

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
(A COMPONENT UNIT OF THE CITY OF
HOT SPRINGS, SOUTH DAKOTA)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
WITH SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2022

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

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**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
The Housing and Redevelopment Commission
of the City of Hot Springs, South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements **The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota, a component unit of the City of Hot Springs, South Dakota (the Commission)**, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of December 31, 2022, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidenced we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the proportionate share of the net pension (asset)/liability, and the schedule of contributions as listed in the table of contents, be presented to supplement the basic financial statements.

Such information is the responsibility of management and, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying financial data schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 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*, we have also issued our report dated - September 28, 2023 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Wohlschlag Ritzman + Co., LLC

Yankton, South Dakota
September 28, 2023

HOT SPRINGS HOUSING AND REDEVELOPMENT COMMISSION
Hot Springs, South Dakota

Management's Discussion and Analysis
Year Ended December 31, 2022

Introduction

This Management's Discussion and Analysis (MD&A) of the Hot Springs Housing & Redevelopment Commission (Housing Commission) provides an introduction and overview to the financial statements of the Housing Commission for the year ended December 31, 2022. The Housing Commission presents this discussion and analysis of its financial performance during the year ended December 31, 2022, to assist the reader in focusing on significant financial issues.

The primary focus of the Housing Commission's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Housing Commission. The information contained in this MD&A should be considered in conjunction with the Housing Commission's financial statements and related notes to the financial statements.

For accounting purposes, the Housing Commission 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 balance sheet. 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 and deferred outflows of the Housing Commission for the year ended December 31, 2022 were \$5,665,070. Total liabilities and deferred inflows were \$2,029,975. Total assets and deferred outflows exceeded total liabilities and deferred inflows by \$3,635,095 (net position).

Unrestricted Net Position totals (\$460,039). This is the amount of the Housing Commission's reserve.

Total operating and non-operating revenues, and capital contributions for the year ended December 31, 2022, were \$1,947,311 and total operating and nonoperating expenses totaled \$1,616,702; change in net position was \$330,609.

Overview of the Financial Statements

The audited financial statements include this management discussion and analysis, and the basic financial statements which includes notes to the financial statements. The Housing Commission's financial statements are presented as program level financial statements because the Housing Commission only has proprietary funds.

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

HOT SPRINGS HOUSING AND REDEVELOPMENT COMMISSION
Hot Springs, South Dakota

Management's Discussion and Analysis, continued
Year Ended December 31, 2022

All of the current year revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Housing Commission's operations over the past year and can be used to determine whether the Housing Commission 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 cash came 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 Commission's basic financial statements include the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. The Statement of Net Position provides a summary of the Housing Commission's assets and liabilities as of the close of business on December 31, 2022. The Statement of Revenues, Expenses and Changes in Net Position also summarizes the revenues and sources of those revenues, and expenses incurred in operating the Housing Commission for the year ended December 31, 2022.

The Housing Commission's financial statements account for the following programs:

Conventional Public Housing – Under the Conventional Public Housing Program, the Housing Commission rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD), and HUD provides Operating Subsidy and Capital Grant funding to enable the Public Housing Authority (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 Housing Commission's properties.

City Housing / Townhouses – The Housing Commission completed construction and is operating a residential rental facility for moderate income families and individuals (receives HUD funding through the South Dakota Housing Development Authority (SDHDA)).

HOT SPRINGS HOUSING AND REDEVELOPMENT COMMISSION
Hot Springs, South Dakota

Management's Discussion and Analysis, continued
Year Ended December 31, 2022

<u>Condensed Statement of Net Position</u>			
As of December 31,	2022	2021	Change
Current and other assets	\$ 431,768	\$ 453,474	\$ (21,706)
Capital assets, net	<u>5,167,278</u>	<u>4,951,231</u>	<u>216,047</u>
Total Assets	<u>5,599,046</u>	<u>5,404,705</u>	<u>194,341</u>
Deferred outflows of resources	<u>66,024</u>	<u>79,895</u>	<u>(13,871)</u>
Current liabilities	693,707	537,957	155,750
Non-current liabilities	<u>1,294,962</u>	<u>1,520,053</u>	<u>(225,091)</u>
Total Liabilities	<u>1,988,669</u>	<u>2,058,010</u>	<u>(69,341)</u>
Deferred inflows of resources	<u>41,306</u>	<u>122,104</u>	<u>(80,798)</u>
Net investment in capital assets	3,776,361	3,147,189	629,172
Restricted	318,773	273,924	44,849
Unrestricted	<u>(460,039)</u>	<u>(116,627)</u>	<u>(343,412)</u>
Total Net Position	<u>\$ 3,635,095</u>	<u>\$ 3,304,486</u>	<u>\$ 330,609</u>

<u>Comparative Statement of Revenues, Expenses and Changes in Net Position</u>			
Year Ended December 31,	2022	2021	Change
Program Revenue			
Tenant revenue	\$ 719,111	\$ 676,202	\$ 42,909
Other income	184,467	198,239	(13,772)
Federal grants and subsidies	1,041,785	1,031,185	10,600
Interest income	<u>1,948</u>	<u>580</u>	<u>1,368</u>
Total Revenue	<u>1,947,311</u>	<u>1,906,206</u>	<u>41,105</u>
Program Expenses			
Administration	413,773	376,607	37,166
Tenant services	2,889	1,241	1,648
Utilities	367,737	380,087	(12,350)
Ordinary maintenance and operations	472,009	552,351	(80,342)
Protective services	-	551	(551)
General	41,484	46,682	(5,198)
Insurance	54,992	53,553	1,439
Interest	23,374	27,319	(3,945)
Depreciation	<u>240,444</u>	<u>222,644</u>	<u>17,800</u>
Total Expenses	<u>1,616,702</u>	<u>1,661,035</u>	<u>(44,333)</u>
Change in Net Position	<u>330,609</u>	<u>245,171</u>	<u>\$ 85,438</u>
Beginning Net Position	<u>3,304,486</u>	<u>3,059,315</u>	
Ending Net Position	<u>\$ 3,635,095</u>	<u>\$ 3,304,486</u>	

HOT SPRINGS HOUSING AND REDEVELOPMENT COMMISSION
Hot Springs, South Dakota

Management's Discussion and Analysis, continued
Year Ended December 31, 2022

Capital Assets

As of December 31,	<u>Capital Assets at Year-end</u> (Net of Accumulated Depreciation)		
	2022	2021	Change
Land	\$ 127,652	\$ 127,652	\$ -
Buildings	8,832,398	8,662,959	169,439
Furniture, Equipment & Mach. - Admin.	755,661	607,703	147,958
Construction in Progress	155,420	34,456	120,964
Subtotal	9,871,131	9,432,770	438,361
Accumulated Depreciation	(4,703,853)	(4,481,538)	(222,315)
Total Capital Assets	\$ 5,167,278	\$ 4,951,232	\$ 216,046

Capital assets additions consist primarily of ongoing unit modifications in the public housing structure and elevator upgrades in the city housing structure.

Long-Term Liabilities

As of December 31,	<u>Long-Term Liabilities at Year End</u> (Net of Accumulated Depreciation)		
	2022	2021	Change
Notes Payable	\$ 1,520,063	\$ 1,805,042	\$ (284,979)
Compensated Absences	14,384	6,080	8,304
Total Long-Term Liabilities	\$ 1,534,447	\$ 1,811,122	\$ (276,675)

Notes payable consist of long-term financing provided to the public housing program by the component unit. Long-term mortgages payable for city housing has been provided for through the South Dakota Housing and Development Authority.

The Housing Commission classifies employee's leave as long-term liabilities. The total amount is expected to be paid out in the upcoming fiscal year.

