificates of Deposit	\$ 219,043	\$ 219,043	\$ -	\$ -

**BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 3 - RESTRICTED ASSETS

Housing Assistance Payments

The Commission maintains restricted cash in the amount of housing assistance payments equity as required by the grantor. As of December 31, 2016, the restricted cash was \$35,383.

Other Restricted Assets

The Commission held \$27,364 for the Family Self-Sufficiency (FSS) Escrow Program. The Commission held \$35,671 in a maintenance reserve for FSS home ownership clients that are using the Housing Choice Voucher program to help purchase a home. The Commission held \$7,630 for the FSS donation fund reserve.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
<u>Capital Assets Being Depreciated</u>				
Equipment and Other	\$ 19,896	\$ 1,460	\$ -	\$ 21,356
Total Capital Assets Being Depreciated	19,896	1,460	-	21,356
Accumulated Depreciation	(18,034)	(998)	-	(19,032)
Total Capital Assets Being Depreciated, Net	1,862	462	-	2,324
Total Capital Assets, Net	<u>\$ 1,862</u>	<u>\$ 462</u>	<u>\$ -</u>	<u>\$ 2,324</u>

Depreciation expense was charged to functions/programs of the Commission as follows:

Housing Choice Vouchers	\$ 998
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The Commission leased office space for the 2016 fiscal year, for a minimum yearly lease payment of \$6,600.

NOTE 5 - LIABILITIES

Liabilities at year end consisted of the following:

	<u>2016</u>
<u>Current Liabilities</u>	
Unearned Revenue	116,410
Other Current Liabilities	27,395
Total Current Liabilities	<u>143,805</u>
<u>Noncurrent Liabilities</u>	
Noncurrent Liabilities - Other	43,301
Total Noncurrent Liabilities	<u>43,301</u>
Total Liabilities	<u>\$ 187,106</u>

**BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2016**

NOTE 6 - PRIOR PERIOD ADJUSTMENTS AND NET POSITION

Prior Period Adjustments

Change due to accrued interest change.	\$	89
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Net Position

Fund net position balances are classified as follows:

Net Investment in Capital Assets	\$	2,324
Restricted for Housing Assistance Payments		35,383
Unrestricted		111,500
Total Net Position	<u>\$</u>	<u>149,207</u>

NOTE 7 - RISK MANAGEMENT

The Commission is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; workers' compensation claims; and natural disasters. Property and casualty and worker's compensation liabilities are insured. The Commission retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the general purpose financial statements.

NOTE 8 - COMMITMENTS

The Commission has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

NOTE 9 - ECONOMIC DEPENDENCY

The Commission is economically dependent on annual contributions and grants from the U.S. Department of Housing and Urban Development (HUD). The Commission operates at a loss prior to receiving contributions and grants from HUD.

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
COMBINING STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2016

	PIH Family Self- Sufficiency Program	Housing Choice Vouchers	Lower Income Housing Assistance Program - Section 8 Moderate	ELIM	Total
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ -	\$ 21,278	\$ -	\$ -	\$ 21,278
Cash and Cash Equivalents - Restricted	-	78,684	-	-	78,684
Accounts Receivable - Other, Net	-	2,744	9,685	-	12,429
Investments - Unrestricted	-	191,679	-	-	191,679
Investments - Restricted	-	27,364	-	-	27,364
Prepaid Expenses and Other Assets	-	2,555	-	-	2,555
Inter Program Due From	-	-	5,799	(5,799)	-
Total Current Assets	-	324,304	15,484	(5,799)	333,989
Noncurrent Assets					
Capital Assets					
Furniture, Equipment & Machinery	-	21,356	-	-	21,356
Accumulated Depreciation	-	(19,032)	-	-	(19,032)
Total Capital Assets, Net	-	2,324	-	-	2,324
Total Assets	-	326,628	15,484	(5,799)	336,313
LIABILITIES					
Current Liabilities					
Unearned Revenue	-	116,410	-	-	116,410
Inter Program - Due To	-	5,799	-	(5,799)	-
Other Liabilities	-	27,395	-	-	27,395
Total Current Liabilities	-	149,604	-	(5,799)	143,805
Noncurrent Liabilities					
Other Noncurrent Liabilities	-	43,301	-	-	43,301
Total Noncurrent Liabilities	-	43,301	-	-	43,301
Total Liabilities	-	192,905	-	(5,799)	187,106
NET POSITION					
Net Investment in Capital Assets	-	2,324	-	-	2,324
Restricted	-	35,383	-	-	35,383
Unrestricted	-	96,016	15,484	-	111,500
Total Net Position	\$ -	\$ 133,723	\$ 15,484	\$ -	\$ 149,207

**BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 YEAR ENDED DECEMBER 31, 2016**

	PIH Family Self- Sufficiency Program	Housing Choice Vouchers	Lower Income Housing Assistance Program - Section 8 Moderate	ELIM	Total
OPERATING REVENUES					
HUD PHA Operating Grants	37,823	1,494,110	43,592	-	1,575,525
Fraud Recovery	-	1,340	-	-	1,340
Other Revenue	-	968	-	-	968
Total Operating Revenues	<u>37,823</u>	<u>1,496,418</u>	<u>43,592</u>	<u>-</u>	<u>1,577,833</u>
OPERATING EXPENSES					
Administrative	-	153,103	5,081	-	158,184
Tenant Services	37,823	-	-	-	37,823
Insurance Premiums	-	2,141	63	-	2,204
General Expenses	-	7,267	-	-	7,267
Housing Assistance Payments	-	1,295,396	38,025	-	1,333,421
Depreciation Expense	-	998	-	-	998
Total Operating Expenses	<u>37,823</u>	<u>1,458,905</u>	<u>43,169</u>	<u>-</u>	<u>1,539,897</u>
OPERATING INCOME (LOSS)	<u>-</u>	<u>37,513</u>	<u>423</u>	<u>-</u>	<u>37,936</u>
NONOPERATING REVENUES (EXPENSES)					
Investment Income - Unrestricted	-	491	22	-	513
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>491</u>	<u>22</u>	<u>-</u>	<u>513</u>
CHANGE IN NET POSITON	<u>-</u>	<u>38,004</u>	<u>445</u>	<u>-</u>	<u>38,449</u>
Net Position - Beginning of Year	-	95,630	15,039	-	110,669
Prior Period Adjustments	-	89	-	-	89
NET POSITION - END OF YEAR	<u>\$ -</u>	<u>\$ 133,723</u>	<u>\$ 15,484</u>	<u>\$ -</u>	<u>\$ 149,207</u>

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

	PIH Family Self- Sufficiency Program	Housing Choice Vouchers	Lower Income Housing Assistance Program - Section 8 Moderate	ELIM	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Rent	\$ -	\$ 117,532	\$ -	\$ -	\$ 117,532
Operating Subsidies - HUD	37,823	1,520,406	33,907	-	1,592,136
Cash Received from Other Sources	-	2,663	-	-	2,663
Cash Paid to Other Suppliers of Goods or Services	-	(1,494,010)	(50,339)	-	(1,544,349)
Cash Payments to Employees for Services	(37,823)	-	-	-	(37,823)
Net Cash Provided (Used) by Operating Activities	-	146,591	(16,432)	-	130,159
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Decrease (Increase) in Due From Other Funds	-	-	16,410	(16,410)	-
(Decrease) Increase in Due To Other Funds	-	(16,410)	-	16,410	-
Net Cash Provided (Used) By Noncapital And Related Financing Activities	-	(16,410)	16,410	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	-	(1,460)	-	-	(1,460)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(1,460)	-	-	(1,460)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received	-	491	22	-	513
Net Cash Provided by Investing Activities	-	491	22	-	513
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
Cash and Cash Equivalents - Beginning of Year	-	129,212	-	-	129,212
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ -	\$ 319,005	\$ -	\$ -	\$ 319,005
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION					
Cash and Cash Equivalents	\$ -	\$ 212,957	\$ -	\$ -	\$ 212,957
Restricted Assets - Cash and Investments	-	106,048	-	-	106,048
Cash and Cash Equivalents - End of Year	\$ -	\$ 319,005	\$ -	\$ -	\$ 319,005
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ -	\$ 37,513	\$ 423	\$ -	\$ 37,936
Depreciation	-	998	-	-	998
(Increase) Decrease in Assets:					
Accounts Receivable	-	27,773	(9,685)	-	18,088
Prepayments	-	(2,126)	-	-	(2,126)
Increase (Decrease) in Liabilities:					
Accounts Payable	-	(19,041)	-	-	(19,041)
Unearned Revenue	-	116,410	-	-	116,410
Accrued Expenses	-	(14,936)	(7,170)	-	(22,106)
Net Cash Provided (Used) by Operating Activities	\$ -	\$ 146,591	\$ (16,432)	\$ -	\$ 130,159

**BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 OF ALL HOUSING CHOICE VOUCHERS PROGRAMS
 ADMINSTRATED BY THE BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
 YEAR ENDED DECEMBER 31, 2016**

