

**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, 2015

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

TABLE OF CONTENTS

| | |
|--|----|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis | 4 |
| Financial Statements: | |
| Statement of Net Position | 8 |
| Statement of Revenues, Expenses & Changes in Net Position. | 9 |
| Statement of Cash Flows | 10 |
| Notes to Financial Statements | 12 |
| Required Supplementary Information | 34 |
| Schedule of the Proportionate Share of the Net Pension Asset | 35 |
| Schedule of Contributions | 36 |
| Supplementary Information | 37 |
| The Financial Data Schedule | |
| Balance Sheets | 38 |
| Income Statements | 41 |
| Memo Account Information | 44 |
| 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 <i>Government Auditing Standards</i> | 47 |
| Summary Schedule of Prior Audit Findings | 49 |
| Schedule of Findings and Responses | 50 |
| Management's Response. | 51 |

*Wahlenberg
Ritzman & Co., LLC*
certified public accountants

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 Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of **The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota, a component unit of the City of Hot Springs, South Dakota (Housing Commission)**, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota, as of December 31, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As described in Notes 2 and 10 to the financial statements, the Housing Commission adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of January 1, 2015. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Commission's basic financial statements. The financial data schedule, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2016, on our consideration of the Housing Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of any audit performed in accordance with *Government Auditing Standards* in considering the Housing Commission's internal control over financial reporting and compliance.

Wohlschlag Ritzman + Co., LLC
Yankton, South Dakota
September 20, 2016

HOT SPRINGS HOUSING AND REDEVELOPMENT COMMISSION
Hot Springs, South Dakota

Management's Discussion and Analysis
Year Ended December, 31 2015

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 Hot Springs Housing & Redevelopment Commission for the year ended December 31, 2015. The Housing Commission presents this discussion and analysis of its financial performance during the year ended December 31, 2015, 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 Hot Springs Housing & Redevelopment Commission. The information contained herein 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 2015 were \$5,453,840. Total liabilities and deferred inflows were \$3,113,203. Total assets and deferred outflows exceeded total liabilities and deferred inflows by \$2,340,637 (net position).

Unrestricted Net Position totals \$154,047. This is the amount of the Housing Commission's reserve.

Total operating and non-operating revenues for the year ended December, 31 2015, were \$1,222,814 and expenses totaled \$1,104,820; revenue exceeded expenses by \$117,994.

Overview of the Financial Statements

The audited financial statements include this management discussion and analysis, 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 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 2015

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund 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 did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

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

Financial Analysis

The Housing Commission's basic financial statements are the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund 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 2015. The Statement of Revenues, Expenses and Changes in Fund 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, 2015.

The Housing Commission's financial statements account for the following programs within a single enterprise fund:

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 HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income.

Capital Fund Program - The Capital Fund Program is the primary funding source for physical and management improvements to the 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 SDHDA).

HOT SPRINGS HOUSING AND REDEVELOPMENT COMMISSION
Hot Springs, South Dakota

Management's Discussion and Analysis, continued
Year Ended December, 31 2015

Condensed Statement of Net Position

| As of December 31, | 2015 | 2014 |
|----------------------------------|---------------------|---------------------|
| Other assets | \$ 549,385 | \$ 523,982 |
| Capital assets, net | <u>4,830,584</u> | <u>4,888,301</u> |
| Total Assets | <u>5,379,969</u> | <u>5,412,283</u> |
| | | |
| Deferred outflows of resources | <u>73,871</u> | <u>-</u> |
| | | |
| Current liabilities | 297,274 | 300,563 |
| Non-current liabilities | <u>2,755,218</u> | <u>2,937,696</u> |
| Total Liabilities | <u>3,052,492</u> | <u>3,238,259</u> |
| | | |
| Deferred inflows of resources | <u>60,711</u> | <u>-</u> |
| | | |
| Net investment in capital assets | 1,905,577 | 1,798,064 |
| Restricted | 281,013 | 207,934 |
| Unrestricted | <u>154,047</u> | <u>168,026</u> |
| Total Net Position | <u>\$ 2,340,637</u> | <u>\$ 2,174,024</u> |

