

CANTON HOUSING & REDEVELOPMENT COMMISSION
CANTON, SOUTH DAKOTA

PUBLIC HOUSING PROGRAM
HUD PROJECT CODE: SD 039
ANNUAL CONTRIBUTION CONTRACT NUMBER: DEN 226

SECTION 8 EXISTING HOUSING CHOICE VOUCHER PROGRAM

FINANCIAL REPORT

FOR THE ONE YEAR ENDING JUNE 30, 2018

WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA

P.O. Box 262

Madison, South Dakota 57042

CANTON HOUSING & REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA

PROJECT CODE: SD 039
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NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, P.C.

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Board of Commissioners
Canton Housing & Redevelopment Commission
Canton, South Dakota

Independent Auditor's Report

Report on the Financial Statements

I have audited the accompanying financial statements of each major fund of the Canton Housing & Redevelopment Commission (Commission), a component unit of the City of Canton, Lincoln County, South Dakota, as of and for the one year ending June 30, 2018, 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Commission's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinions.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Canton Housing & Redevelopment Commission, a component unit of the City of Canton, South Dakota as of June 30, 2018, 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 (page 3 to 7), the Schedule of

Commission's Proportionate Share of the Net Pension Asset (page 22), and the Schedule of Commission Contributions (page 22) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters - Other Supplementary Information

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

The financial data schedules (page 23 to 26) are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development, and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards (page 27) is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The financial data schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 my opinion, the financial data schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated March 4, 2019 (page 28) on my tests of its compliance with certain provisions of laws, regulations, contracts, and other matters and my consideration of the Commission's internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's compliance and internal control over financial reporting.

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

March 4, 2019



CANTON HOUSING AUTHORITY COLONIAL VILLAGE
Canton, South Dakota

Management's Discussion and Analysis
June 30, 2018

Management's Discussion and Analysis (MD&A) is a reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June 1999.

Our discussion and analysis of the Canton Housing Authority Colonial Village (herein referred to as "the Housing Authority"), Canton, South Dakota, financial performance provides an overview of the Housing Authority's financial activities for the fiscal year ended June 30, 2018. Please read the MD&A in conjunction with the Housing Authority's financial statements.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

Financial Highlights

Total assets of the Housing Authority for the year ended June 30, 2018 were \$380,165. Total liabilities were \$41,579. Deferred inflow of resources, \$4,264. Total assets exceeded total liabilities by \$334,322 (net position).

Unrestricted net position totals \$28,755. This is the amount of the Authority's reserve.

Total operating and non-operating revenue for the year ended June 30, 2018, was \$368,168 and expenses totaled \$443,671, expenses exceeded revenue by \$75,502.

Overview of the Financial Statements

This annual report includes this Management Discussion and Analysis report, the Basic Financial Statements and the Notes to the Financial Statements. The Housing Authority's financial statements are presented as program level financial statements because the Housing Authority only has proprietary funds.

The financial statements report information of the Housing Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the Housing Authority's activities. The Statement of Net Position includes all the Housing Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the Housing Authority's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Housing Authority and assessing the liquidity and financial flexibility of the Housing Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Changes in Net Position. This statement measures the success of the Housing Authority's operations over the past year and can be used to determine whether the Housing Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

The Housing Authority's basic financial statements are the Statement of Net Position and the Statement of Changes in Net Position. The Statement of Net Position provides a summary of the Housing Authority's assets and liabilities as of the close of business on June 30, 2018. The Statement of Changes in Net Position summarizes the revenues and sources of those revenues, and expenses incurred in operating the Housing Authority for the year ended June 30, 2018.

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income.

Capital Fund Program- The Capital Fund Program is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Housing Assistance Payment (HAP) to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Statement of Net Position

FOR THE YEAR ENDED June 30	2018	2017
Current assets and prepaid expense	\$70,335	\$216,298
Inventory held for resale	\$0	\$0
Capital assets, net	\$285,603	\$203,032
Pension assets, net	\$222	
Assets	\$356,160	\$419,330
Deferred Outflows of Resources	\$24,005	\$37,405
Total Assets	\$380,165	\$456,735
Current liabilities	(\$35,509)	(\$20,774)
Non-current liabilities	(\$6,070)	(\$13,242)
Total liabilities	(\$41,579)	(\$34,016)
Deferred Inflow of Resources	(\$4,264)	(\$12,895)
Net Position		
Invested in capital assets, net of related debt	\$285,603	\$203,032
Restricted	\$19,964	\$38,588
Unrestricted	\$28,755	\$168,204
Total Net Position	\$334,322	\$409,824

Total Liabilities, Deferred inflow of Resources and Equity/Net Position	<u>\$380,165</u>	<u>\$456,735</u>

Comparative Statement of Revenues, Expenses and Changes in Net Position

FOR THE YEAR ENDED June 30	2018	2017	Change
Program Revenue			
Tenant revenue	\$74,250	\$69,875	\$4,375
Other income	\$26,878	\$17,638	\$9,240
Federal grants and subsidies	\$266,732	\$328,364	(\$61,632)
Interest income	\$309	\$1,337	(\$1,029)
Total revenue	<u>\$368,169</u>	<u>\$417,214</u>	(\$49,046)
Program Expenses			
Administration	\$88,168	\$83,304	\$4,864
Tenant Services	\$4,459	\$3,685	\$774
Utilities	\$19,230	\$16,678	\$2,552
Ordinary maintenance & operations	\$34,198	\$35,329	(\$1,131)
Protective services	\$0	\$0	\$0
General expenses	\$14,500	\$16,926	(\$2,426)
Non-routine maintenance	\$0	\$0	\$0
Depreciation	\$27,406	\$23,706	\$3,700
Portin	\$16,529	\$0	\$16,529
HAP	\$239,181	\$255,648	(\$16,467)
Pension net revenue			
Total expenses	<u>\$443,671</u>	<u>\$435,276</u>	\$8,394
Gain/loss - disposition of assets	\$0	\$0	\$0
Transfer of funds	\$0	\$0	\$0
Change in Net Position	<u>(\$75,502)</u>	<u>(\$18,062)</u>	(\$57,440)
Beginning Net Position	<u>\$409,824</u>	<u>\$427,886</u>	(\$18,062)
Pension assets, net			
Pension related deferred outflow			
Ending Net Position	<u>\$334,322</u>	<u>\$409,824</u>	(\$75,502)

Federal grants total \$266,732.