Economic Factors

The Housing Commission is primarily dependent upon HUD for the funding of operations; therefore, the Housing Commission 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 Commission's Financial Management

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Housing Commission's finances and to show the Housing Commission's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Rich Galbraith, Executive Director, at Hot Springs Housing Authority, 201 S. River St., Hot Springs, South Dakota 57747 -- (605) 745-4067.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Business-Type Activities	Component Unit
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 121,940	\$ 339,184
Receivables:		
Tenants, net of allowance for doubtful accounts	22,194	3,009
HUD other projects	14,265	452
Other	80,847	-
Notes - current portion	-	14,556
Internal balances	(173,072)	173,072
Accrued interest	44	-
Prepaid expenses	20,721	6,377
Inventories	50,774	-
Total current assets	137,713	536,650
Noncurrent assets:		
Mortgage escrow deposits held in trust	293,354	-
Notes receivable - less current portion	-	114,590
Net pension asset	701	-
Capital assets:		
Capital assets not being depreciated	283,072	23,021
Capital assets being depreciated, net	4,884,206	109,055
Total capital assets, net	5,167,278	132,076
Total noncurrent assets	5,461,333	246,666
Total assets	5,599,046	783,316
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	66,024	-
LIABILITIES		
Current liabilities:		
Accounts payable	312,085	10,483
Due to other governments	76,084	2,433
Accrued payroll taxes	6,130	-
Accrued interest payable	1,604	-
Tenant security deposits	55,024	6,356
Prepaid rents	3,295	70
Current portion of notes payable	226,431	-
Current portion of accrued compensated absences	13,054	-
Total current liabilities	693,707	19,342
Noncurrent liabilities:		
Notes payable	1,293,632	-
Compensated absences	1,330	-
Total noncurrent liabilities	1,294,962	-
Total liabilities	1,988,669	19,342
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	41,306	-
NET POSITION		
Net investment in capital assets	3,776,361	132,076
Restricted	318,773	-
Unrestricted	(460,039)	631,898
Total net position	\$ 3,635,095	\$ 763,974

The accompanying notes are
an integral part of these financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022**

	Business-Type Activities	Component Unit
OPERATING REVENUES		
Dwelling rental	\$ 707,037	\$ 77,242
Tenant revenue - other	12,074	196
Total operating revenues	719,111	77,438
OPERATING EXPENSES		
Administration	413,773	40,606
Tenant services	2,889	-
Utilities	367,737	51,199
Maintenance and operation	472,009	51,880
Insurance	54,992	9,148
Other general expenses	41,484	2,909
Extraordinary maintenance	-	19
Depreciation	240,444	15,746
Total operating expenses	1,593,328	171,507
Operating (loss)	(874,217)	(94,069)
NONOPERATING REVENUES (EXPENSES)		
HUD PHA grants	746,753	92,695
Investment income	1,948	2,959
Other income	183,956	3,897
Interest expense	(23,374)	-
Gain on sale of capital assets	511	-
Net nonoperating revenues (expenses)	909,794	99,551
Income before contributions	35,577	5,482
Capital contributions	295,032	-
Change in net position	330,609	5,482
Net position - beginning of year	3,304,486	758,492
Net position - end of year	\$ 3,635,095	\$ 763,974

The accompanying notes are
an integral part of these financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA,
STATEMENT OF CASH FLOWS - PAGE 1 OF 2
YEAR ENDED DECEMBER 31, 2022**

	Business-Type Activities	Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenants	\$ 717,062	\$ 75,142
Payments to employees	(487,597)	-
Payments to others for goods and services	(681,657)	(152,988)
Payments in lieu of taxes	(1)	(4,089)
Tenant deposits received	9,671	1,163
Tenant deposits refunded or retained	(7,499)	(690)
Net cash provided by (used in) operating activities	(450,021)	(81,462)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Operating grants received	745,101	92,695
Internal balance advances	99,084	(99,084)
Other income	141,409	3,445
Deposits to mortgage escrow accounts	(175,377)	-
Withdrawals from mortgage escrow accounts	135,856	-
Net cash provided by (used in) non-capital financing activities	946,073	(2,944)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants received	292,161	-
Acquisition of capital assets	(458,990)	(11,709)
Proceeds from the sale of capital assets	3,011	-
Principal payments on long-term debt	(283,979)	-
Interest payments on long-term debt	(29,210)	-
Net cash provided by (used in) capital and related financing activities	(477,007)	(11,709)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	1,947	2,959
Principal payments long-term on note receivable	-	14,126
Net cash provided by (used in) investing activities	1,947	17,085
Change in cash	20,992	(79,030)
Balances - beginning of year	100,948	418,214
Balances - end of year	\$ 121,940	\$ 339,184

The accompanying notes are an integral part
of these financial statements.

THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA,
STATEMENT OF CASH FLOWS - PAGE 2 of 2
YEAR ENDED DECEMBER 31, 2022

	Business-Type Activities	Component Unit
Reconciliation of operating (loss) to net cash provided by (used in) operating activities:		
Operating (Loss)	\$ (874,217)	\$ (94,069)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	240,444	15,746
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - tenants	(2,293)	(2,251)
Prepaid expenses	10,914	(417)
Inventories	(41,666)	-
Pension related assets	(5,328)	-
Increase (decrease) in:		
Accounts payable	230,044	757
Accrued payroll taxes	(53,458)	-
Accrued compensated absences	8,304	-
Prepaid rents	244	(45)
Due to other governments	34,819	(1,656)
Tenants security deposits	2,172	473
Net cash provided by (used in) operating activities	\$ (450,021)	\$ (81,462)

The accompanying notes are an integral part
of these financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota (Commission) was organized in 1972 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 commission appoint the five members of the governing board for five year staggered terms. The public housing authority (PHA) board elects its own chairperson and recruits and employs its management personnel and other workers. The local governing board of the City of Hot Springs, South Dakota retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the governing board the ability to impose its will on the Commission.

The primary government is the City of Hot Springs, South Dakota.

The Governmental Accounting Standards Board (GASB) establishes the criteria for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the primary government appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. Organizations for which the Commission is not financially accountable are also included when doing so is necessary in order to prevent the Commission's financial statements from being misleading.

The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the Commission.

The Fall River Housing & Redevelopment Commission was organized in May 1976 under the authority of South Dakota Codified Law 11-7-7 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.). Four of the five commissioners serve on both Hot Springs and Fall River housing authorities and Fall River Housing and Redevelopment is managed by Hot Springs Housing and Redevelopment Commission.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Reporting Entity, continued

No separate audited financial statements for the component unit are issued. Separate unaudited financial statements for The Fall River Housing & Redevelopment Commission can be obtained from their administrative office at 201 S River, Hot Springs, South Dakota 57747.

Nature of Business

The Commission administers HUD Project SD019-001 under Annual Contribution Contract C-866, which consists of 100 conventional low rent units. In addition, the Commission operates South Dakota Housing Development Authority (SDHDA) Project SD 99-H001-057 a historical landmark known as the Evans Hotel (the Project), which has 85 Section 8 units. The Commission acts as a management agent for the Fall River Housing and Redevelopment Commission which owns 24 units of Section 8 housing in Edgemont, South Dakota.

There is a joint powers agreement between Pennington County Housing and Redevelopment Commission and the Housing and Redevelopment Commission of the City of Hot Springs, South Dakota. It is agreed to by the parties for Pennington County Housing and Redevelopment Commission to operate, manage and administer the HUD Section 8 Housing Choice Vouchers of Hot Springs in Fall River County, South Dakota. No monies have been exchanged nor are due as of and for the year ended December 31, 2022, relating to this agreement.

Basis of Presentation

All activities of the Commission are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Cash and Cash Equivalents

For purposes of financial statement reporting, the Commission considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Certificates of deposit, regardless of maturity, are considered to be cash equivalents.

Accounts Receivable

All tenant accounts receivable are shown net of an allowance for doubtful accounts. Receivables from vacated tenants comprise the allowance.

Inventories

Inventories consist of supplies or fuel, and are valued at cost. Inventory items are initially recorded as assets and charged to expense as they are consumed.

Capital Assets

All acquisitions of property and equipment in excess of \$1,000 and all costs for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets, continued

Purchased capital assets are recorded at cost. Donated capital assets are valued at their estimated fair value on the date donated. Interest costs incurred during construction of capital assets are capitalized along with other capital asset costs. Depreciation is computed by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Building improvements	15
Improvements other than buildings	15
Furniture and equipment	3-10

Land is an inexhaustible capital asset and is not depreciated.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

Long-Term Liabilities

Long-term liabilities primarily consist of notes payable and compensated absences. Under terms of employment, employees are granted vacation leave in varying amounts. All vested vacation is accrued when incurred and is presented as compensated absences in the financial statements. Payments for vacation leave will be made at rates in effect when the benefits are used.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Pensions

For purposes of measuring the net pension (asset)/liability, deferred outflows of resources and deferred inflows of resources related to pensions, the pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS), and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. The Commission contributions and net pension asset are recognized on an accrual basis of accounting.