Comparative Statement of Revenues, Expenses and Changes in Fund Net Position

| Year Ended December 31, | 2015 | 2014 | Change |
|-------------------------------------|---------------------|---------------------|-------------------|
| Program Revenue | | | |
| Tenant revenue | \$ 608,804 | \$ 584,596 | \$ 24,208 |
| Other income | 48,000 | 37,722 | 10,278 |
| Federal grants and subsidies | 560,389 | 629,899 | (69,510) |
| Interest income | <u>5,621</u> | <u>6,672</u> | <u>(1,051)</u> |
| Total Revenue | <u>1,222,814</u> | <u>1,258,889</u> | <u>(36,075)</u> |
| | | | |
| Program Expenses | | | |
| Administration | 223,624 | 224,815 | (1,191) |
| Tenant services | 462 | 400 | 62 |
| Utilities | 314,228 | 337,401 | (23,173) |
| Ordinary maintenance and operations | 215,907 | 213,098 | 2,809 |
| Protective services | 2,501 | 1,758 | 743 |
| General | 75,250 | 78,934 | (3,684) |
| Interest | 76,227 | 78,282 | (2,055) |
| Depreciation | <u>196,621</u> | <u>187,439</u> | <u>9,182</u> |
| Total Expenses | <u>1,104,820</u> | <u>1,122,127</u> | <u>(17,307)</u> |
| | | | |
| Change in Net Position | <u>117,994</u> | <u>136,762</u> | <u>(18,768)</u> |
| | | | |
| Beginning Net Position | 2,174,024 | 2,037,262 | 136,762 |
| Prior period adjustment | <u>48,619</u> | <u>-</u> | <u>48,619</u> |
| Beginning Net Position (restated) | <u>2,222,643</u> | <u>2,037,262</u> | <u>185,381</u> |
| Ending Net Position | <u>\$ 2,340,637</u> | <u>\$ 2,174,024</u> | <u>\$ 166,613</u> |

HOT SPRINGS HOUSING AND REDEVELOPMENT COMMISSION
Hot Springs, South Dakota

Management's Discussion and Analysis, continued
Year Ended December, 31 2015

Capital Assets

| As of December 31, | <u>Capital Assets at Year-end</u> (Net of Accumulated Depreciation) | | |
|---------------------------------------|---|--------------|-------------|
| | 2015 | 2014 | Change |
| Land | \$ 108,775 | \$ 108,775 | \$ - |
| Buildings | 7,534,985 | 7,411,617 | 123,368 |
| Furniture, Equipment & Mach. - Admin. | 283,004 | 263,690 | 19,314 |
| Construction in Progress | - | 18,233 | (18,233) |
| Subtotal | 7,926,764 | 7,802,315 | 124,449 |
| Accumulated Depreciation | (3,096,180) | (2,914,014) | (182,166) |
| Total Capital Assets | \$ 4,830,584 | \$ 4,888,301 | \$ (57,717) |

The significant capital asset additions were modifications to the geothermal heating and cooling system at the owned housing facility.

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 Greg Foust, 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, 2015

| | <u>Primary Government</u> | <u>Component Unit</u> |
|---|-------------------------------|---------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 231,973 | \$ 162,597 |
| Receivables: | | |
| Tenants, net of allowance for doubtful accounts | 3,855 | 352 |
| HUD | 991 | - |
| Notes - current portion | - | 11,971 |
| Interest receivable | 36 | 2,185 |
| Prepaid expenses | 23,418 | 3,333 |
| Inventories | 21,259 | - |
| Total current assets | <u>281,532</u> | <u>180,438</u> |
| Noncurrent Assets: | | |
| Mortgage escrow deposits held in trust | 226,707 | - |
| Notes receivable - less current portion | - | 202,177 |
| Net pension asset | 41,146 | - |
| Capital assets: | | |
| Capital assets not being depreciated | 108,775 | 23,021 |
| Capital assets being depreciated, net | <u>4,721,809</u> | <u>231,139</u> |
| Total capital assets, net | <u>4,830,584</u> | <u>254,160</u> |
| Total noncurrent assets | <u>5,098,437</u> | <u>456,337</u> |
| Total assets | <u>5,379,969</u> | <u>636,775</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension related deferred outflows | <u>73,871</u> | <u>-</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 25,626 | 5,571 |
| Accounts payable - PHA projects | 604 | - |
| Due to other governments | 20,124 | 7,476 |
| Accrued interest payable | 11,407 | - |
| Rent revenue received in advance | 927 | - |
| Tenant security deposits | 51,952 | 3,653 |
| Prepaid rents | - | 57 |
| Current portion of notes payable | 180,240 | - |
| Current portion of accrued compensated absences | 6,394 | - |
| Total current liabilities | <u>297,274</u> | <u>16,757</u> |
| Noncurrent liabilities: | | |
| Notes payable | 2,744,767 | - |
| Accrued compensated absences | 10,451 | - |
| Total noncurrent liabilities | <u>2,755,218</u> | <u>-</u> |
| Total liabilities | <u>3,052,492</u> | <u>16,757</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension related deferred inflows | <u>60,711</u> | <u>-</u> |
| NET POSITION | | |
| Net investment in capital assets | 1,905,577 | 254,160 |
| Restricted | 281,013 | - |
| Unrestricted | <u>154,047</u> | <u>365,858</u> |
| Total net position | <u>\$ 2,340,637</u> | <u>\$ 620,018</u> |

