

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2017

BROOKINGS HOUSING AND REDEVELOPMENT COMMISSION
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YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR’S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Brookings Housing and Redevelopment Commission (the Commission) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express 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 Housing and Redevelopment Commission as of December 31, 2017, 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*, financial data schedule as required by Uniform Financial Reporting Standards issued by the Department of Housing and Urban Development and 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 September 18, 2018 on our consideration of the Brookings 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 Housing and Redevelopment Commission's internal control over financial reporting and compliance.



Johnson, Mattson, Smail & Cavanaugh, PLLC
St. Louis Park, Minnesota
September 18, 2018

**BROOKINGS HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

The Brookings 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 decreased by \$37,813 (or 25.3%) during 2017. Since the Commission engages only in business-type activities, the decrease is all in the category of business-type net position. Net position was \$111,394 and \$149,207 for 2017 and 2016, respectively.
- The operating revenue decreased by \$79,742 (or 5.1%) during 2017 and was \$1,498,091 and \$1,577,833 for 2017 and 2016, respectively.
- The total operating expenses of all Commission programs decreased by \$3,879 (or 0.3%). Total operating expenses were \$1,536,018 and \$1,539,897 for 2017 and 2016, respectively.
- The net nonoperating revenues (expenses) decreased by \$399 during 2017 and was \$114 and \$513 for 2017 and 2016, respectively.

**BROOKINGS HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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 HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

BASIC FINANCIAL STATEMENTS

Statement of Net Position

The following table reflects the condensed Statement of Net Position as of December 31, 2017 and 2016.

**TABLE 1
STATEMENT OF NET POSITION**

	2017	2016	Dollar Change	Percent Change
Current and Other Assets	\$ 171,760	\$ 333,989	\$ (162,229)	-48.6%
Capital Assets	1,460	2,324	(864)	-37.2%
Total Assets	<u>173,220</u>	<u>336,313</u>	<u>(163,093)</u>	-48.5%
Current Liabilities	27,381	143,805	(116,424)	-81.0%
Noncurrent Liabilities	34,445	43,301	(8,856)	-20.5%
Total Liabilities	<u>61,826</u>	<u>187,106</u>	<u>(125,280)</u>	-67.0%
Net Position				
Net Investment in Capital Assets	1,460	2,324	(864)	-37.2%
Restricted	-	35,383	(35,383)	-100.0%
Unrestricted	109,934	111,500	(1,566)	-1.4%
Total Net Position	<u>\$ 111,394</u>	<u>\$ 149,207</u>	<u>\$ (37,813)</u>	-25.3%

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

Major Factors Affecting the Statement of Net Position

- Current and other assets decreased by \$162,229, current liabilities decreased by \$116,424.
- There are sufficient current assets (primarily cash and investments) to extinguish the current liabilities.

**BROOKINGS HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

Statement of Revenues, Expenses and Changes in Net Position

The following table reflects the Changes in Net Position for the year ended December 31, 2017 and 2016.

**TABLE 2
CHANGES IN NET POSITION**

	2017	2016	Dollar Change	Percent Change
Revenues				
Operating Grants	1,495,510	1,575,525	(80,015)	-5.1%
Other Revenue	2,581	2,308	273	11.8%
Total Operating Revenue	<u>1,498,091</u>	<u>1,577,833</u>	<u>(79,742)</u>	-5.1%
Operating Expenses				
Administration	140,115	158,184	(18,069)	-11.4%
Tenant Services	37,823	37,823	-	0.0%
General Expense	7,877	9,471	(1,594)	-16.8%
Housing Assistance Payments	1,349,339	1,333,421	15,918	1.2%
Depreciation	864	998	(134)	-13.4%
Total Operating Expenses	<u>1,536,018</u>	<u>1,539,897</u>	<u>(3,879)</u>	-0.3%
Operating Income (Loss)	<u>(37,927)</u>	<u>37,936</u>	<u>(75,863)</u>	-200.0%
Nonoperating Revenue (Expenses)				
Interest Income	114	513	(399)	
Net Nonoperating Revenues (Expenses)	<u>114</u>	<u>513</u>	<u>(399)</u>	
Change In Net Position	(37,813)	38,449	(76,262)	
Net Position - Beginning	149,207	110,669	38,538	
Prior Period Adjustment	-	89	(89)	
Net Position - Ending	<u>\$ 111,394</u>	<u>\$ 149,207</u>	<u>\$ (37,813)</u>	-25.3%

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

- Operating grants decreased primarily due to makeup of tenant voucher payments.
- Administration expense decreased due to a decrease in office expense.