Other Postemployment Benefits

The Commission does not provide any other postemployment benefits to employees.

Fraud Recovery

The U.S. Department of Housing and Urban Development (HUD) requires the Commission to account for monies recovered from tenants who committed fraud or misrepresentation on the application process for rent calculations and now owe additional rent for prior periods or retroactive rent as fraud recovery. The monies recovered are shared by HUD and the local authority.

Equity Classifications

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

- a. Net investment in capital assets - Consists of capital assets including 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.
- b. Restricted net position - Is a net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted net position - Any net position that does not meet the definition of "restricted" or "net investment in capital assets."

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Application of Net Position

It is the Commission's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for which both restricted and unrestricted net position are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the entity. For the Commission, these revenues are charges for dwelling rents. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the entity. Revenues and expenses not meeting these definitions are reported as nonoperating. The primary nonoperating revenue is federal grants.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

Budgets

The Commission is not legally required to adopt a budget, however the Commission is contractually required by HUD to approve an annual operating budget for its HUD programs. Capital fund budgets are adopted on a "project length" basis. The budgets are prepared in accordance with HUD requirements and therefore, are not comparable to the GAAP financial presentation in this report. Therefore, budgetary data is not included in the basic financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

Deposits - 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 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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 fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial risk. As of December 31, 2022, the Commission's deposits were insured or collateralized and were not exposed to custodial credit risk.

Investments – As of December 31, 2022 the Commission had no investments.

Authorized Investments by the Commission – The Commission does not have a formal investment policy that further limits investments beyond those imposed by statutes.

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.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK, continued

Credit 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. As of December 31, 2022, the Commission had no investments.

Concentration of Credit Risk - The Commission places no limit on the amount that may be invested in anyone issuer. As of December 31, 2022, the Commission had no investments.

3. MORTGAGE ESCROW DEPOSITS HELD IN TRUST

The Commission has entered into a Regulatory Agreement with South Dakota Housing Development Authority (SDHDA) in conjunction with the Project which requires certain funds on deposit in designated reserve accounts for restricted use in paying designated costs and expenses. Those funds are held in trust by SDHDA and are invested by them in cash deposits or reinvestments in obligations of or fully guaranteed as to principal by the United States of America. These deposits totaled \$293,354 at December 31, 2022.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

Business-Type Activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 127,652	\$ -	\$ -	\$ 127,652
Construction in progress	34,456	120,964	-	155,420
Total capital assets not being depreciated	162,108	120,964	-	283,072
Capital assets being depreciated:				
Buildings and improvements	8,662,959	169,439	-	8,832,398
Furniture and equipment	607,703	168,947	(20,990)	755,660
Total capital assets being depreciated	9,270,662	338,386	(20,990)	9,588,058
Less accumulated depreciation for:				
Buildings and improvements	4,125,144	203,103	-	4,328,247
Furniture and equipment	356,394	35,430	(16,219)	375,605
Total accumulated depreciation	4,481,538	238,533	(16,219)	4,703,852
Total capital assets being depreciated, net	4,789,124	99,853	(4,771)	4,884,206
Capital assets, net	\$4,951,232	\$ 220,817	\$ (4,771)	\$5,167,278

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

4. CAPITAL ASSETS, continued

The Commission is undertaking two improvement projects within the Low Rent Program. The Commission has budgeted Capital Funds Program expenditures totaling \$480,881. A total of \$155,420 has been spent on the project as of December 31, 2022. Remaining funding will be provided through the Capital Funds Program.

Component Unit:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 23,021	\$ -	\$ -	\$ 23,021
Total capital assets not being depreciated	<u>23,021</u>	<u>-</u>	<u>-</u>	<u>23,021</u>
Capital assets being depreciated:				
Buildings and improvements	818,036	11,708	-	829,744
Furniture and equipment	49,867	-	-	49,867
Total capital assets being depreciated	<u>867,903</u>	<u>11,708</u>	<u>-</u>	<u>879,611</u>
Less accumulated depreciation for:				
Buildings and improvements	705,821	15,229	-	721,050
Furniture and equipment	48,989	517	-	49,506
Total accumulated depreciation	<u>754,810</u>	<u>15,746</u>	<u>-</u>	<u>770,556</u>
Total capital assets being depreciated, net	<u>113,093</u>	<u>(4,038)</u>	<u>-</u>	<u>109,055</u>
Capital assets, net	<u>\$ 136,114</u>	<u>\$ (4,038)</u>	<u>\$ -</u>	<u>\$ 132,076</u>

5. DUE TO OTHER GOVERNMENTS

Public housing authorities are not required to pay property taxes based on the normal property value assessment and tax levy procedures on real property owned, but rather make payments in lieu of property taxes (PILOT). State law requires that the amount due is the lower of 10% of gross rents less utilities or 5% of gross rents. Payments in lieu of taxes due as of December 31, 2022 was \$76,084.

6. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Notes Payable	\$ 1,805,042	\$ -	\$ (284,979)	\$1,520,063	\$ 226,431
Compensated Absences	<u>6,080</u>	<u>8,304</u>	<u>-</u>	<u>14,384</u>	<u>13,054</u>
Total	<u>\$ 1,811,122</u>	<u>\$ 8,304</u>	<u>\$ (284,979)</u>	<u>\$1,534,447</u>	<u>\$ 239,485</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

6. LONG-TERM LIABILITIES, continued

Notes payable at December 31, 2022 is comprised of the following:

Mortgage payable (2nd mortgage) - South Dakota Housing Development Authority, monthly installments of \$17,747 deferred until January 2021 including interest at 2.50%, due December 2025; secured by land, building and equipment	\$ 614,917
Mortgage payable (3rd mortgage) - South Dakota Housing Development Authority, irregular installments deferred until September 2021 including interest at 0%, due September 2029; secured by land, building and equipment	776,000
Note payable due to Fall River Housing and Redevelopment Commission: \$220,000 dated August 7, 2014; final maturity date September, 2029; 3% interest rate; monthly payments of \$1,519 beginning July 1, 2015; unsecured	<u>129,146</u>
Total	<u>\$ 1,520,063</u>

The annual requirements to amortize debt outstanding as of December 31, 2022, excluding compensated absences are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 226,431	\$ 16,768	\$ 243,199
2024	231,929	11,271	243,200
2025	237,567	5,633	243,200
2026	237,925	2,306	240,231
2027	238,409	1,822	240,231
2028-2032	<u>347,802</u>	<u>2,410</u>	<u>350,212</u>
Total	<u>\$ 1,520,063</u>	<u>\$ 40,210</u>	<u>\$ 1,560,273</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

6. LONG-TERM LIABILITIES, continued

In connection with obtaining the financing from South Dakota Housing Development Authority, the Project has entered into a Regulatory Agreement which provides, in part, for the following:

- a. Rents may not exceed those established by South Dakota Housing Development Authority.
- b. The Project is required to keep certain funds on deposit in designated "reserve" accounts for restricted use in paying designated costs and expenses. These accounts, whether in the form of a cash deposit or reinvestment in obligations of or fully guaranteed as to principal by the United States of America, shall at all times be under the control of South Dakota Housing Development Authority (SDHDA). The development cost escrow reserve fund was established with loan funds at loan closing. This fund is available in the event of any required design modifications of the Project or to cover any delinquent mortgage payments. The residual receipts reserve is funded annually by the Project. The annual required deposit varies and generally represents the excess of cash and certain receivables over certain current obligations of the Project at year end. The funds are accumulated for the financial benefit of the Project and may be utilized only at the sale discretion of the SDHDA. Other required reserves are for replacements, decorating, taxes and insurance. These reserves require monthly deposits and are designated for the purposes described by their titles.
- c. The Project may not make any capital expenditures not approved by the SDHDA.
- d. The term of the Regulatory Agreement is to maturity or termination of the insured mortgage.

7. MANAGEMENT AGREEMENT

The Commission entered into a Regulatory Agreement Assumption Agreement with South Dakota Housing Development Authority on November 30, 2007. The agreement provided in part for the payment of a management fee in an amount equal to 6.1 % of the gross rents received during the year excluding vacancies. Management fees earned totaled \$47,391 for the year ended December 31, 2022.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

8. RESTRICTED NET POSITION

As of December 31, 2022, net position restrictions as shown on the Statement of Net Position are the reserve for replacements in the amount of \$293,354, the access to which is controlled by the revenue bond holder and net pension (asset)/liability components in the amount of \$25,419, which recognizes the Commission's proportionate share of the restricted net pension (asset)/liability resulting from their membership in the South Dakota Retirement System.