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 FUND NET POSITION
YEAR ENDED DECEMBER 31, 2015**

| | <u>Primary Government</u> | <u>Component Unit</u> |
|---|-------------------------------|---------------------------|
| OPERATING REVENUES | | |
| Dwelling rental | \$ 595,869 | \$ 50,002 |
| Tenant revenue - other | 12,935 | 1,388 |
| Management fees earned | 23,416 | - |
| Pension revenue | 5,528 | - |
| Total operating revenues | <u>637,748</u> | <u>51,390</u> |
| OPERATING EXPENSES | | |
| Administration | 223,624 | 20,977 |
| Tenant services | 462 | - |
| Utilities | 314,228 | 37,351 |
| Maintenance and operation | 215,907 | 25,115 |
| Protective services | 2,501 | - |
| Insurance | 42,845 | 6,085 |
| Other general expenses | 32,405 | 7,476 |
| Depreciation | 196,621 | 34,412 |
| Total operating expenses | <u>1,028,593</u> | <u>131,416</u> |
| Operating (loss) | <u>(390,845)</u> | <u>(80,026)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| HUD PHA grants | 509,175 | 59,999 |
| Investment income | 5,621 | 3,368 |
| Other income | 19,056 | 3,843 |
| Interest expense | (76,227) | - |
| Total nonoperating revenues (expenses) | <u>457,625</u> | <u>67,210</u> |
| Income (loss) before contributions | 66,780 | (12,816) |
| Capital contributions | <u>51,214</u> | <u>-</u> |
| Change in net position | <u>117,994</u> | <u>(12,816)</u> |
| Net position - beginning of year | 2,174,024 | 632,834 |
| Prior period adjustment | 48,619 | - |
| Net position - beginning of year - restated | <u>2,222,643</u> | <u>632,834</u> |
| Net position - end of year | <u>\$ 2,340,637</u> | <u>\$ 620,018</u> |

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, 2015**

| | Primary Government | Component Unit |
|---|-------------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from tenants | \$ 626,751 | \$ 54,938 |
| Receipts from customers | 23,416 | - |
| Payments from tenants through escrow | 2,738 | (121) |
| Payments to employees | (302,706) | - |
| Payments to others for goods and services | (507,577) | (88,081) |
| Payments in lieu of taxes | (41,871) | (7,427) |
| Net cash (used in) operating activities | (199,249) | (40,691) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Operating grants | 509,478 | 59,999 |
| Deposits to mortgage escrow accounts | (75,773) | - |
| Withdrawals from mortgage escrow accounts | 56,999 | - |
| Net cash provided by non-capital financing activities | 490,704 | 59,999 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition of capital assets | (138,904) | - |
| Capital grants received | 50,223 | - |
| Activity related to long-term notes (payable) receivable | (7,962) | 7,962 |
| Principal payments on long-term debt | (157,267) | - |
| Interest payments on long-term debt | (70,855) | - |
| Net cash (used in) provided by capital and related financing activities | (324,765) | 7,962 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment income | 5,622 | 1,265 |
| Net cash provided by investing activities | 5,622 | 1,265 |
| Net (decrease) increase in cash | (27,688) | 28,535 |
| Balances - beginning of year | 259,661 | 134,062 |
| Balances - end of year | \$ 231,973 | \$ 162,597 |