Capital Assets

**Capital Assets at Year-end
(Net of Accumulated Depreciation)**

FOR THE YEAR ENDED June 30	2018	2017	change

Land	\$25,811	\$25,811	\$0
Buildings	\$940,736	\$831,503	\$109,234
Furniture, Equipment & Machinery - Admin	\$24,542	\$23,345	\$1197
Furniture, Equipment & Machinery - Dwelling	\$16,134	\$16,134	\$0
Construction in Progress	\$0	\$1,956	(\$1,956)
Subtotal	\$1,007,223	\$898,749	\$108,474
Accumulated Depreciation	(\$721,620)	(\$695,717)	(\$25,903)
Total Capital assets	<u>\$285,603</u>	<u>\$203,032</u>	<u>\$82,571</u>

Long Term Debt

The Housing Authority has no long-term debt.

Economic Factors

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the federal budget for the current year (and future years).

Contacting the Housing Authority's Financial Management

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Shell Smith-carroll, Executive Director, at Canton Housing Authority Colonial Village, 903 W. 5th St., Canton, South Dakota 57013 -- (605) 764-5722

CANTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA
CANTON, SOUTH DAKOTA

Project Code: SD 039
Annual Contribution Contract Number: DEN 226

STATEMENT OF NET POSITION
ENTERPRISE FUNDS AS OF JUNE 30, 2018

	Public Housing Fund	Section-8 Existing Housing Choice Voucher Fund	Totals
ASSETS:			
Current assets:			
Cash:			
Checking	8,783.33	13,006.35	21,789.68
Checking - security deposits	4,614.00		4,614.00
Checking - HAP			0.00
Total cash	13,397.33	13,006.35	26,403.68
Certificates of deposit	25,519.77		25,519.77
Accounts receivable - tenants	487.00		487.00
Accounts receivable - vacated units	188.00		188.00
Allowance for doubtful accounts - tenants	(146.95)		(146.95)
Accounts receivable - HUD	5,043.00	1,972.00	7,015.00
Accounts receivable - other	1,360.00		1,360.00
Accrued interest receivable	26.00		26.00
Due from Section 8	7,951.42		7,951.42
Prepaid insurance	1,531.00		1,531.00
Total current assets	55,356.57	14,978.35	70,334.92
Noncurrent assets:			
Capital assets:			
Land	25,811.20		25,811.20
Buildings	929,999.14		929,999.14
Improvements	10,736.97		10,736.97
Equipment - dwellings	16,133.74		16,133.74
Equipment - administration	24,542.16		24,542.16
Accumulated depreciation	(721,620.31)		(721,620.31)
Total capital assets	285,602.90	0.00	285,602.90
Net pension assets (at 6-30-2017) - SDRS	134.66	87.11	221.77
Total assets	341,094.13	15,065.46	356,159.59
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	14,576.14	9,429.35	24,005.49
Total deferred outflows of resources	14,576.14	9,429.35	24,005.49
LIABILITIES:			
Current liabilities:			
Accounts payable	5,713.72	1,210.00	6,923.72
Accrued salary and benefits payable	2,226.63		2,226.63
Due to Public Housing		7,951.42	7,951.42
Tenant security deposits	4,614.00		4,614.00
Accrued payment in lieu of taxes - FY17	5,319.69		5,319.69
Accrued payment in lieu of taxes - FY18	5,502.01		5,502.01
Prepaid rent	1,170.05		1,170.05
Accrued liabilities - other	1,801.74		1,801.74
Total current liabilities	26,347.84	9,161.42	35,509.26
Noncurrent liabilities:			
Accrued compensated absences	6,069.80		6,069.80
Total liabilities	32,417.64	9,161.42	41,579.06
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	2,588.93	1,674.79	4,263.72
Total deferred inflows of resources	2,588.93	1,674.79	4,263.72
NET POSITION			
Net invested in capital assets	285,602.90		285,602.90
Restricted - Pension	12,121.87	7,841.67	19,963.54
Restricted - Excess HAP			0.00
Unrestricted	22,938.93		22,938.93
Unrestricted - Post 2003 administrative fees		5,816.93	5,816.93
Total net position	320,663.70	13,658.60	334,322.30

See accompanying notes.

CANTON HOUSING AND REDEVELOPMENT COMMISSION
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CANTON, SOUTH DAKOTA

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STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
ENTERPRISE FUNDS FOR THE YEAR ENDING JUNE 30, 2018