9. PENSION PLAN

Plan Information

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor's 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 SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

SDRS has four classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

9. PENSION PLAN, continued

Benefits Provided, continued

All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

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

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

9. PENSION PLAN, continued

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members 6.0% 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. The Commission's share of contributions to the SDRS for the fiscal years ended December 31, 2022, 2021 and 2020 was \$11,857, \$11,156 and \$10,979 respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2022, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System, for the Commission as of the measurement period ending June 30, 2022 and reported by the Commission as of December 31, 2022 are as follows:

Proportionate share of pension liability	\$1,047,171
Less proportionate share of net pension restricted for pension benefits	<u>1,047,872</u>
Proportionate share of net pension liability (asset)	<u>\$ (701)</u>

At December 31, 2022, the Commission reported a liability (asset) of \$(701) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Commission's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Commission's proportion was 0.00741800% which is an increase (decrease) of (0.0007170%) from its proportion measured as of June 30, 2021.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

9. PENSION PLAN, continued

Pension Liabilities (Assets), Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions, continued:

For the year ended December 31, 2022, the Commission recognized a pension expense (reduction of pension expense) of (\$5,329). At December 31, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,345	\$ 45
Changes in assumptions	44,557	39,048
Net difference between projected and actual earnings on pension plan investments	-	1,680
Changes in proportion and difference between Commission contributions and proportionate share of contributions	1,304	533
Commission contributions subsequent to the measurement date	<u>6,818</u>	<u>-</u>
Total	<u>\$ 66,024</u>	<u>\$ 41,306</u>

\$6,818 reported as deferred outflow of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

	<u>Year Ended December 31</u>	
2023	\$	4,560
2024		10,111
2025		(10,785)
2026		<u>14,013</u>
Total	\$	<u>17,899</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

9. PENSION PLAN, continued

Actuarial Assumptions

The total pension liability/(asset) in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

Mortality Rates

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

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 portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.).

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

9. PENSION PLAN, continued

Actuarial Assumptions, continued

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, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	<u>2.0%</u>	0.4%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows 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 these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

9. PENSION PLAN, continued

Sensitivity of Liability (Asset) to Change in the Discount Rate

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

	1% Decrease	Current Discount Rate	1% Increase
Commission's proportionate share of the net pension liability/(asset)	\$ 145,566	\$ (701)	\$ (120,240)

Pension Plan Fiduciary Net Position

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

10. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During the year ended December 31, 2022 the Commission managed its risks as follows:

Employee Health Insurance

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

Liability Insurance

The Commission purchases liability insurance related to torts, theft, or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

10. RISK MANAGEMENT, continued

Worker's Compensation

The Commission purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits

The Commission provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

11. RELATED PARTY TRANSACTIONS

Fall River Housing & Redevelopment Commission paid \$24,891 and \$-0- to the Housing and Redevelopment Commission of the City of Hot Springs related to management fees and maintenance and operations, respectively for the year ended December 31, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOTSPRINGS, SOUTH DAKOTA**

SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION (ASSET)/LIABILITY

South Dakota Retirement System

Last 10 Years *

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Commission's proportion of the net pension liability/asset	0.0074180%	0.0081350%	0.0081346%	0.0084987%	0.0074358%
Commission's proportionate share of net pension liability (asset)	\$ (701)	\$ (62,300)	\$ (353)	\$ (901)	\$ (173)
Commission's covered-employee payroll	\$ 174,743	\$ 197,597	\$ 176,986	\$ 181,177	\$ 154,585
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	31.53%	0.20%	0.50%	0.11%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	105.52%	100.04%	100.09%	100.02%
	<u>2017</u>	<u>2016</u>	<u>2015</u>		
Commission's proportion of the net pension liability/asset	0.0074958%	0.0096870%	0.0097012%		
Commission's proportionate share of net pension liability (asset)	\$ (680)	\$ 32,722	\$ (41,146)		
Commission's covered-employee payroll	\$ 152,304	\$ 184,053	\$ 177,114		
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.45%	17.78%	23.23%		
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	96.89%	104.10%		

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of previous fiscal year. Until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

See Independent Auditor's Report

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

SCHEDULE OF CONTRIBUTIONS

South Dakota Retirement System

Last 10 Years *

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 11,857	\$ 11,156	\$ 10,979	\$ 11,729	\$ 9,264
Contributions in relation to the contractually required contribution	<u>11,857</u>	<u>11,156</u>	<u>10,979</u>	<u>11,729</u>	<u>9,264</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered-employee payroll	\$ 189,679	\$ 188,591	\$ 183,484	\$ 194,418	\$ 160,390
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%
	<u>2017</u>	<u>2016</u>	<u>2015</u>		
Contractually required contribution	\$ 9,148	\$ 10,078	\$ 10,786		
Contributions in relation to the contractually required contribution	<u>9,148</u>	<u>10,078</u>	<u>10,786</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Commission's covered-employee payroll	\$ 152,472	\$ 167,827	\$ 179,766		
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%		

* Until a full 10-year trend is compiled, the Commission will present information for those years for which information is available

See Independent Auditor's Report

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions

Changes From Prior Valuation

The June 30, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

The details of the changes since the last valuation are as follows:

Benefit Provision Changes

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes

As a result of an experience analysis covering the period from July 1, 2016 to June 30, 2021 and presented to the SDRS Board of Trustees in April and June, 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022 actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions

Actuarial Assumption Changes, continued

Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021 Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027 Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

Actuarial Method Changes

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.

SUPPLEMENTARY INFORMATION

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - BALANCE SHEET
DECEMBER 31, 2022