**BROOKINGS HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end the Commission had \$1,460 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$864 from the end of last year. This decrease is due to the annual depreciation of the assets.

**TABLE 3
CAPITAL ASSETS AT YEAR END**

	<u>2017</u>	<u>2016</u>
Depreciable Assets		
Furniture, Equipment and Machinery	\$ 12,540	\$ 21,356
Accumulated Depreciation, Net	(11,080)	(19,032)
Net Capital Assets	<u>\$ 1,460</u>	<u>\$ 2,324</u>

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 12/31/2016	\$ 2,324
Increases	-
Decreases	(8,816)
Accumulated Depreciation, Net	7,952
Balance on 12/31/2017	<u>\$ 1,460</u>

Debt Outstanding

As of December 31, 2017, the Commission has no outstanding debt.

**BROOKINGS HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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, Rich Galbraith at PO Box 432, Brookings, South Dakota 57006 or call (605) 229-0180 or by e-mail at rich@ram.solutions.

BROOKINGS HOUSING AND REDEVELOPMENT COMMISSION
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

ASSETS

Current Assets

Cash and Cash Equivalents - Restricted	\$ 34,445
Accounts Receivable - Other, Net	15,748
Investments - Unrestricted	100,835
Investments - Restricted	20,254
Prepaid Expenses and Other Assets	478
Total Current Assets	<u>171,760</u>

Noncurrent Assets

Capital Assets

Furniture, Equipment & Machinery	12,540
Accumulated Depreciation	<u>(11,080)</u>
Total Capital Assets, Net	<u>1,460</u>
Total Assets	<u>173,220</u>

LIABILITIES

Current Liabilities

Accounts Payable	659
Unearned Revenue	6,468
Other Liabilities	<u>20,254</u>
Total Current Liabilities	<u>27,381</u>

Noncurrent Liabilities

Other Noncurrent Liabilities	<u>34,445</u>
Total Noncurrent Liabilities	<u>34,445</u>
Total Liabilities	<u>61,826</u>

NET POSITION

Net Investment in Capital Assets	1,460
Unrestricted	<u>109,934</u>
Total Net Position	<u>\$ 111,394</u>

BROOKINGS HOUSING AND REDEVELOPMENT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2017

OPERATING REVENUES

HUD PHA Operating Grants	\$ 1,495,510
Fraud Recovery	450
Other Revenue	2,131
Total Operating Revenues	<u>1,498,091</u>

OPERATING EXPENSES

Administrative	140,115
Tenant Services	37,823
Insurance Premiums	2,253
General Expenses	5,624
Housing Assistance Payments	1,349,339
Depreciation Expense	864
Total Operating Expenses	<u>1,536,018</u>

OPERATING INCOME (LOSS)

(37,927)

NONOPERATING REVENUES (EXPENSES)

Investment Income - Unrestricted	114
Total Nonoperating Revenues (Expenses)	<u>114</u>

CHANGE IN NET POSITON

(37,813)

Net Position - Beginning of Year

149,207

NET POSITION - END OF YEAR

\$ 111,394

BROOKINGS HOUSING AND REDEVELOPMENT COMMISSION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Rent	\$ (109,942)
Operating Subsidies - HUD	1,498,596
Cash Received from Other Sources	(3,818)
Cash Paid to Other Suppliers of Goods or Services	(1,510,592)
Cash Payments to Employees for Services	(37,823)
Net Cash Provided (Used) by Operating Activities	<u>(163,579)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	<u>108</u>
Net Cash Provided by Investing Activities	108

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	(163,471)
Cash and Cash Equivalents - Beginning of Year	319,005

CASH AND CASH EQUIVALENTS - END OF YEAR

<u>\$ 155,534</u>

RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION

Cash and Cash Equivalents	\$ 100,835
Restricted Assets - Cash and Investments	<u>54,699</u>
Cash and Cash Equivalents - End of Year	<u>\$ 155,534</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ (37,927)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	864
(Increase) Decrease in Assets:	
Accounts Receivable	(3,313)
Prepayments	2,077
Increase (Decrease) in Liabilities:	
Accounts Payable	659
Unearned Revenue	(109,942)
Accrued Expenses	(15,997)
Net Cash Provided (Used) by Operating Activities	<u>\$ (163,579)</u>

**BROOKINGS HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The accompanying financial statements of the Brookings Housing and Redevelopment Commission (the Commission) 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 HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

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 HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

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.