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, 2015**

| | <u>Primary Government</u> | <u>Component Unit</u> |
|---|-------------------------------|---------------------------|
| Reconciliation of operating (loss) to net cash provided by operating activities: | | |
| Operating (loss) | \$ (390,845) | \$ (80,026) |
| Adjustments to reconcile operating (loss) to net cash (used in) operating activities: | | |
| Depreciation | 196,621 | 34,412 |
| Other income | 19,056 | 3,843 |
| Change in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable - tenants | (840) | (352) |
| Prepaid expenses | 932 | 1,086 |
| Inventories | 7,726 | - |
| Pension related assets | (5,687) | - |
| Increase (decrease) in: | | |
| Accounts payable - vendors | (10,927) | 361 |
| Accrued compensated absences | 3,993 | - |
| Prepaid rents | (269) | 57 |
| Due to other governments | (21,747) | 49 |
| Tenants security deposits | 2,738 | (121) |
| Net cash (used in) operating activities | <u>\$ (199,249)</u> | <u>\$ (40,691)</u> |

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, 2015**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota (Housing 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 Housing 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 Housing 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 Housing Commission is not financially accountable are also included when doing so is necessary in order to prevent the Housing 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 Housing 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, continued
DECEMBER 31, 2015

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 Housing and Redevelopment Commission of the City of Hot Springs, South Dakota administers HUD Project SD019-001 under Annual Contribution Contract C-866, which consists of 100 conventional low rent units. In addition, the Housing 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 Housing Commission acts as a management agent for the Fall River Housing and Redevelopment Commission which owns 24 units of the 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, 2015, relating to this agreement.

Basis of Presentation

All activities of the Housing 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, continued
DECEMBER 31, 2015

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 activities 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 Housing 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 tenants 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.

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, continued
DECEMBER 31, 2015

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 principally by the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings | 40 |
| Modernization improvements | 15 |
| Improvements other than buildings | 15 |
| 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 balance sheet 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 balance sheet 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.

Compensated Absences

Under terms of employment, employees are granted vacation benefits 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, continued
DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Pensions

For purposes of measuring the net pension asset, 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 Housing Commission contributions and net pension asset are recognized on an accrual basis of accounting.

Other Postemployment Benefits

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

Fraud Recovery

HUD requires the Housing 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, continued
DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Application of Net Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the entity. For the Housing 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 HUD PHA 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.

2. IMPLEMENTATION OF GASB STATEMENT NO. 68 AND GASB STATEMENT NO. 71

As of January 1, 2015, the Housing Commission adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The implementation of these standards requires governments to calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability/asset, deferred outflows of resources, deferred inflows of resources, and pension expense (revenue). The effect of the implementation of these standards on beginning net position is disclosed below and the additional disclosures required by these standards are included in Note 10.

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

NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2015

2. IMPLEMENTATION OF GASB STATEMENT NO. 68 AND GASB STATEMENT NO. 71, continued

Beginning net position was restated to retroactively report the beginning net position asset and deferred outflows of resources related to contributions made after the measurement date as follows:

| | |
|--|---------------------|
| Net Position - December 31, 2014, as previously reported | \$ 2,174,024 |
| Restatement for pension accounting: | |
| Net Pension Asset | 74,571 |
| Pension Related Deferred Outflows of Resources | 60,414 |
| Pension Related Deferred Inflows of Resources | <u>(86,366)</u> |
| Net Position - January 1, 2015, as restated | <u>\$ 2,222,643</u> |

3. 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 Housing 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.

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

NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2015

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

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 Housing Commission's deposits may not be returned to it. The Housing Commission does not have a deposit policy for custodial risk. As of December 31, 2015, the Housing Commission's deposits were fully insured or collateralized and were not exposed to custodial credit risk.

Investments - As of December 31, 2015, the Housing Commission had no investments.

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

Interest Rate Risk - The Housing 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.