	Public Housing Fund	Section-8 Existing Housin Choice Voucher Fund	Totals
Operating revenues:			
Dwelling rents	74,250.00		74,250.00
Portable receipts - administrative fees		842.58	842.58
Portable receipts - HAP		16,528.58	16,528.58
Other income - administrative	2,107.75	630.00	2,737.75
Other income - HAP returned		876.00	876.00
SDRS pension net income	4,595.36	1,297.50	5,892.86
Total operating revenues	80,953.11	20,174.66	101,127.77
Operating expenses:			
Administration	51,010.64	33,992.48	85,003.12
Tenant services	4,458.87		4,458.87
Utilities	19,229.95		19,229.95
Maintenance and operations	34,197.67		34,197.67
General expenses	16,379.25	925.00	17,304.25
General expenses - portable admin fees		842.58	842.58
Rent to landlords (HAP)		239,181.00	239,181.00
Rent to landlords (HAP) - portable		15,686.00	15,686.00
Depreciation	27,406.16		27,406.16
Total operating expenses	152,682.54	290,627.06	443,309.60
Operating income (loss):	(71,729.43)	(270,452.40)	(342,181.83)
Nonoperating revenues (expenses):			
Operating grant - HUD	9,021.00		9,021.00
Operating grant - HUD - HAP		213,788.00	213,788.00
Operating grant - HUD - Admin fees		27,066.00	27,066.00
Interest earned	291.45	17.37	308.82
Interest expense	(361.04)		(361.04)
Total nonoperating revenues (expenses):	8,951.41	240,871.37	249,822.78
Net income (loss) before capital contributions	(62,778.02)	(29,581.03)	(92,359.05)
HUD capital grants	16,857.00		16,857.00
Change in net position	(45,921.02)	(29,581.03)	(75,502.05)
Total net position:			
July 1, 2017	366,584.72	43,239.63	409,824.35
June 30, 2018	320,663.70	13,658.60	334,322.30

See accompanying notes.

CANTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA
CANTON, SOUTH DAKOTA

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Annual Contribution Contract Number: DEN 226

STATEMENT OF CASH FLOWS

ENTERPRISE FUNDS FOR THE YEAR ENDING JUNE 30, 2018

	Public Housing Fund	Section-8 Existing Housin- Choice Voucher Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Dwelling rents	73,848.95		73,848.95
Security deposits, net change	227.00		227.00
Other receipts	747.75	18,877.16	19,624.91
Payroll and related payments	(42,326.69)	(21,235.00)	(63,561.69)
Vendor payments	(64,681.61)	(268,182.06)	(332,863.67)
Net cash provided (used) by operating	(32,184.60)	(270,539.90)	(302,724.50)
CASH FLOWS FROM NON-CAPITAL FINANCING :			
Operating grant - HUD	9,897.00	213,788.00	223,685.00
Operating grant, administration - HUD		25,094.00	25,094.00
Due (from) to other fund	(5,185.03)	5,185.03	0.00
Net cash provided (used) by non-capital	4,711.97	244,067.03	248,779.00
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Capital grant - HUD	16,857.00		16,857.00
Cash paid for building improvements	(109,233.56)		(109,233.56)
Cash paid for equipment - administrat	(2,699.99)		(2,699.99)
Cash paid for construction-in-progres	1,956.15		1,956.15
Net cash provided (used) by capital f	(93,120.40)	0.00	(93,120.40)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	578.95	49.41	628.36
Redeem certificates of deposit	104,271.62	7,722.80	111,994.42
Net cash provided (used) by investing	104,850.57	7,772.21	112,622.78
Net increase (decrease) in cash and cas	(15,742.46)	(18,700.66)	(34,443.12)
Cash - July 1, 2017	29,139.79	31,707.01	60,846.80
Cash - June 30, 2018	13,397.33	13,006.35	26,403.68

RECONCILIATION OF OPERATING (LOSS) TO NET CASH

PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	(71,729.43)	(270,452.40)	(342,181.83)
Adjustments required for reconciliation:			
Depreciation expense	27,406.16		27,406.16
SDRS pension net income	(4,594.92)	(1,297.50)	(5,892.42)
Interest expense	(361.04)		(361.04)
Change in:			
Accounts receivable	(1,392.54)		(1,392.54)
Prepaid insurance	6,879.00		6,879.00
Prepaid rent	(368.51)		(368.51)
Accounts payable	3,752.21	1,210.00	4,962.21
Accrued payroll and benefits	2,165.48		2,165.48
Accrued expenses	5,831.99		5,831.99
Tenant security deposits	227.00		227.00
Net cash provided (used) by operating	(32,184.60)	(270,539.90)	(302,724.50)

Noncash investing, capital and financing activities:

Loss on disposition of capital asset

See accompanying notes.

CANTON HOUSING & REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA
JUNE 30, 2018

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity:

The funds included in this report are controlled by or dependent upon the Canton Housing & Redevelopment Commission's (Commission) Governing Board. The Commission is a component unit of the City of Canton, South Dakota.

The Commission was organized pursuant to the Municipal Housing and Redevelopment Act of South Dakota as a public housing agency formed to provide financial assistance for low income public housing pursuant to the United States Housing Act of 1937, (42 U.S.C., 1401, et seq.). The Mayor and City Council appoint the five members of the governing board for five-year staggered terms. The Commission elects its own chairperson and recruits and employs its management personnel and other workers.

At June 30, 2018, the Commission's officials were:

Mayor, City of Canton
Sandra Lundstrom

Executive Director:
Shell Smith-Carroll

Board of Commissioners:
Lorie Pudenz, Chair
Lorrie Berg
Jan Hamann
Don Pottratz
Shirley Temple

Attorney:
Frieberg, Nelson & Ask, LLP

The Commission administers two low-income housing assistance payment (HAP) programs - a low income "Conventional Public Housing Program" and a Section 8 Existing Housing Choice Voucher Program. The U.S. Dept. of Housing and Urban Development (HUD) funds these programs with tenant rent subsidies and capital grants. The Commission inspects properties to see that they are kept within HUD guidelines.

Under the Conventional Public Housing Program, the Commission rents 20 housing units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides operating subsidy and capital grant funding to enable the Commission to provide housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical improvements to the Commission's property.

Under the Housing Choice Voucher Program, the Commission administers contracts with independent landlords who own the rental property. The Commission subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. Generally, the HAP payment to the landlord is the fair market rent less the family's share, which is usually set at 30% of the family's household income.