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 HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

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:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand and Time Deposits	\$ 34,445	\$ 49,126
Investments	121,089	121,089
Total Cash and Investments	<u>\$ 155,534</u>	<u>\$ 170,215</u>
Reconciliation to Financial Statements		
Per Statement of Net Position		
Unrestricted Cash and Investments	\$ 100,835	
Restricted Cash and Investments	54,699	
Total Cash and Investments	<u>\$ 155,534</u>	

**BROOKINGS HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

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, 2017, 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.

At December 31, 2017, the Commission had the following deposits and investments:

	<u>Credit Risk</u>		<u>Concentration Risk</u>	<u>Interest Rate Risk</u>	<u>Carrying (Fair) Value</u>
	<u>Credit Rating</u>	<u>Rating Agency</u>	<u>Over 5% of Portfolio</u>	<u>Maturity Date</u>	
Negotiable Certificates of Deposit					
First Bank & Trust *499	N/R	N/A	48.22%	8/15/2018	\$ 4,051
First Bank & Trust *769	N/R	N/A	51.78%	6/13/2018	4,351
Total Investments					<u>8,402</u>
Checking					(14,654)
Savings					161,786
Total Cash and Investments					<u>\$ 155,534</u>

N/A - Not Applicable, N/R - Not Rated

BROOKINGS HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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	12/31/2017	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investment at Fair Value:				
Certificates of Deposit	\$ 8,402	\$ -	\$ 8,402	\$ -

NOTE 3 - RESTRICTED ASSETS

Other Restricted Assets

The Commission held \$20,254 for the Family Self-Sufficiency (FSS) Escrow Program. The Commission held \$27,721 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 \$6,724 for the FSS donation fund reserve.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
<u>Capital Assets Being Depreciated</u>				
Equipment and Other	\$ 21,356	\$ -	\$ (8,816)	\$ 12,540
Total Capital Assets Being Depreciated	21,356	-	(8,816)	12,540
Accumulated Depreciation	(19,032)	864	7,088	(11,080)
Total Capital Assets Being Depreciated, Net	2,324	864	(1,728)	1,460
Total Capital Assets, Net	\$ 2,324	\$ 864	\$ (1,728)	\$ 1,460

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

Housing Choice Vouchers	\$ 864
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The Commission leased office space for the 2017 fiscal year, for a minimum yearly lease payment of \$6,600.

**BROOKINGS HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

NOTE 5 - LIABILITIES

Liabilities at year end consisted of the following:

Current Liabilities

Accounts Payable <= 90 Days	\$ 659
Unearned Revenue	6,468
Other Current Liabilities	20,254
Total Current Liabilities	<u>27,381</u>

Noncurrent Liabilities

Noncurrent Liabilities - Other	<u>34,445</u>
Total Noncurrent Liabilities	<u>34,445</u>
Total Liabilities	<u>\$ 61,826</u>

NOTE 6 - NET POSITION

Net Position

Fund net position balances are classified as follows:

Net Investment in Capital Assets	\$ 1,460
Unrestricted	<u>109,934</u>
Total Net Position	<u>\$ 111,394</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 HOUSING AND REDEVELOPMENT COMMISSION
COMBINING STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

	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 - Restricted	\$ -	\$ 34,445	\$ -	\$ -	\$ 34,445
Accounts Receivable - Other, Net	-	15,748	-	-	15,748
Investments - Unrestricted	-	100,835	-	-	100,835
Investments - Restricted	-	20,254	-	-	20,254
Prepaid Expenses and Other Assets	-	478	-	-	478
Inter Program Due From	-	-	22,241	(22,241)	-
Total Current Assets	-	171,760	22,241	(22,241)	171,760
Noncurrent Assets					
Capital Assets					
Furniture, Equipment & Machinery	-	12,540	-	-	12,540
Accumulated Depreciation	-	(11,080)	-	-	(11,080)
Total Capital Assets, Net	-	1,460	-	-	1,460
Total Assets	-	173,220	22,241	(22,241)	173,220
LIABILITIES					
Current Liabilities					
Accounts Payable	-	659	-	-	659
Unearned Revenue	-	-	6,468	-	6,468
Inter Program Due To	-	22,241	-	(22,241)	-
Other Liabilities	-	20,254	-	-	20,254
Total Current Liabilities	-	43,154	6,468	(22,241)	27,381
Noncurrent Liabilities					
Other Noncurrent Liabilities	-	34,445	-	-	34,445
Total Noncurrent Liabilities	-	34,445	-	-	34,445
Total Liabilities	-	77,599	6,468	(22,241)	61,826
NET POSITION					
Net Investment in Capital Assets	-	1,460	-	-	1,460
Unrestricted	-	94,161	15,773	-	109,934
Total Net Position	\$ -	\$ 95,621	\$ 15,773	\$ -	\$ 111,394