						14.856	
Line Item No.	Description	Total Programs	Eliminations	Total Low Rent and Capital Fund	N/C S/R Section 8	Component Unit	
111	Cash - Unrestricted	\$ 399,744	\$ -	\$ 59,535	\$ 7,381	\$ 332,828	
112	Cash - Restricted - Modernization and Development	\$ 293,354	\$ -	\$ -	\$ 293,354	\$ -	
113	Cash - Other Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	
114	Cash - Tenant Security Deposits	\$ 61,380	\$ -	\$ 30,810	\$ 24,214	\$ 6,356	
115	Cash - Restricted for Payment of Current Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	
100	Total Cash	\$ 754,478	\$ -	\$ 90,345	\$ 324,949	\$ 339,184	
121	Accounts Receivable - PHA Projects	\$ 452	\$ -	\$ -	\$ -	\$ 452	
122-010	Operating Subsidy	\$ -	\$ -	\$ -	\$ -	\$ -	
122-020	Capital Fund	\$ 14,265	\$ -	\$ 14,265	\$ -	\$ -	
122-030	Other	\$ -	\$ -	\$ -	\$ -	\$ -	
122	Accounts Receivable - HUD Other Projects	\$ 14,265	\$ -	\$ 14,265	\$ -	\$ -	
124	Accounts Receivable - Other Government	\$ -	\$ -	\$ -	\$ -	\$ -	
125-010	Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -	
125-020	Partnership	\$ -	\$ -	\$ -	\$ -	\$ -	
125-030	Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -	
125-040	Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -	
125-050	Other	\$ 80,847	\$ -	\$ 80,847	\$ -	\$ -	
125-060	Other Comments						
125	Accounts Receivable - Miscellaneous	\$ 80,847	\$ -	\$ 80,847	\$ -	\$ -	
126	Accounts Receivable - Tenants	\$ 38,601	\$ -	\$ 21,616	\$ 13,471	\$ 3,514	
126.1	Allowance for Doubtful Accounts - Tenants	\$ (13,398)	\$ -	\$ (7,885)	\$ (5,008)	\$ (505)	
126.2	Allowance for Doubtful Accounts - Other	\$ -	\$ -	\$ -	\$ -	\$ -	
127	Notes, Loans, & Mortgages Receivable - Current	\$ 14,556	\$ -	\$ -	\$ -	\$ 14,556	
128	Fraud Recovery	\$ -	\$ -	\$ -	\$ -	\$ -	
128.1	Allowance for Doubtful Accounts - Fraud	\$ -	\$ -	\$ -	\$ -	\$ -	
129	Accrued Interest Receivable	\$ 44	\$ -	\$ 44	\$ -	\$ -	
120	Total Receivables, Net of Allowances for Doubtful Accounts	\$ 135,367	\$ -	\$ 108,887	\$ 8,463	\$ 18,017	
131	Investments - Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	
132	Investments - Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	
135	Investments - Restricted for Payment of Current Liability	\$ -	\$ -	\$ -	\$ -	\$ -	
142	Prepaid Expenses and Other Assets	\$ 27,098	\$ -	\$ 6,475	\$ 14,246	\$ 6,377	
143	Inventories	\$ 50,774	\$ -	\$ 29,726	\$ 21,048	\$ -	
143.1	Allowance for Obsolete Inventories	\$ -	\$ -	\$ -	\$ -	\$ -	
144	Inter Program Due From	\$ -	\$ (173,072)	\$ -	\$ -	\$ 173,072	
145	Assets Held for Sale	\$ -	\$ -	\$ -	\$ -	\$ -	
150	Total Current Assets	\$ 967,717	\$ (173,072)	\$ 235,433	\$ 368,706	\$ 536,650	
161	Land	\$ 150,673	\$ -	\$ 75,752	\$ 51,900	\$ 23,021	
162	Buildings	\$ 9,473,735	\$ -	\$ 5,180,520	\$ 3,486,895	\$ 806,320	
163	Furniture, Equipment & Machinery - Dwellings	\$ 731,463	\$ -	\$ -	\$ 681,596	\$ 49,867	
164	Furniture, Equipment & Machinery - Administration	\$ 74,065	\$ -	\$ 69,465	\$ 4,600	\$ -	
165	Leasehold Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	
166	Accumulated Depreciation	\$ (5,474,409)	\$ -	\$ (3,200,324)	\$ (1,503,529)	\$ (770,556)	
167	Construction in Progress	\$ 155,420	\$ -	\$ 155,420	\$ -	\$ -	
168	Infrastructure	\$ 188,407	\$ -	\$ 104,506	\$ 60,477	\$ 23,424	
160	Total Capital Assets, Net of Accumulated Depreciation	\$ 5,299,354	\$ -	\$ 2,385,339	\$ 2,781,939	\$ 132,076	
171-010	Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -	
171-020	Partnership	\$ -	\$ -	\$ -	\$ -	\$ -	
171-030	Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -	
171-040	Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -	
171-050	Other	\$ 114,590	\$ -	\$ -	\$ -	\$ 114,590	
171-060	Other Comments					Fall River Housing & Redevelopment Commission	
171	Notes, Loans and Mortgages Receivable - Non-Current	\$ 114,590	\$ -	\$ -	\$ -	\$ 114,590	
172-010	Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -	
172-020	Partnership	\$ -	\$ -	\$ -	\$ -	\$ -	
172-030	Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -	
172-040	Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -	
172-050	Other	\$ -	\$ -	\$ -	\$ -	\$ -	
172-060	Other Comments						
172	Notes, Loans, & Mortgages Receivable - Non Current - Past Due	\$ -	\$ -	\$ -	\$ -	\$ -	
173	Grants Receivable - Non Current	\$ -	\$ -	\$ -	\$ -	\$ -	
174-010	Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -	
174-020	Partnership	\$ -	\$ -	\$ -	\$ -	\$ -	
174-030	Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -	
174-040	Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -	

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - BALANCE SHEET
DECEMBER 31, 2022

							14.856
Line Item No.	Description	Total Programs	Eliminations	Total Low Rent and Capital Fund	N/C S/R Section 8	Component Unit	
174-050	Other	\$ 701	\$ -	\$ 701	\$ -	\$ -	
174-060	Other Comments			SDRS Pension Asset			
174	Other Assets	\$ 701	\$ -	\$ 701	\$ -	\$ -	
176-010	Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -	
176-020	Partnership	\$ -	\$ -	\$ -	\$ -	\$ -	
176-030	Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -	
176-040	Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -	
176-050	Other	\$ -	\$ -	\$ -	\$ -	\$ -	
176-060	Other Comments						
176	Investments in Joint Ventures	\$ -	\$ -	\$ -	\$ -	\$ -	
180	Total Non-Current Assets	\$ 5,414,645	\$ -	\$ 2,386,040	\$ 2,781,939	\$ 246,666	
190	Total Assets	\$ 6,382,362	\$ (173,072)	\$ 2,621,473	\$ 3,150,645	\$ 783,316	
200	Deferred Outflow of Resources	\$ 66,024	\$ -	\$ 66,024	\$ -	\$ -	
290	Total Assets and Deferred Outflow of Resources	\$ 6,448,386	\$ (173,072)	\$ 2,687,497	\$ 3,150,645	\$ 783,316	
311	Bank Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	
312	Accounts Payable <= 90 Days	\$ 216,284	\$ -	\$ 96,992	\$ 108,809	\$ 10,483	
313	Accounts Payable >90 Days Past Due	\$ -	\$ -	\$ -	\$ -	\$ -	
321	Accrued Wage/Payroll Taxes Payable	\$ 6,130	\$ -	\$ 6,130	\$ -	\$ -	
322	Accrued Compensated Absences - Current Portion	\$ 13,054	\$ -	\$ 13,054	\$ -	\$ -	
324	Accrued Contingency Liability	\$ -	\$ -	\$ -	\$ -	\$ -	
325	Accrued Interest Payable	\$ 1,604	\$ -	\$ 323	\$ 1,281	\$ -	
331-010	Operating Subsidy	\$ -	\$ -	\$ -	\$ -	\$ -	
331-020	Capital Fund	\$ -	\$ -	\$ -	\$ -	\$ -	
331-030	Other	\$ 106,284	\$ -	\$ 106,284	\$ -	\$ -	
331	Accounts Payable - HUD PHA Programs	\$ 106,284	\$ -	\$ 106,284	\$ -	\$ -	
332	Account Payable - PHA Projects	\$ -	\$ -	\$ -	\$ -	\$ -	
333	Accounts Payable - Other Government	\$ 78,517	\$ -	\$ 34,779	\$ 41,305	\$ 2,433	
341	Tenant Security Deposits	\$ 61,380	\$ -	\$ 30,810	\$ 24,214	\$ 6,356	
342-010	Operating Subsidy	\$ -	\$ -	\$ -	\$ -	\$ -	
342-020	Capital Fund	\$ -	\$ -	\$ -	\$ -	\$ -	
342-030	Other	\$ 3,365	\$ -	\$ 1,594	\$ 1,701	\$ 70	
342	Deferred Revenues	\$ 3,365	\$ -	\$ 1,594	\$ 1,701	\$ 70	
343-010	CFFP	\$ -	\$ -	\$ -	\$ -	\$ -	
343-020	Capital Projects/Mortgage Revenue	\$ 226,431	\$ -	\$ 14,556	\$ 211,875	\$ -	
343	Current Portion of Long-term Debt - Capital Projects/Mortgage	\$ 226,431	\$ -	\$ 14,556	\$ 211,875	\$ -	
344	Current Portion of Long-term Debt - Operating Borrowings	\$ -	\$ -	\$ -	\$ -	\$ -	
345	Other Current Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	
346	Accrued Liabilities - Other	\$ -	\$ -	\$ -	\$ -	\$ -	
347	Inter Program - Due To	\$ -	\$ (173,072)	\$ 25,863	\$ 147,209	\$ -	
348-010	Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -	
348-020	Partnership	\$ -	\$ -	\$ -	\$ -	\$ -	
348-030	Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -	
348-040	Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -	
348-050	Other	\$ -	\$ -	\$ -	\$ -	\$ -	
348-060	Other Comments						
348	Loan Liability - Current	\$ -	\$ -	\$ -	\$ -	\$ -	
310	Total Current Liabilities	\$ 713,049	\$ (173,072)	\$ 330,385	\$ 536,394	\$ 19,342	
351-010	CFFP	\$ -	\$ -	\$ -	\$ -	\$ -	
351-020	Capital Projects/Mortgage Revenue	\$ 1,293,632	\$ -	\$ 114,590	\$ 1,179,042	\$ -	
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$ 1,293,632	\$ -	\$ 114,590	\$ 1,179,042	\$ -	
352	Long-term Debt, Net of Current - Operating Borrowings	\$ -	\$ -	\$ -	\$ -	\$ -	
353	Non-current Liabilities - Other	\$ -	\$ -	\$ -	\$ -	\$ -	
354	Accrued Compensated Absences - Non Current	\$ 1,330	\$ -	\$ 1,330	\$ -	\$ -	
355-010	Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -	
355-020	Partnership	\$ -	\$ -	\$ -	\$ -	\$ -	
355-030	Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -	
355-040	Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -	
355-050	Other	\$ -	\$ -	\$ -	\$ -	\$ -	
355-060	Other Comments						
355	Loan Liability - Non Current	\$ -	\$ -	\$ -	\$ -	\$ -	
356	FASB 5 Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	
357-010	Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	
357-020	OPEB Liability	\$ -	\$ -	\$ -	\$ -	\$ -	
357	Accrued Pension and OPEB Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	
357	Accrued Pension and OPEB Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - BALANCE SHEET
DECEMBER 31, 2022