The Commission administers these HAP programs for the City of Canton, SD.

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

b. Basis of Presentation:

The accounts are organized on the basis of a fund, which is considered a separate accounting entity. Operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. The fund in this financial report is classified as an "enterprise" fund type.

Enterprise funds:

Enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The Commission maintains "Conventional Public Housing" and "Section-8 Existing Housing Choice Vouchers" enterprise funds to account for the rents and management fees it collects to operate its rental and voucher operations and related capital projects. Both of these funds are considered major funds.

c. Measurement Focus and Basis of Accounting:

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

Enterprise Funds:

Measurement Focus - All enterprise funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with a fund are included in its statement of net position. Enterprise fund operating statements present increases (revenues) and decreases (expenses) in total net position.

Basis of Accounting - All enterprise funds are accounted for using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash is received or paid. Revenues from grants, entitlements, and donations are recognized in the year in which all eligibility requirements are satisfied.

d. Capital Assets and Depreciation:

Capital assets must cost at least \$500. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date donated.

Approximately 0% of the June 30, 2018 enterprise fund capital assets are determined by estimates of historical cost.

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

Depreciation of all exhaustible capital assets used by the enterprise funds is charged as an expense against that fund's operation. Depreciation has been provided over estimated useful life using the straight-line method. Buildings and improvements are given a useful life of 5 to 40 years. Equipment is given a useful life of 5 to 15 years. Accumulated depreciation is reported on the statement of net position.

Interest cost incurred during construction of capital assets is capitalized along with other capital asset costs.

e. Operating and Nonoperating Revenues:

Operating revenues are those associated with tenant activity such as rents, utilities, and laundry. Nonoperating revenues are those not associated with tenant activity such as the HUD subsidy, interest income and interest expense.

Tenant rent generally is based on the higher of 30% of their adjusted gross income (based on HUD guidelines) or 10% of their gross income. HUD pays the remainder of the rent either through public housing program subsidies or through a Housing Assistance Payment (HAP) based on a voucher.

HUD requires the Commission to account for money recovered from tenants for misrepresentation or other actions as fraud recovery. Fraud recovery is shared equally between the Commission and HUD.

f. Net Position Classifications:

Net position is displayed in three components:

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

g. Application of Net Position:

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

h. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as a reduction of a disbursement in the fund that is reimbursed. All other interfund transactions are reported as transfers.

i. Accounting Estimates:

The presentation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from those estimates and assumptions. Following are some of the estimates made by management during the year:

- * Allowance for doubtful accounts -- estimated uncollectables
- * Depreciation -- estimated service lives
- * SDRS Pension -- actuarial assumptions

2. CASH, DEPOSITS, INVESTMENTS AND CASH FLOWS

Deposits - The Commission deposits are made in qualified public depositories as defined by SDCL 4-6A-1. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts that exceed deposit insurance such as FDIC and NCUA. In lieu of pledging eligible

securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or better, or a qualified public depository may furnish a corporate surety bond from a corporation authorized to do business in South Dakota.

Deposits are reported at costs, plus interest, if the account is an add-on type.

The actual bank balances at June 30, 2018 were: Insured \$51,978.97 and Collateralized** \$0.00 for a total of \$57,978.97.

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

The carrying amount of these deposits at June 30, 2018 was \$51,923.45.

Investments - In general, SDCL 11-7-31 permits Housing & Redevelopment Commission funds ".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."

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

The Commission had no investments during the year ending June 30, 2018 because certificates of deposit are insured or collateralized.

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

Interest Rate Risk - The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All certificates of deposits are at fixed interest rates for a specified term.

Concentration of Credit Risk - The Commission places no limit on the amount that may be deposited or invested in any one institution. At June 30, 2018 all of the Commission's cash and certificates of deposit are deposited in Farmers State Bank of Canton.

Credit Risk - The Commission had no credit risks because the Commission had no investments during the year ending June 30, 2018.

Custodial Risk - The risk that, in the event of a depository failure, the Commission's deposits may not be returned to it. At June 30, 2018, the Commission's deposits in financial institutions were not exposed to custodial credit risk because all deposits are fully FDIC insured.

Restricted Cash - The Commission has restricted checking account cash to make Housing Assistance Payments (HAP) for the Existing Housing Choice Voucher program, with a restricted book balance of \$0.00 at June 30, 2018.

Cash Flows - For the purposes of the statement of cash flows, the Commission considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents.

3. RECEIVABLES AND PREPAID EXPENSES

Receivables are not aggregated in these financial statements. The Commission expects to collect all receivables within one year.

The premiums on all major insurance policies are charged to prepaid insurance and amortized (expensed) over the life of the policy on a monthly basis.

4. CHANGES IN CAPITAL ASSETS (see schedule one)

A summary of the changes in capital assets for the one year ending June 30, 2018 is presented in schedule one at the end of these footnotes.

At June 30, 2018 the Commission had invested \$285,602.90 in land, buildings, improvements, and equipment. This is a net increase (including additions and deductions) of \$82,570.80 or 40.67% from June 30, 2017.

During the year ending June 30, 2018 the Commission made the following significant capital asset additions and deletions.

Remodel units	108,127.99
Carpet and flooring	1,105.57
Speed Queen washer	1,550.00
Laptop computer	1,149.99
Depreciation	(27,406.16)
Obsolete items removed	(1,093.85)
Related depreciation removed	1,093.85
Construction-in-progress removed	(1,956.59)

Net increase	82,570.80

There is no construction-in-progress at June 30, 2018.