	<u>Brookings County</u>	<u>Deuel County</u>	<u>Hamlin County</u>	<u>Kingsbury County</u>	<u>Moody County</u>	<u>Total</u>
OPERATING REVENUES						
HUD PHA Operating Grants	1,361,908	26,540	33,645	51,091	20,926	1,494,110
Fraud Recovery	1,340	-	-	-	-	1,340
Other Revenue	968	-	-	-	-	968
Total Operating Revenues	<u>1,364,216</u>	<u>26,540</u>	<u>33,645</u>	<u>51,091</u>	<u>20,926</u>	<u>1,496,418</u>
OPERATING EXPENSES						
Administrative	153,103	-	-	-	-	153,103
Insurance Premiums	2,141	-	-	-	-	2,141
General Expenses	7,267	-	-	-	-	7,267
Housing Assistance Payments	1,163,194	26,540	33,645	51,091	20,926	1,295,396
Depreciation Expense	998	-	-	-	-	998
Total Operating Expenses	<u>1,326,703</u>	<u>26,540</u>	<u>33,645</u>	<u>51,091</u>	<u>20,926</u>	<u>1,458,905</u>
OPERATING INCOME (LOSS)	<u>37,513</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,513</u>
NONOPERATING REVENUES (EXPENSES)						
Investment Income - Unrestricted	491	-	-	-	-	491
Total Nonoperating Revenues (Expenses)	<u>491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>491</u>
CHANGE IN NET POSITON	<u>38,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,004</u>
Net Position - Beginning of Year	95,630	-	-	-	-	95,630
Prior Period Adjustments	89	-	-	-	-	89
NET POSITION - END OF YEAR	<u>\$ 133,723</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,723</u>

**BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
US Department of Housing and Urban Development		
<u>Direct Awards:</u>		
Lower Income Housing Assistance Program - Section 8		
Moderate Rehabilitation	14.856	\$ 43,592
Housing Choice Vouchers	14.871	\$ 1,494,110
PIH Family Self-Sufficiency Program	14.896	37,823
Total Expenditures of Federal Awards		<u>\$ 1,575,525</u>

Notes to the Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Brookings County Housing and Redevelopment Commission for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of the Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The entity did not elect to use the 10% de minimis indirect cost rate as covered by 2 CFR 200.414.

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
FINANCIAL DATA SCHEDULE - BALANCE SHEET SUMMARY
DECEMBER 31, 2016

Line Item#	Description	PIH Family Self-Sufficiency Program	Housing Choice Vouchers	Lower Income Housing Assistance Program - Section 8 Moderate	ELIM	Total
111	Cash - Unrestricted	\$ -	\$ 21,278	\$ -	\$ -	\$ 21,278
113	Cash - Other Restricted	-	78,684	-	-	78,684
100	Total Cash	-	99,962	-	-	99,962
122	Accounts Receivable - HUD Other Projects	-	-	9,685	-	9,685
125	Accounts Receivable - Miscellaneous	-	2,735	-	-	2,735
129	Accrued Interest Receivable	-	9	-	-	9
120	Total Receivables, Net of Allowances for Doubtful Accounts	-	2,744	9,685	-	12,429
131	Investments - Unrestricted	-	191,679	-	-	191,679
135	Investments - Restricted for Payment of Current Liability	-	27,364	-	-	27,364
142	Prepaid Expenses and Other Assets	-	2,555	-	-	2,555
144	Inter Program Due From	-	-	5,799	(5,799)	-
150	Total Current Assets	-	324,304	15,484	(5,799)	333,989
164	Furniture, Equipment & Machinery - Administration	-	21,356	-	-	21,356
166	Accumulated Depreciation	-	(19,032)	-	-	(19,032)
160	Total Capital Assets, Net of Accumulated Depreciation	-	2,324	-	-	2,324
180	Total Non-Current Assets	-	2,324	-	-	2,324
290	Total Assets and Deferred Outflow of Resources	-	326,628	15,484	(5,799)	336,313
342	Unearned Revenue	-	116,410	-	-	116,410
345	Other Current Liabilities	-	27,395	-	-	27,395
347	Inter Program - Due To	-	5,799	-	(5,799)	-
310	Total Current Liabilities	-	149,604	-	(5,799)	143,805
353	Non-current Liabilities - Other	-	43,301	-	-	43,301
350	Total Non-Current Liabilities	-	43,301	-	-	43,301
300	Total Liabilities	-	192,905	-	(5,799)	187,106
508.4	Net Investment in Capital Assets	-	2,324	-	-	2,324
511.4	Restricted Net Position	-	35,383	-	-	35,383
512.4	Unrestricted Net Position	-	96,016	15,484	-	111,500
513	Total Equity - Net Assets / Position	-	133,723	15,484	-	149,207
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ -	\$ 326,628	\$ 15,484	\$ (5,799)	\$ 336,313