							14.856
Line Item No.	Description	Total Programs	Eliminations	Total Low Rent and Capital Fund	N/C S/R Section 8	Component Unit	
350	Total Non-Current Liabilities	\$ 1,294,962	\$ -	\$ 115,920	\$ 1,179,042	\$ -	
300	Total Liabilities	\$ 2,008,011	\$ (173,072)	\$ 446,305	\$ 1,715,436	\$ 19,342	
400	Deferred Inflow of Resources	\$ 41,306	\$ -	\$ 41,306	\$ -	\$ -	
508.1	Invested in Capital Assets, Net of Related Debt	\$ -	\$ -	\$ -	\$ -	\$ -	
511.1	Restricted Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -	
512.1	Unrestricted Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -	
513	Total Equity/Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -	
509.2	Fund Balance Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	
511.2	Unreserved, Designated Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	
512.2	Unreserved, Undesignated Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	
513	Total Equity/Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -	
508.3	Nonspendable Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	
509.3	Restricted Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	
510.3	Committed Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	
511.3	Assigned Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	
512.3	Unassigned Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	
513	Total Equity/Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -	
508.4	Net Investment in Capital Assets	\$ 3,908,437	\$ -	\$ 2,385,339	\$ 1,391,022	\$ 132,076	
511.4	Restricted Net Position	\$ 318,773	\$ -	\$ 25,419	\$ 293,354	\$ -	
512.4	Unrestricted Net Position	\$ 171,859	\$ -	\$ (210,872)	\$ (249,167)	\$ 631,898	
513	Total Equity - Net Assets / Position	\$ 4,399,069	\$ -	\$ 2,199,886	\$ 1,435,209	\$ 763,974	
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	\$ 6,448,386	\$ (173,072)	\$ 2,687,497	\$ 3,150,645	\$ 783,316	

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - INCOME STATEMENT
YEAR ENDED DECEMBER 31, 2022

Line Item No.	Description	Total Programs	Eliminations	14.850	14.850	14.872	14.856	Component Unit
				Low Rent	Low Rent - CARES	Capital Fund Program	N/C S/R Section 8	
70300	Net Tenant Rental Revenue	\$ 784,279	\$ -	\$ 376,665	\$ -	\$ -	\$ 330,372	\$ 77,242
70400	Tenant Revenue - Other	\$ 12,270	\$ -	\$ 1,555	\$ -	\$ -	\$ 10,519	\$ 196
70500	Total Tenant Revenue	\$ 796,549	\$ -	\$ 378,220	\$ -	\$ -	\$ 340,891	\$ 77,438
70600	HUD PHA Operating Grants	\$ 839,448	\$ -	\$ 294,261	\$ -	\$ 23,919	\$ 428,573	\$ 92,695
70610	Capital Grants	\$ 295,032	\$ -	\$ -	\$ -	\$ 295,032	\$ -	\$ -
70710	Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70720	Asset Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70730	Book Keeping Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70740	Front Line Service Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70750	Other Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70700	Total Fee Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70800	Other Government Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
71100	Investment Income - Unrestricted	\$ 469	\$ -	\$ 84	\$ -	\$ -	\$ 12	\$ 373
71200	Mortgage Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
71300	Proceeds from Disposition of Assets Held for Sale	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
71310	Cost of Sale of Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
71400	Fraud Recovery	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
71500	Other Revenue	\$ 187,853	\$ -	\$ 179,410	\$ -	\$ -	\$ 4,546	\$ 3,897
71600	Gain or Loss on Sale of Capital Assets	\$ 511	\$ -	\$ 511	\$ -	\$ -	\$ -	\$ -
72000	Investment Income - Restricted	\$ 4,438	\$ -	\$ -	\$ -	\$ -	\$ 1,852	\$ 2,586
70000	Total Revenue	\$ 2,124,300	\$ -	\$ 852,486	\$ -	\$ 318,951	\$ 775,874	\$ 176,989
91100	Administrative Salaries	\$ 116,828	\$ -	\$ 86,648	\$ -	\$ -	\$ 30,180	\$ -
91200	Auditing Fees	\$ 40,989	\$ -	\$ 18,620	\$ -	\$ -	\$ 10,478	\$ 11,891
91300-010	To PHA Administered Program (i.e., COCC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
91300-020	To a Third Party/Outside Entity	\$ 184,941	\$ -	\$ 112,659	\$ -	\$ -	\$ 47,391	\$ 24,891
91300	Management Fee	\$ 184,941	\$ -	\$ 112,659	\$ -	\$ -	\$ 47,391	\$ 24,891
91300	Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
91310	Book-keeping Fee	\$ 8,696	\$ -	\$ 8,696	\$ -	\$ -	\$ -	\$ -
91400	Advertising and Marketing	\$ 11,144	\$ -	\$ 1,328	\$ -	\$ 9,695	\$ 121	\$ -
91500	Employee Benefit contributions - Administrative	\$ 22,645	\$ -	\$ 22,527	\$ -	\$ -	\$ 118	\$ -
91600	Office Expenses	\$ 65,159	\$ -	\$ 60,649	\$ -	\$ -	\$ 1,368	\$ 3,142
91700	Legal Expense	\$ 691	\$ -	\$ -	\$ -	\$ -	\$ 9	\$ 682
91800	Travel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
91810	Allocated Overhead	\$ 339	\$ -	\$ 339	\$ -	\$ -	\$ -	\$ -
91900	Other	\$ 2,947	\$ -	\$ -	\$ -	\$ -	\$ 2,947	\$ -
91000	Total Operating - Administrative	\$ 454,379	\$ -	\$ 311,466	\$ -	\$ 9,695	\$ 92,612	\$ 40,606
92000	Asset Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
92100	Tenant Services - Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
92200	Relocation Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
92300	Employee Benefit Contributions - Tenant Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
92400	Tenant Services - Other	\$ 2,889	\$ -	\$ 2,889	\$ -	\$ -	\$ -	\$ -
92500	Total Tenant Services	\$ 2,889	\$ -	\$ 2,889	\$ -	\$ -	\$ -	\$ -
93100	Water	\$ 34,077	\$ -	\$ 14,162	\$ -	\$ -	\$ 17,432	\$ 2,483
93200	Electricity	\$ 193,135	\$ -	\$ 84,824	\$ -	\$ -	\$ 60,517	\$ 47,794
93300	Gas	\$ 106,232	\$ -	\$ 36,162	\$ -	\$ -	\$ 70,070	\$ -
93400	Fuel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
93500	Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
93600	Sewer	\$ 67,329	\$ -	\$ 37,083	\$ -	\$ -	\$ 29,444	\$ 802
93700	Employee Benefit Contributions - Utilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
93800	Other Utilities Expense	\$ 18,163	\$ -	\$ 7,579	\$ -	\$ -	\$ 10,464	\$ 120
93000	Total Utilities	\$ 418,936	\$ -	\$ 179,810	\$ -	\$ -	\$ 187,927	\$ 51,199
94100	Ordinary Maintenance and Operations - Labor	\$ 226,586	\$ -	\$ 181,846	\$ -	\$ -	\$ 44,740	\$ -
94200	Ordinary Maintenance and Operations - Materials and Other	\$ 77,530	\$ -	\$ 46,108	\$ -	\$ 346	\$ 19,067	\$ 12,009
94300-010	Garbage and Trash Removal Contracts	\$ 20,569	\$ -	\$ 11,807	\$ -	\$ -	\$ 7,100	\$ 1,662
94300-020	Heating & Cooling Contracts	\$ 3,098	\$ -	\$ 2,002	\$ -	\$ -	\$ 1,096	\$ -
94300-030	Snow Removal Contracts	\$ 400	\$ -	\$ 250	\$ -	\$ -	\$ 150	\$ -
94300-040	Elevator Maintenance Contracts	\$ 33,433	\$ -	\$ 19,174	\$ -	\$ -	\$ 14,259	\$ -
94300-050	Landscape & Grounds Contracts	\$ 21,755	\$ -	\$ 7,009	\$ -	\$ -	\$ 2,876	\$ 11,870
94300-060	Unit Turnaround Contracts	\$ 1,806	\$ -	\$ 1,750	\$ -	\$ -	\$ 56	\$ -
94300-070	Electrical Contracts	\$ 13,695	\$ -	\$ 5,195	\$ -	\$ -	\$ 8,419	\$ 81
94300-080	Plumbing Contracts	\$ 8,760	\$ -	\$ 84	\$ -	\$ -	\$ 207	\$ 8,469
94300-090	Extermination Contracts	\$ 5,450	\$ -	\$ 3,350	\$ -	\$ -	\$ 1,950	\$ 150
94300-100	Janitorial Contracts	\$ 1,238	\$ -	\$ 1,238	\$ -	\$ -	\$ -	\$ -
94300-110	Routine Maintenance Contracts	\$ 14,833	\$ -	\$ 2,167	\$ -	\$ -	\$ 12,666	\$ -
94300-120	Miscellaneous Contracts	\$ 23,490	\$ -	\$ 7,185	\$ -	\$ -	\$ (1,334)	\$ 17,639
94300	Ordinary Maintenance and Operations Contracts	\$ 148,527	\$ -	\$ 61,211	\$ -	\$ -	\$ 47,445	\$ 39,871
94500	Employee Benefit Contributions - Ordinary Maintenance	\$ 71,246	\$ -	\$ 71,246	\$ -	\$ -	\$ -	\$ -
94000	Total Maintenance	\$ 523,889	\$ -	\$ 360,411	\$ -	\$ 346	\$ 111,252	\$ 51,880