5. SECTION-8 VOUCHER NET POSITION

A recap of the Section-8 Voucher Net Position is as follows:

	Restricted (HAP Equity)	Post-2003 Unrestricted (Administration)
HUD - HAP	213,788.00	
HUD - administrative fees		27,066.00
Other income - portables		16,528.58
Other income	876.00	630.00
HAP to landlords	(239,181.00)	
HAP to landlords - portables		(15,686.00)
Portables - administrative fee received		842.58
Portables - administrative fee expense		(842.58)
Administration expenses		(33,992.02)
General expenses		(925.00)
Pension income		1,297.50
Interest earned		17.37
Rounding	(0.46)	
	-----	-----
Change in net position	(24,517.46)	(5,063.57)
Net Position:		
June 30, 2017	24,517.46	18,722.17
	-----	-----
June 30, 2018	0.00	13,658.60
	=====	=====

6. PAYABLES, ACCRUED EXPENSES, AND SECURITY DEPOSITS

Payables are not aggregated in these financial statements. Payables are for amounts due to vendors and contractors of \$6,923.72. Tenant security deposits of \$4,614.00 is payable from checking cash.

7. CHANGES IN LONG-TERM DEBT

The Commission has no debt. It does, however, accrue long-term accrued leave which increased by \$3,267.54 in FY18 to \$6,069.80. Accrued leave is paid by the Public Housing Fund.

8. INTERPROGRAM BALANCES

The cost associated with administration are prorated between Public Housing and the Existing Housing Choice Voucher programs using a revolving account. The proration is determined monthly, set up as a receivable or payable, and collected or paid in the following month.

9. PAYMENTS IN LIEU OF TAXES

Housing and Redevelopment Commissions do not pay property taxes based on normal property value assessments and tax levies for real property owned by the Commissions. Instead, they make payments in lieu of taxes (PILOT) based on 10% of gross rents less utility costs.

Payments in lieu of taxes for the year ending June 30, 2018 were determined as follows:

	Total	Public Housing	Section-8 Vouchers
Rental income	\$ 74,250.00	\$ 74,250.00	\$ 0.00
Less: allowable utility costs	(19,229.95)	(19,229.95)	0.00
Net shelter rent	<u>\$ 55,020.05</u>	<u>\$ 55,020.05</u>	<u>\$ 0.00</u>
PILOT for FY18 (10% of net shelter rent)	<u>\$ 5,502.01</u>	<u>\$ 5,502.01</u>	<u>\$ 0.00</u>

10. PENSION PLAN

Summary of Significant Accounting Policies:

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

Plan Description:

All employees, working more than 20 hours per week during the fiscal year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found

in South Dakota Codified Law 3-12. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of the employee's final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 thereafter of the employee's final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefit are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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

- If the SDRS market value funded ratio is 100% or more - 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
> 90.0% to 99.9% funded - 2.1% minimum and 2.8% maximum COLA
> 80.0% to 89.9% funded - 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% - 2.1% COLA

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDRS 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The Commission's share of contributions to the SDRS for the years ending June 30, 2018, 2017, and 2016 were \$3,094, \$2,979, and \$3,526 (employer's share) respectively, equal to the required contribution each year.

Pension Assets, Pension Revenue, Deferred Outflow of Pension Resources, and Deferred Inflow of Pension Resources:

At June 30, 2017, SDRS is 100.1% funded and accordingly has net pension asset. For the Commission, its proportionate share of the components of the SDRS's net pension asset as of June 30, 2017 are as follows:

Net position restricted for pension benefits	\$ 284,545
Less: total pension liability	(284,323)

Proportionate share of net pension assets	\$ 222

The net pension asset was measured as of June 30, 2017 and the total pension liability used to calculate the net pension asset was determined by actuarial valuation as of that date. At June 30, 2017 the Commission reported an asset of \$222 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017 and the total pension asset used to calculate the net pension asset was based on a projection of the Commission's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2017 the Commission's proportion was .000024437.

For the year ended June 30, 2018 the Commission recognized pension revenue of \$5,893.

At June 30, 2017 the Commission reported deferred outflow of resources and deferred inflow of resources related to the pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 2,874	
Change in assumptions	4,944	
Net difference between projected and actual earnings on pension plan investments	19,377	\$ 10,195
Changes in proportion and difference between client contributions and proportionate share of contributions	1,793	
Commission contributions subsequent to the measurement date	3,233	

	\$ 32,221	\$ 10,195
	(3,233)	
	(10,195)	

Net	\$ 18,793	
	=====	

There is \$3,233 reported as deferred outflow of resources related to pensions resulting from Commission contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized in pension revenue as follows:

Year Ending June 30, 2018	\$ 5,097
June 30, 2019	8,556
June 30, 2020	6,292
June 30, 2021	(1,152)

	\$ 18,793
	=====

Actuarial Assumptions:

The total pension asset in the June 30, 2016 actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

Discount Rate:

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flow used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Sensitivity of Asset to Changes in the Discount Rate:

The following presents the Commission's proportionate share of SDRS's net pension asset, calculated using the discount rate of 6.50%, as well as the Commission's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1% lower (5.50%) or 1% higher (7.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Commission's share of SDRS net pension liability (asset)	\$ 40,617 liability	\$ (222) asset	\$ (33,478) asset

Investments:

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

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see discussion of the pension plan's investment policy above) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%

	100.0%	

Pension Plan Fiduciary Net Position:

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

11. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees' and natural disasters. During the year ending June 30, 2018 the Commission managed its risks as follows:

Health insurance:

The Commission maintains health insurance through a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability, fire, and worker's compensation insurance:

The Commission maintains liability, fire, and worker's compensation insurance through a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment benefits:

The Commission maintains unemployment insurance through the State of South Dakota. No unemployment benefits were paid during the year ending June 30, 2018 and no payments are expected in the near future.