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
FINANCIAL DATA SCHEDULE - REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2016

Line Item#	Description	PIH Family Self-Sufficiency Program	Housing Choice Vouchers	Lower Income Housing Assistance Program - Section 8 Moderate	ELIM	Total
70600	HUD PHA Operating Grants	\$ 37,823	\$ 1,494,110	\$ 43,592	\$ -	\$ 1,575,525
71100	Investment Income - Unrestricted	-	491	22	-	513
71400	Fraud Recovery	-	1,340	-	-	1,340
71500	Other Revenue	-	968	-	-	968
70000	Total Revenue	<u>37,823</u>	<u>1,496,909</u>	<u>43,614</u>	<u>-</u>	<u>1,578,346</u>
91200	Auditing Fees	-	2,920	580	-	3,500
91600	Office Expenses	-	19,870	670	-	20,540
91900	Other	-	130,313	3,831	-	134,144
91000	Total Operating - Administrative	<u>-</u>	<u>153,103</u>	<u>5,081</u>	<u>-</u>	<u>158,184</u>
92100	Tenant Services - Salaries	<u>37,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,823</u>
92500	Total Tenant Services	<u>37,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,823</u>
96120	Liability Insurance	-	2,014	63	-	2,077
96140	All Other Insurance	-	127	-	-	127
96100	Total insurance Premiums	<u>-</u>	<u>2,141</u>	<u>63</u>	<u>-</u>	<u>2,204</u>
96200	Other General Expenses	<u>-</u>	<u>7,267</u>	<u>-</u>	<u>-</u>	<u>7,267</u>
96000	Total Other General Expenses	<u>-</u>	<u>7,267</u>	<u>-</u>	<u>-</u>	<u>7,267</u>
96900	Total Operating Expenses	<u>37,823</u>	<u>162,511</u>	<u>5,144</u>	<u>-</u>	<u>205,478</u>
97000	Excess of Operating Revenue over Operating Expenses	<u>-</u>	<u>1,334,398</u>	<u>38,470</u>	<u>-</u>	<u>1,372,868</u>
97300	Housing Assistance Payments	-	1,295,396	38,025	-	1,333,421
97400	Depreciation Expense	-	998	-	-	998
90000	Total Expenses	<u>37,823</u>	<u>1,458,905</u>	<u>43,169</u>	<u>-</u>	<u>1,539,897</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	<u>\$ -</u>	<u>\$ 38,004</u>	<u>\$ 445</u>	<u>\$ -</u>	<u>\$ 38,449</u>
11030	Beginning Equity	-	95,630	15,039	-	110,669
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	89	-	-	89
11170	Administrative Fee Equity	-	98,340	-	-	98,340
11180	Housing Assistance Payments Equity	-	35,383	-	-	35,383
11190	Unit Months Available	-	4,164	140	-	4,304
11210	Number of Unit Months Leased	-	2,968	84	-	3,052

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**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**

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

We 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 the Brookings County Housing and Redevelopment Commission (the Commission), a component unit of Brookings County, South Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated August 29 2017.

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 the Commission's internal control.

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

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

Board of Commissioners
Brookings County Housing and Redevelopment Commission

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Brookings County Housing and Redevelopment Commission's financial statements are free from 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*.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.



Johnson, Mattson, Smail & Cavanaugh, PLLC
St. Louis Park, Minnesota
August 29, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Brookings County Housing and Redevelopment Commission (the Commission), a component unit of Brookings County, South Dakota, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended December 31, 2016. The Commission's major federal programs are 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, Brookings County Housing and Redevelopment Commission, a component unit of Brookings County, South Dakota, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016

Report on Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

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.



Johnson, Mattson, Smail & Cavanaugh, PLLC
St. Louis Park, Minnesota
August 29, 2017

**BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016**

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses were identified?	_____ Yes	_____ X	_____ No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ X	_____ None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ X	_____ No

Federal Awards

Internal control over major programs:

Material weaknesses were identified?	_____ Yes	_____ X	_____ No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ X	_____ None Reported

Type of audit report issued on compliance for Major Programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____ Yes	_____ X	_____ No
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Identification of Major programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Housing Choice Vouchers

The threshold for distinguishing between type A and type B programs is \$ 750,000.

Auditee qualified as a low-risk auditee?	_____ X	_____ Yes	_____ No
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Section 2 - Financial Statement Findings

None Reported

Section 3 - Federal Award Findings and Questioned Costs

None Reported

Section 4 - Summary Schedule of Prior Audit Findings

None Reported