See Independent Auditor's Report

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - INCOME STATEMENT
YEAR ENDED DECEMBER 31, 2022

Line Item No.	Description	Total Programs	Eliminations	14.850	14.850	14.872	14.856	Component Unit
				Low Rent	Low Rent - CARES	Capital Fund Program	N/C S/R Section 8	
95100	Protective Services - Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
95200	Protective Services - Other Contract Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
95300	Protective Services - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
95500	Employee Benefit Contributions - Protective Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
95000	Total Protective Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96110	Property Insurance	\$ 54,029	\$ -	\$ 18,500	\$ -	\$ -	\$ 26,381	\$ 9,148
96120	Liability Insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96130	Workmen's Compensation	\$ 6,900	\$ -	\$ 6,900	\$ -	\$ -	\$ -	\$ -
96140	All Other Insurance	\$ 3,211	\$ -	\$ 2,936	\$ -	\$ -	\$ 275	\$ -
96100	Total insurance Premiums	\$ 64,140	\$ -	\$ 28,336	\$ -	\$ -	\$ 26,656	\$ 9,148
96200	Other General Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96210	Compensated Absences	\$ (190)	\$ -	\$ (190)	\$ -	\$ -	\$ -	\$ -
96300	Payments in Lieu of Taxes	\$ 37,253	\$ -	\$ 19,687	\$ -	\$ -	\$ 15,133	\$ 2,433
96400	Bad debt - Tenant Rents	\$ 7,330	\$ -	\$ 3,581	\$ -	\$ -	\$ 3,273	\$ 476
96500	Bad debt - Mortgages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96600	Bad debt - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96800	Severance Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96000	Total Other General Expenses	\$ 44,393	\$ -	\$ 23,078	\$ -	\$ -	\$ 18,406	\$ 2,909
96710	Interest of Mortgage (or Bonds) Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96720	Interest on Notes Payable (Short and Long Term)	\$ 23,374	\$ -	\$ 4,070	\$ -	\$ -	\$ 19,304	\$ -
96730	Amortization of Bond Issue Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96700	Total Interest Expense and Amortization Cost	\$ 23,374	\$ -	\$ 4,070	\$ -	\$ -	\$ 19,304	\$ -
96900	Total Operating Expenses	\$ 1,532,000	\$ -	\$ 910,060	\$ -	\$ 10,041	\$ 456,157	\$ 155,742
97000	Excess of Operating Revenue over Operating Expenses	\$ 592,300	\$ -	\$ (57,574)	\$ -	\$ 308,910	\$ 319,717	\$ 21,247
97100	Extraordinary Maintenance	\$ 19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19
97200	Casualty Losses - Non-capitalized	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
97300	Housing Assistance Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
97350	HAP Portability-In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
97400	Depreciation Expense	\$ 256,190	\$ -	\$ 148,553	\$ -	\$ -	\$ 91,891	\$ 15,746
97500	Fraud Losses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
97600	Capital Outlays - Governmental Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
97700	Debt Principal Payment - Governmental Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
97800	Dwelling Units Rent Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
90000	Total Expenses	\$ 1,788,209	\$ -	\$ 1,058,613	\$ -	\$ 10,041	\$ 548,048	\$ 171,507
10010	Operating Transfer In	\$ (26,037)	\$ (35,574)	\$ 9,537	\$ -	\$ -	\$ -	\$ -
10020	Operating transfer Out	\$ 26,037	\$ 35,574	\$ -	\$ -	\$ (9,537)	\$ -	\$ -
10030-010	Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10030-020	Partnership	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10030-030	Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10030-040	Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10030-050	Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10030-060	Other Comments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10030	Operating Transfers from/to Primary Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10040	Operating Transfers from/to Component Unit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10050	Proceeds from Notes, Loans and Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10060	Proceeds from Property Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10070	Extraordinary Items, Net Gain/Loss	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10080	Special Items (Net Gain/Loss)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10091	Inter Project Excess Cash Transfer In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10092	Inter Project Excess Cash Transfer Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10093	Transfers between Program and Project - In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10094	Transfers between Project and Program - Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10100	Total Other financing Sources (Uses)	\$ -	\$ -	\$ 9,537	\$ -	\$ (9,537)	\$ -	\$ -
10000	Excess (Deficiency) of Total Revenue Over (Under) Total	\$ 336,091	\$ -	\$ (196,590)	\$ -	\$ 299,373	\$ 227,826	\$ 5,482
11020	Required Annual Debt Principal Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11030	Beginning Equity	\$ 4,062,978	\$ -	\$ 2,097,103	\$ -	\$ -	\$ 1,207,383	\$ 758,492
11040-010	Prior Period Adjustments and Correction of Errors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-020	Prior Period Adjustments and Correction of Errors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-030	Prior Period Adjustments and Correction of Errors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-040	Prior Period Adjustments and Correction of Errors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-050	Prior Period Adjustments and Correction of Errors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-060	Prior Period Adjustments and Correction of Errors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-070	Equity Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-080	Equity Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-090	Equity Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-100	Equity Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See Independent Auditor's Report

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - INCOME STATEMENT
YEAR ENDED DECEMBER 31, 2022

Line Item No.	Description	Total Programs	Eliminations	14.850	14.850	14.872	14.856	Component Unit
				Low Rent	Low Rent - CARES	Capital Fund Program	N/C S/R Section 8	
11040-110	Equity Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040	Prior Period Adjustments, Equity Transfers and Correction of	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11050	Changes in Compensated Absence Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11060	Changes in Contingent Liability Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11070	Changes in Unrecognized Pension Transition Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11080	Changes in Special Term/Severance Benefits Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11100	Changes in Allowance for Doubtful Accounts - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11170	Administrative Fee Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11180	Housing Assistance Payments Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11190	Unit Months Available	\$ 2,508	\$ -	\$ 1,200	\$ -	\$ -	\$ 1,020	\$ 288
11210	Number of Unit Months Leased	\$ 2,351	\$ -	\$ 1,150	\$ -	\$ -	\$ 942	\$ 259
11270	Excess Cash	\$ (278,862)	\$ -	\$ (278,862)	\$ -	\$ -	\$ -	\$ -
11610	Land Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11620	Building Purchases	\$ 295,302	\$ -	\$ -	\$ -	\$ 295,302	\$ -	\$ -
11630	Furniture & Equipment - Dwelling Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11640	Furniture & Equipment - Administrative Purchases	\$ 2,690	\$ -	\$ -	\$ -	\$ 2,690	\$ -	\$ -
11650	Leasehold Improvements Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11660	Infrastructure Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13510	CFFP Debt Service Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13901	Replacement Housing Factor Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA

Financial Data Schedule - Memo Account Information
Year Ended December 31, 2022

Financial Statements		
Element	Description	Value
G3000-005	Financial Statements Using Basis Other Than GAAP	NO
G3000-010	Fund Opinion(s)	Single Fund
-	Modified Opinion	NO
-	Unmodified Opinion	YES
-	Adverse Opinion	NO
-	Disclaimer Opinion	NO
G3000-020	"Going Concern" Indicator	NO
G3000-030	Significant Deficiency Indicator	YES
G3000-230	Does the Deficiency relate to the Low Rent or Capital Fund?	YES
G3000-240	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	1
G3000-040	Material Weakness Indicator	NO
G3000-250	Does the material weakness relate to the Low Rent or Capital Fund Program?	N/A
G3000-260	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	-
G3000-050	Material Noncompliance Indicator	NO
G3000-270	Does the non-compliance relate to the Low Rent or Capital Fund Program?	N/A
G3000-280	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	-
G3000-060	Fraud	NO
G3000-290	Does the activity relate to the Low Rent or Capital Fund Program?	N/A
G3000-300	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	-
G3000-070	Illegal Acts	NO
G3000-310	Does the activity relate to the Low Rent or Capital Fund Program?	N/A
G3000-320	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	-
G3000-080	Abuse	NO
G3000-330	Does the activity relate to the Low Rent or Capital Fund Program?	N/A
G3000-340	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	-

See Independent Auditor's Report

THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA

Financial Data Schedule - Memo Account Information
Year Ended December 31, 2022

Financial Statement Fund Opinion Details		
Element	Description	Details
G3000-200	Fund Type of the fund containing the listed program	MAJOR
G3000-210	Fund Opinion of the fund containing the listed program	UNMODIFIED
G3000-220	Is the departure or qualification related to the Capital Fund or Low Rent Programs?	N/A

Federal Programs		
Element	Description	Value
G4000-020	Dollar Threshold Used to Distinguish Type A and Type B Programs	\$750,000
G4000-030	Low-Risk Auditee Indicator	YES
G4000-040	Indicator-Any Audit Findings Disclosed that are Required to be Reported	NO
G4000-080	Was a Schedule of Prior Audit Findings prepared?	YES
G4100-040	Total Federal Awards Expended (This cell is populated by G4100-030 from the "Federal Award Details" Tab)	\$1,134,480

THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA

Financial Data Schedule - Memo Account Information
Year Ended December 31, 2022

Federal Award Details		
Element	Description	Details
G4100-030	Amount Expended	\$1,134,480
G4200-010	Major Federal Program Indicator	YES
G4200-050	Type of Opinion on Major Federal Program	UNMODIFIED
G4200-060	Number of Single Audit Compliance Audit Findings	0
G4200-100	Significant Deficiency Indicator	NO
G4200-200	Number of Significant Deficiencies	0
G4200-110	Material Weakness Indicator	NO
G4200-210	Number of Material Weaknesses	0
G4200-120	Material Noncompliance Indicator	NO
G4200-220	Number of Material Noncompliance	0
G4200-070	Audit Finding Reference Number	N/A
G4200-090	Are Awards Received Directly from a Federal Agency?	YES
G4100-050	Total Amount of Questioned Costs	\$0

Supplementary Information		
Element	Description	Value
G3100-040	SAS 29 "in relation to" opinion on the Financial Data Schedule	FAIRLY STATED
G3100-050	Is MD&A omitted ?	NO
G3100-060	Is other supplementary information omitted?	NO

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Disbursements/ Expenditures
Primary Government:		
U.S. DEPARTMENT OF THE HOUSING AND URBAN DEVELOPMENT:		
Direct Funding:		
Public and Indian Housing Program:	14.850	
Operating Subsidy		\$ 294,261
Public Housing Capital Fund	14.872	318,951
Section 8 Project - Based Cluster:		
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	428,573
Total Federal Funding - Primary Government		1,041,785
Component Unit:		
U.S. DEPARTMENT OF THE HOUSING AND URBAN DEVELOPMENT:		
Passed through the South Dakota Housing Development Authority:		
Section 8 Project - Based Cluster:		
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	92,695
Total Federal Funding		\$ 1,134,480

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Commission under programs of the federal government for the year ended December 31, 2022. 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). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Commission.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Commission has elected to not use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.



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

To the Board of Commissioners
The Housing and Redevelopment Commission
of the City of Hot Springs, 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 business-type activities and the discretely presented component unit of **The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota (Commission)**, as of and for the year ended December 31, 2022, 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 28, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

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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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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*.

Commission's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Wohlschlag Ritzman + Co., LLC

Yankton, South Dakota
September 28, 2023



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

To the Board of Commissioners
The Housing and Redevelopment Commission
of the City of Hot Springs, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota, a component unit of the City of Hot Springs, South Dakota's (Commission) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Commission's major federal program for the year ended December 31, 2022. The Commission's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on its Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major federal program. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Commission's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Wohlschlag Ritzman + Co., LLC

Yankton, South Dakota
September 28, 2023

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2022**

FINDINGS – FINANCIAL STATEMENTS AUDIT

Finding 2021-001 Preparation of Financial Statements

Condition:

We, as auditors, were requested to assist with drafting the financial statements and related note disclosures for the year ended December 31, 2021. Although information was provided, the auditors prepared and proposed various adjusting journal entries, based on this information. This was needed to ensure that note disclosures included required elements.

Recommendation:

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. We recommend the Commission establish appropriate internal controls over financial reporting and the applicable staff responsible for the preparation of financial statements and related footnote disclosures receive continued training specific to governmental accounting principles so that they are able to ensure financial statements and the schedule of expenditures of federal awards are materially correct.

Current Status:

Revised and Repeated as Finding 2022-001.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022**

SECTION 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 deficiencies identified? X yes _____ 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 deficiencies identified? _____ 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 2 CFR section 200.516(a)? _____ yes X no

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
14.856	Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation

Dollar Threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022**

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT

Finding 2022-001 - Preparation of Financial Statements (Repeat Finding)

Significant Deficiency

Condition:

We, as auditors, were requested to assist with drafting the financial statement and related note disclosures for the year ended December 31, 2022. Although, information was provided, the auditors prepared and proposed various adjusting entries, based on this information. This was needed to ensure that note disclosures included required elements.

Questioned Costs: None.

Criteria:

In accordance with U.S. generally accepted accounting principles (US GAAP) it is management's responsibility to provide for the preparation of the Commission's financial statements and related note disclosures, which includes effective internal controls over the entire financial reporting process. It is the responsibility of the auditor to determine the fairness of the presentation of those statements.

Cause:

The Commission's staff has not fully developed their knowledge of accounting standards to allow for the preparation of the full disclosure financial statements as required by (US GAAP).

Effect:

This condition may affect the Commission's ability to recognize and report financial data that is timely, accurate, and consistent with the US GAAP requirements.

Recommendation:

We recommend the Commission expand internal controls over financial reporting to include further emphasis on the overall financial statements and required note disclosures. The designated auditee staff should receive appropriate training. Management will then be able to take responsibility for the preparation of its financial statements and related note disclosures.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022**

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT, continued

Finding 2022-001 - Preparation of Financial Statements, continued

Views of Responsible Officials:

Management agrees with the finding. Please refer to the Corrective Action Plan for management's views and planned corrective action.

SECTION III - FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There are no major federal award program findings reported.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

**CORRECTIVE ACTION PLAN (Unaudited)
YEAR ENDED DECEMBER 31, 2022**

The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota respectfully submits the following corrective action plan for audit findings for the year ended December 31, 2022.

Independent Public Accounting Firm:

Wohlenberg, Ritzman and Co. LLC
P.O. Box 1018
Yankton, SD 57078

Audit Period:

January 1, 2022 - December 31, 2022

The findings from the December 31, 2022 Schedule of Findings and Questioned Costs are discussed below.

Findings Related to the Financial Statements

Finding 2022-001 Preparation of Financial Statements

The Commission does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to assist in drafting the financial statements and accompanying notes to the financial statements.

Responsible Individuals:

Board of Commissioners

Corrective Action Plan:

The Commission's management and Board of Commissioners have determined that it is not cost beneficial to allocate resources to prepare full disclosure financial statements and have engaged the auditor to assist in the preparation of the financial statements.

Anticipated Completion Date:

Ongoing analysis.