12. COMMITMENTS AND CONTINGENCIES

Litigation: At June 30, 2018 the Commission was not involved in any threatened litigation.

Examinations: The Commission is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing grants given to the Commission in the current and prior years. For the June 30, 2018 year the Commission received a score of xxx from HUD's Section 8 Management Assessment Program (SEMAP) review of the Commission.

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

13. ECONOMIC DEPENDENCY

For the June 30, 2018 year the Commission received 72.6% of its revenue from HUD. If the amount of revenue received from HUD falls below critical levels, the Commission's operations could be adversely affected.

14. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

In FY15 the Commission adopted a new 5 year plan, which includes remodeling the kitchen and bathroom vanity in all of its 20 low income rental units at a cost of approximately \$100,000. Much of this work was completed in FY18.

In FY19 the Commission is in the process of securing funding to build 2 buildings with 8 two bedrooms units in one building and 7 two bedroom units in the other building. All units will have attached garages. The Commission does have land available for this project. The total project is expected to cost \$1.9 million.

In FY18 expenses of \$7,360 were incurred related to the construction of the above 2 buildings and community donations of \$4,000 and a \$2,000 short term loan were received, creating a receivable of \$1,360 in the Public Housing fund, which will be repaid in FY19 from the establishment of a new fund related exclusively to the development of these buildings.

CANTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
CHANGES IN CAPITAL ASSETS
FOR THE YEAR ENDING JUNE 30, 2018

	Beginning 6-30-17	Book Adjustments	Additions	(Deletions)	Ending 6-30-18	Accumulated Depreciation 6-30-17	Book Adjustments	(Additions)	Deletions	Ending 6-30-18	Remaining Cost 6-30-18
Public Housing:											
Land	25,811.20				25,811.20	-				-	25,811.20
Buildings	820,765.58		109,233.56		929,999.14	(657,467.92)	(0.51)	(24,343.79)		(681,812.22)	248,186.92
Improvements	10,736.97				10,736.97	(5,729.74)		(715.80)		(6,445.54)	4,291.43
Equipment - dwellings	16,133.74				16,133.74	(13,841.23)		(829.22)		(14,670.45)	1,463.29
Equipment - administration	22,936.02		2,699.99	(1,093.85)	24,542.16	(18,268.67)	0.07	(1,517.35)	1,093.85	(18,692.10)	5,850.06
Construction-in-progress	1,956.15			(1,956.15)	-	-				-	-
	<u>898,339.66</u>	<u>-</u>	<u>111,933.55</u>	<u>(3,050.00)</u>	<u>1,007,223.21</u>	<u>(695,307.56)</u>	<u>(0.44)</u>	<u>(27,406.16)</u>	<u>1,093.85</u>	<u>(721,620.31)</u>	<u>285,602.90</u>
Section-8 Existing Housing Choice Voucher:											
Buildings	-				-	-				-	-
Improvements	-				-	-				-	-
Equipment - dwellings	-				-	-				-	-
Equipment - administration	408.99			(408.99)	-	(408.99)			408.99	-	-
	<u>408.99</u>	<u>-</u>	<u>-</u>	<u>(408.99)</u>	<u>-</u>	<u>(408.99)</u>	<u>-</u>	<u>-</u>	<u>408.99</u>	<u>-</u>	<u>-</u>

CANTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE THREE
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COMMISSION'S PROPORTIONATE SHARE OF THE
SOUTH DAKOTA RETIREMENT SYSTEM NET POSITION LIABILITY (ASSET)

FOR THE FOUR YEARS ENDING JUNE 30, 2017

SDRS Measurement Date Year Ended (1)	Commission's Proportion of the Net Pension Liability (Asset)	Commission's Proportionate Share of the Net Pension Liability (Asset)	Commission's Covered Employee Payroll for its June 30th Year End	Commission's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
6/30/2017	0.000024437	(221.77)	50,172.00	(0.44%)	(100.1%)
6/30/2016	0.000030907	10,440.08	51,785.33	20.16%	96.9%
6/30/2015	0.000027094	(11,491.34)	49,788.50	(23.08%)	(104.1%)
6/30/2014	0.000027437	(19,767.24)	58,288.83	(33.91%)	(107.3%)

(1) The data provided in this schedule is based as of the measurement date of South Dakota Retirement System's net pension liability (asset), which is as of the end of the Commission's fiscal year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CANTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE FOUR
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COMMISSION'S CONTRIBUTIONS
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

FOR THE FIVE YEARS ENDING JUNE 30, 2018

Commission's Year Ended	Statutorily Required Contribution	Contributions Related to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Commission's Covered Employee Payroll for its June 30th Year End	Contributions as a Percentage of Covered Employee Payroll
6/30/2018	3,233.22	3,233.22	0	53,887.00	6.00%
6/30/2017	3,010.32	3,010.32	0	50,172.00	6.00%
6/30/2016	3,107.12	3,107.12	0	51,785.33	6.00%
6/30/2015	2,987.31	2,987.31	0	49,788.50	6.00%
6/30/2014	3,497.33	3,497.33	0	58,288.83	6.00%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CANTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA
JUNE 30, 2018

Financial Data Schedule

Financial Data Schedule (FDS)
For the One Year Ending June 30, 2018
Required by the Dept. of Housing
and Urban Development (HUD)