BROOKINGS HOUSING AND REDEVELOPMENT COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2017

	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	\$ 1,415,713	\$ 41,974	\$ -	\$ 1,495,510
Fraud Recovery	-	450	-	-	450
Other Revenue	-	2,131	-	-	2,131
Total Operating Revenues	<u>37,823</u>	<u>1,418,294</u>	<u>41,974</u>	<u>-</u>	<u>1,498,091</u>
OPERATING EXPENSES					
Administrative	-	134,684	5,431	-	140,115
Tenant Services	37,823	-	-	-	37,823
Insurance Premiums	-	2,163	90	-	2,253
General Expenses	-	5,624	-	-	5,624
Housing Assistance Payments	-	1,313,150	36,189	-	1,349,339
Depreciation Expense	-	864	-	-	864
Total Operating Expenses	<u>37,823</u>	<u>1,456,485</u>	<u>41,710</u>	<u>-</u>	<u>1,536,018</u>
OPERATING INCOME (LOSS)	<u>-</u>	<u>(38,191)</u>	<u>264</u>	<u>-</u>	<u>(37,927)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment Income - Unrestricted	-	89	25	-	114
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>89</u>	<u>25</u>	<u>-</u>	<u>114</u>
CHANGE IN NET POSITON	<u>-</u>	<u>(38,102)</u>	<u>289</u>	<u>-</u>	<u>(37,813)</u>
Net Position - Beginning of Year	<u>-</u>	<u>133,723</u>	<u>15,484</u>	<u>-</u>	<u>149,207</u>
NET POSITION - END OF YEAR	<u>\$ -</u>	<u>\$ 95,621</u>	<u>\$ 15,773</u>	<u>\$ -</u>	<u>\$ 111,394</u>

BROOKINGS HOUSING AND REDEVELOPMENT COMMISSION
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

	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	\$ -	\$ (116,410)	\$ 6,468	\$ -	\$ (109,942)
Operating Subsidies - HUD	37,823	1,409,114	51,659	-	1,498,596
Cash Received from Other Sources	-	(3,818)	-	-	(3,818)
Cash Paid to Other Suppliers of Goods or Services	-	(1,468,882)	(41,710)	-	(1,510,592)
Cash Payments to Employees for Services	(37,823)	-	-	-	(37,823)
Net Cash Provided (Used) by Operating Activities	-	(179,996)	16,417	-	(163,579)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Decrease (Increase) in Due From Other Funds	-	-	(16,442)	16,442	-
(Decrease) Increase in Due To Other Funds	-	16,442	-	(16,442)	-
Net Cash Provided (Used) By Noncapital And Related Financing Activities	-	16,442	(16,442)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received	-	83	25	-	108
Net Cash Provided by Investing Activities	-	83	25	-	108
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
Cash and Cash Equivalents - Beginning of Year	-	(163,471)	-	-	(163,471)
Cash and Cash Equivalents - End of Year	-	319,005	-	-	319,005
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ -	\$ 155,534	\$ -	\$ -	\$ 155,534
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION					
Cash and Cash Equivalents	\$ -	\$ 100,835	\$ -	\$ -	\$ 100,835
Restricted Assets - Cash and Investments	-	54,699	-	-	54,699
Cash and Cash Equivalents - End of Year	\$ -	\$ 155,534	\$ -	\$ -	\$ 155,534
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ -	\$ (38,191)	\$ 264	\$ -	\$ (37,927)
Depreciation	-	864	-	-	864
(Increase) Decrease in Assets:					
Accounts Receivable	-	(12,998)	9,685	-	(3,313)
Prepayments	-	2,077	-	-	2,077
Increase (Decrease) in Liabilities:					
Accounts Payable	-	659	-	-	659
Unearned Revenue	-	(116,410)	6,468	-	(109,942)
Accrued Expenses	-	(15,997)	-	-	(15,997)
Net Cash Provided (Used) by Operating Activities	\$ -	\$ (179,996)	\$ 16,417	\$ -	\$ (163,579)

**BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 OF ALL HOUSING CHOICE VOUCHERS PROGRAMS
 ADMINISTRATED BY THE BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
 YEAR ENDED DECEMBER 31, 2017**

	Brookings County	Deuel County	Hamlin County	Kingsbury County	Moody County	Total
OPERATING REVENUES						
HUD PHA Operating Grants	\$ 1,292,374	\$ 36,273	\$ 23,721	\$ 33,863	\$ 29,482	\$ 1,415,713
Fraud Recovery	450	-	-	-	-	450
Other Revenue	2,131	-	-	-	-	2,131
Total Operating Revenues	<u>1,294,955</u>	<u>36,273</u>	<u>23,721</u>	<u>33,863</u>	<u>29,482</u>	<u>1,418,294</u>
OPERATING EXPENSES						
Administrative	134,684	-	-	-	-	134,684
Insurance Premiums	2,163	-	-	-	-	2,163
General Expenses	5,624	-	-	-	-	5,624
Housing Assistance Payments	1,189,811	36,273	23,721	33,863	29,482	1,313,150
Depreciation Expense	864	-	-	-	-	864
Total Operating Expenses	<u>1,333,146</u>	<u>36,273</u>	<u>23,721</u>	<u>33,863</u>	<u>29,482</u>	<u>1,456,485</u>
OPERATING INCOME (LOSS)	<u>(38,191)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,191)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment Income - Unrestricted	89	-	-	-	-	89
Total Nonoperating Revenues (Expenses)	<u>89</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89</u>
CHANGE IN NET POSITON	<u>(38,102)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,102)</u>
Net Position - Beginning of Year	<u>133,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,723</u>
NET POSITION - END OF YEAR	<u><u>\$ 95,621</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 95,621</u></u>

**BROOKINGS HOUSING AND REDEVELOPMENT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
<u>Direct Awards:</u>		
Lower Income Housing Assistance Program - Section 8		
Moderate Rehabilitation	14.856	\$ 41,974
Housing Choice Vouchers	14.871	1,415,713
PIH Family Self-Sufficiency Program	14.896	37,823
Total Expenditures of Federal Awards		<u>\$ 1,495,510</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 Housing and Redevelopment Commission for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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 HOUSING AND REDEVELOPMENT COMMISSION
FINANCIAL DATA SCHEDULE - BALANCE SHEET SUMMARY
DECEMBER 31, 2017

Line Item#	Description	PIH Family Self-Sufficiency Program	Housing Choice Vouchers	Lower Income Housing Assistance Program - Section 8 Moderate	ELIM	Total
113	Cash - Other Restricted	\$ -	\$ 34,445	\$ -	\$ -	\$ 34,445
100	Total Cash	-	34,445	-	-	34,445
122	Accounts Receivable - HUD Other Projects	-	6,599	-	-	6,599
125	Accounts Receivable - Miscellaneous	-	9,134	-	-	9,134
129	Accrued Interest Receivable	-	15	-	-	15
120	Total Receivables, Net of Allowances for Doubtful Accounts	-	15,748	-	-	15,748
131	Investments - Unrestricted	-	100,835	-	-	100,835
135	Investments - Restricted for Payment of Current Liability	-	20,254	-	-	20,254
142	Prepaid Expenses and Other Assets	-	478	-	-	478
144	Inter Program Due From	-	-	22,241	(22,241)	-
150	Total Current Assets	-	171,760	22,241	(22,241)	171,760
164	Furniture, Equipment & Machinery - Administration	-	12,540	-	-	12,540
166	Accumulated Depreciation	-	(11,080)	-	-	(11,080)
160	Total Capital Assets, Net of Accumulated Depreciation	-	1,460	-	-	1,460
180	Total Non-Current Assets	-	1,460	-	-	1,460
290	Total Assets and Deferred Outflow of Resources	-	173,220	22,241	(22,241)	173,220
312	Accounts Payable <= 90 Days	-	659	-	-	659
342	Unearned Revenue	-	-	6,468	-	6,468
345	Other Current Liabilities	-	20,254	-	-	20,254
347	Inter Program - Due To	-	22,241	-	(22,241)	-
310	Total Current Liabilities	-	43,154	6,468	(22,241)	27,381
353	Non-current Liabilities - Other	-	34,445	-	-	34,445
350	Total Non-Current Liabilities	-	34,445	-	-	34,445
300	Total Liabilities	-	77,599	6,468	(22,241)	61,826
508.4	Net Investment in Capital Assets	-	1,460	-	-	1,460
512.4	Unrestricted Net Position	-	94,161	15,773	-	109,934
513	Total Equity - Net Assets / Position	-	95,621	15,773	-	111,394
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ -	\$ 173,220	\$ 22,241	\$ (22,241)	\$ 173,220

BROOKINGS HOUSING AND REDEVELOPMENT COMMISSION
FINANCIAL DATA SCHEDULE - REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2017

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	\$ 1,415,713	\$ 41,974	\$ -	\$ 1,495,510
71100	Investment Income - Unrestricted	-	89	25	-	114
71400	Fraud Recovery	-	450	-	-	450
71500	Other Revenue	-	2,131	-	-	2,131
70000	Total Revenue	<u>37,823</u>	<u>1,418,383</u>	<u>41,999</u>	<u>-</u>	<u>1,498,205</u>
91200	Auditing Fees	-	2,900	600	-	3,500
91300	Management Fee	-	-	3,573	-	3,573
91500	Employee Benefit Contributions - Administrative	-	22,271	-	-	22,271
91600	Office Expenses	-	-	942	-	942
91900	Other	-	109,513	316	-	109,829
91000	Total Operating - Administrative	<u>-</u>	<u>134,684</u>	<u>5,431</u>	<u>-</u>	<u>140,115</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	-	1,997	80	-	2,077
96140	All Other Insurance	-	166	10	-	176
96100	Total insurance Premiums	<u>-</u>	<u>2,163</u>	<u>90</u>	<u>-</u>	<u>2,253</u>
96200	Other General Expenses	-	5,624	-	-	5,624
96000	Total Other General Expenses	<u>-</u>	<u>5,624</u>	<u>-</u>	<u>-</u>	<u>5,624</u>
96900	Total Operating Expenses	<u>37,823</u>	<u>142,471</u>	<u>5,521</u>	<u>-</u>	<u>185,815</u>
97000	Excess of Operating Revenue over Operating Expenses	<u>-</u>	<u>1,275,912</u>	<u>36,478</u>	<u>-</u>	<u>1,312,390</u>
97300	Housing Assistance Payments	-	1,313,150	36,189	-	1,349,339
97400	Depreciation Expense	-	864	-	-	864
90000	Total Expenses	<u>37,823</u>	<u>1,456,485</u>	<u>41,710</u>	<u>-</u>	<u>1,536,018</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	<u>\$ -</u>	<u>\$ (38,102)</u>	<u>\$ 289</u>	<u>\$ -</u>	<u>\$ (37,813)</u>
11030	Beginning Equity	-	133,723	15,484	-	149,207
11170	Administrative Fee Equity	-	95,621	-	-	95,621
11190	Unit Months Available	-	4,164	144	-	4,308
11210	Number of Unit Months Leased	-	3,133	76	-	3,209

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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 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 Housing and Redevelopment Commission (the Commission), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 18, 2018.

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 Housing and Redevelopment Commission

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Brookings 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.

A handwritten signature in blue ink that reads "Johnson Mattson Smail & Cavanaugh, PLLC".

Johnson, Mattson, Smail & Cavanaugh, PLLC
St. Louis Park, Minnesota
September 18, 2018

**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 Housing and Redevelopment Commission
Brookings, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Brookings Housing and Redevelopment Commission (the Commission) 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, 2017. 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 Housing and Redevelopment Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

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.



Johnson, Mattson, Smail & Cavanaugh, PLLC
St. Louis Park, Minnesota
September 18, 2018

**BROOKINGS HOUSING AND REDEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ X _____ No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	_____ X _____ None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ X _____ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ X _____ No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	_____ X _____ None Reported

Type of auditor's report issued on compliance for Major Programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 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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II. Financial Statement Findings

None Reported

III. Federal Award Findings and Questioned Costs

None Reported

IV. Prior Year Findings

None Reported