Line Item #	Audit	Reclass	Low Rent	Public
			Housing CFDA # 14.850 6-30-18	Housing Capital Fund Program CFDA # 14.872 6-30-18
ASSETS				
Current assets:				
111.00	Cash - unrestricted	8,783	8,783	
114.00	Cash - tenant security deposits	4,614	4,614	
122.00	Accounts receivable - HUD	5,043	5,043	
125.00	Accounts receivable - other	1,360	0	
126.00	Accounts receivable - tenant	487	675	
126.00	Accounts receivable - vacated units	188	0	
126.10	Allowance for doubtful accts - tenants	(147)	(147)	
129.00	Accrued interest receivable	26	26	
131.00	Investments - unrestricted	25,520	25,520	
142.00	Prepaid expenses and other assets	1,531	1,531	
144.00	Interprogram due from	7,952	7,951	
150.00	Total current assets:	55,357	53,996	0
Noncurrent assets:				
161.00	Land	25,811	25,811	
162.00	Buildings and improvements	940,737	940,736	
163.00	Furniture, equipment - dwellings	16,134	16,134	
164.00	Furniture, equipment - administration	24,542	24,542	
166.00	Accumulated depreciation	(721,621)	(721,620)	
160.00	Total non-current assets:	285,603	285,603	0
174.00	Other assets - net SDRS pension	135	0	
200.00	Deferred outflows of resources	14,576	20,008	
290.00	Total assets and deferred outflows of re	355,671	359,607	0
LIABILITIES				
Current liabilities:				
312.00	Accounts payable <= 90 days	5,714	5,714	
322.00	Accrued compensated absences - current	2,227	2,227	
333.00	Accounts payable - other government	10,822	10,822	
341.00	Tenant security deposits	4,614	4,614	
342.00	Unearned revenue	1,170	1,170	
346.00	Accrued liabilities - other	1,801	441	
310.00	Total current liabilities	26,348	24,988	0
Noncurrent liabilities:				
353.00	Other non-current liability - SDRS pen.	0	5,584	
354.00	Accrued compensated absences	6,070	6,070	
300.00	Total liabilities	32,418	36,642	0
400.00	Deferred inflows of resources	2,589	6,897	
NET POSITION				
508.40	Net invested in capital assets	285,603	285,603	
511.40	Restricted net position - SDRS pension	12,122	7,527	
512.40	Unrestricted net position	22,939	22,938	
513.00	Total net position	320,664	316,068	0
600.00	Total liabilities, deferred inflows of resources, and net position	355,671	359,607	0

CANTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA
JUNE 30, 2018

Financial Data Schedule

Financial Data Schedule (FDS)		Audit		Low Rent	Public
For the One Year Ending June 30, 2018		Low Rent		Public	Public
Required by the Dept. of Housing		Public		Housing	Housing
and Urban Development		Housing		Program	Capital Fund
Line			Reclass	CFDA #	Program
Item #		6-30-18		14.850	CFDA #
				6-30-18	6-30-18
REVENUE					
703.00	Net tenant rental revenue	74,250		74,250	
706.00	HUD PHA operating grant	0	(9,021)	9,021	
706.10	HUD PHA capital grant	0	(16,857)	16,857	
711.00	Investment income - unrestricted	0	(291)	291	
715.00	Other revenue	2,108		2,108	
715.00	Other revenue - net pension revenue	4,595	4,595	0	
700.00	Total revenue	80,953	(21,574)	102,527	0
EXPENSES					
Administrative:					
911.00	Salaries	29,603		29,603	
912.00	Auditing fees	1,950		1,950	
915.00	Employee benefit contributions	4,466		4,466	
916.00	Office expense	11,826		11,826	
918.00	Travel	996		996	
919.00	Other	2,169		2,169	
921.00	Tenant services - salaries	2,387		2,387	
923.00	Tenant services - employee benefits	183		183	
924.00	Tenant services - other	1,889		1,889	
931.00	Utilities - Water	1,822		1,822	
932.00	Utilities - Electricity	9,280		9,280	
933.00	Utilities - Gas	4,930		4,930	
936.00	Utilities - Sewer	3,038		3,038	
938.00	Utilities - Other	160	(1)	161	
Expenses - ordinary maint. & operation:					
941.00	Labor	3,928		3,928	
942.00	Materials and other	6,067	1	6,066	
943.00	Contract costs	23,897		23,897	
945.00	Employee benefit contributions	306		306	
Expenses - general:					
961.10	Property insurance	5,368		5,368	
961.20	Liability insurance	943		943	
961.30	Workmen's Compensation	454		454	
962.00	Other general expenses	598		598	
962.10	Compensated absences	3,165		3,165	
963.00	Payment in lieu of taxes	5,502		5,502	
964.00	Bad debts - tenants	349		349	
967.20	Interest expense	0	(361)	361	
Other expenses:					
974.00	Depreciation	27,406		27,406	
900.00	Total expenses	152,682	(361)	153,043	0
Other financing sources (uses):					
706.00	HUD PHA operating grant	9,021	9,021	0	
711.00	Investment income - unrestricted	292	292	0	
967.20	Interest expense	(361)	(361)	0	
101.00	Total other financing sources (uses):	8,952	8,952	0	0
Net income (loss) before contributions, extraordinary item, losses, and transfers:					
		(62,777)	(12,261)	(50,516)	0
706.10	HUD capital grants	16,857	16,857	0	
	Change in net position	(45,920)	4,596	(50,516)	0
110.30	NET POSITION - beginning	366,584		366,584	0
513.00	NET POSITION - ending	320,664	4,596	316,068	0

CANTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA
JUNE 30, 2018

Financial Data Schedule (FDS)		Financial Data Schedule			
For the One Year Ending June 30, 2018 Required by the Dept. of Housing and Urban Development (HUD)		Audit		Section-8	Formula
Line Item #		Section-8 Housing Choice Vouchers 6-30-18	Reclass	Housing Choice Vouchers CFDA # 14.871 6-30-18	Capital Fund Stimulus Program CFDA # 14.885 6-30-18
ASSETS					
Current assets:					
111.00	Cash - unrestricted	13,007	1	13,006	
113.00	Cash - restricted	0		0	
122.00	Accounts receivable - HUD	1,972		1,972	
131.00	Investments - unrestricted	0		0	
150.00	Total current assets:	14,979	1	14,978	0
Noncurrent assets:					
162.00	Buildings	0		0	
163.00	Furniture, equipment - dwellings	0		0	
164.00	Furniture, equipment - administration	0		0	
166.00	Accumulated depreciation	0		0	
160.00	Total non-current assets:	0	0	0	0
174.00	Other assets - net SDRS pension	87	87	0	
200.00	Deferred outflow of resources	9,429	(7,968)	17,397	
290.00	Total assets and deferred outflow of resour	24,495	(7,880)	32,375	0
LIABILITIES					
Current liabilities:					
312.00	Accounts payable <= 90 days	1,210		1,210	
331.00	Accounts payable - HUD PHA programs	0		0	
347.00	Interprogram - Due to	7,952	1	7,951	
310.00	Total current liabilities	9,162	1	9,161	0
Noncurrent liabilities:					
357.00	Accrued pension and OPEB liability	0	(4,856)	4,856	
300.00	Total liabilities	9,162	(4,855)	14,017	0
400.00	Deferred inflow of resources	1,674	(4,323)	5,997	
NET POSITION					
508.40	Net invested in capital assets	0		0	
511.40	Restricted net position - HAP	0		0	
511.50	Restricted net position - pension	7,842	7,842	0	
512.40	Unrestricted net position	5,817	(6,544)	12,361	
513.00	Total net position	13,659	1,298	12,361	0
600.00	Total liabilities, deferred inflows of resources and net position	24,495	(7,880)	32,375	0

CANTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA
JUNE 30, 2018

Financial Data Schedule

Financial Data Schedule (FDS)

For the One Year Ending June 30, 2018

Required by the Dept. of Housing
and Urban Development

Audit

Section-8

Housing
Choice

Vouchers
6-30-18

Reclass

Section-8

Housing
Choice

Vouchers
CFDA #

14.871
6-30-18

Formula

Capital Fund
Stimulus

Program
CFDA #

14.885
6-30-18

Line Item #		Audit Section-8 Housing Choice Vouchers 6-30-18	Reclass	Section-8 Housing Choice Vouchers CFDA # 14.871 6-30-18	Formula Capital Fund Stimulus Program CFDA # 14.885 6-30-18
REVENUE					
706.00	HUD operating grant (HAP)	0	(240,854)	240,854	
711.00	Investment income - unrestricted	0	(17)	17	
714.00	Fraud recovery	0			
715.00	HAP Portability-In receipts	16,529	16,529	0	
715.00	HAP Portability-In receipts, admin fee	843	843	0	
715.00	Other revenue	1,506	(16,529)	18,035	
715.00	Other revenue - net pension revenue	1,297	1,297	0	
700.00	Total revenue	20,175	(238,731)	258,906	0
EXPENSES					
Expenses - administrative:					
911.00	Salaries	18,227		18,227	
912.00	Auditing fees	1,950		1,950	
915.00	Employee benefit contributions	2,671		2,671	
916.00	Office expense	5,860		5,860	
918.00	Travel	1,316		1,316	
919.00	Other	3,969		3,969	
Expenses - general:					
961.20	Liability insurance	588		588	
961.30	Workmen's compensation	337		337	
962.00	Portability-In admin fees	842	842	0	
Other expenses:					
973.00	Housing Assistance Payments	239,181		239,181	
973.50	Portability-In HAP	15,686		15,686	
900.00	Total expenses	290,627	842	289,785	0
Other financing sources (uses):					
706.00	HUD operating grant (HAP)	240,854	240,854	0	
711.00	Investment income - unrestricted	17	17	0	
1010.00	Total other financing sources (uses):	240,871	240,871	0	0
Net income (loss) before contributions, extraordinary item, and transfers					
	None	0	1,298	(30,879)	0
Change in net position					
		(29,581)	1,298	(30,879)	0
110.30	NET POSITION - beginning	43,240		43,240	0
513.00	NET POSITION - ending	13,659	1,298	12,361	0

CANTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA

Project Code: SD 039
Annual Contribution Contract Number: DEN 226

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2018

	Federal CFDA Number	FY18 Expenditures
Direct Federal Programs:		
U.S. Department of Housing and Urban Development:		
Low-Rent Public Housing:		
Operating subsidy	14.850	9,021
Capital Funding Program	14.872	16,857

		25,878

Existing Housing Choice Voucher Program:		
Existing Housing Choice Vouchers	14.871	240,854

		240,854

Indirect Federal Programs:		
None		0

Total: Dept of Housing and Urban Development		266,732
		=====

Note 1:

The above Schedule of Expenditures of Federal Awards includes the federal grant activity of the Canton Housing and Redevelopment Commission. It is presented on the full accrual basis of accounting and represents the federal financial assistance earned based on specific program expenditures.

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

Board of Commissioners
Canton Housing & Redevelopment Commission
Canton, South Dakota

Independent Auditor's Report

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund of the Canton Housing & Redevelopment Commission (Commission), a component unit of the City of Canton, South Dakota, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued my unqualified report thereon dated March 4, 2019.

Compliance and Other Matters:

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

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

Internal Control Over Financial Reporting:

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

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

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

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

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

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of Canton Housing & Redevelopment Commission in a separate Letter of Comments dated March 4, 2019.

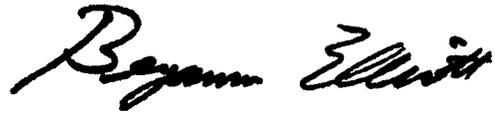
Purpose of the Report

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

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

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

March 4, 2019



CANTON HOUSING & REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF CANTON, SOUTH DAKOTA
JUNE 30, 2018

SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

There are no current written audit findings.