Credit Risk - State law limits eligible investments for the Housing Commission, as discussed above. The Housing Commission has no investment policy that would further limit its investment choices. As of December 31, 2015, the Housing Commission had no investments.

Concentration of Credit Risk - The Housing Commission places no limit on the amount that may be invested in anyone issuer. As of December 31, 2015, the Housing Commission had no investments.

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

NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2015

4. MORTGAGE ESCROW DEPOSITS HELD IN TRUST AND RESTRICTED NET POSITION

The Housing Commission has entered into a Regulatory Agreement with South Dakota Housing Development Authority (SDHDA) in conjunction with the Evans Hotel 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 \$226,707 at December 31, 2015.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

| Primary Government: | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|--------------------|-----------------------|--------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 108,775 | \$ - | \$ - | \$ 108,775 |
| Construction in progress | 18,233 | - | (18,233) | - |
| Total capital assets not being depreciated | <u>127,008</u> | <u>-</u> | <u>(18,233)</u> | <u>108,775</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 6,118,029 | 1,416,956 | - | 7,534,985 |
| Furniture and equipment | 263,690 | 33,769 | (14,455) | 283,004 |
| Idle capital assets | 1,293,588 | - | (1,293,588) | - |
| Total capital assets being depreciated | <u>7,675,307</u> | <u>1,450,725</u> | <u>(1,308,043)</u> | <u>7,817,989</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 2,689,931 | 246,779 | - | 2,936,710 |
| Furniture and equipment | 148,326 | 25,599 | (14,455) | 159,470 |
| Idle capital assets | 75,757 | - | (75,757) | - |
| Total accumulated depreciation | <u>2,914,014</u> | <u>272,378</u> | <u>(90,212)</u> | <u>3,096,180</u> |
| Total capital assets being depreciated, net | <u>4,761,293</u> | <u>1,178,347</u> | <u>(1,217,831)</u> | <u>4,721,809</u> |
| Capital assets, net | <u>\$4,888,301</u> | <u>\$1,178,347</u> | <u>\$ (1,236,064)</u> | <u>\$4,830,584</u> |

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

NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2015

5. CAPITAL ASSETS, continued

| 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 | 809,325 | - | - | 809,325 |
| Furniture and equipment | 44,473 | - | - | 44,473 |
| Total capital assets being depreciated | <u>853,798</u> | <u>-</u> | <u>-</u> | <u>853,798</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 547,052 | 33,602 | - | 580,654 |
| Furniture and equipment | 41,195 | 810 | - | 42,005 |
| Total accumulated depreciation | <u>588,247</u> | <u>34,412</u> | <u>-</u> | <u>622,659</u> |
| Total capital assets being depreciated, net | <u>265,551</u> | <u>(34,412)</u> | <u>-</u> | <u>231,139</u> |
| Capital assets, net | <u>\$ 288,572</u> | <u>\$ (34,412)</u> | <u>\$ -</u> | <u>\$ 254,160</u> |

6. DUE TO OTHER GOVERNMENTS

Due to other governments at December 31, 2015, consists of payments in lieu of taxes computed at 10% of net tenant-related revenue less utilities.

7. 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 | \$3,090,237 | \$ - | \$ (165,230) | \$2,925,007 | \$ 180,240 |
| Compensated Absences | <u>12,852</u> | <u>9,699</u> | <u>(5,706)</u> | <u>16,845</u> | <u>6,394</u> |
| Total | <u>\$3,103,089</u> | <u>\$ 9,699</u> | <u>\$ (170,936)</u> | <u>\$2,941,852</u> | <u>\$ 186,634</u> |

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

NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2015

7. LONG-TERM LIABILITIES, continued

Notes payable at December 31, 2015 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 | 1,000,000 |
| Mortgage payable - South Dakota Housing Development Authority, monthly installments of \$18,738 including interest at 6.78% interest, due September 2020; secured by land, building and equipment | \$ 910,859 |
| 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 | 800,000 |
| 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>214,148</u> |
| Total | <u>\$ 2,925,007</u> |

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.

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

NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2015

7. LONG-TERM LIABILITIES, continued

- 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.

The annual requirements to amortize debt outstanding as of December 31, 2015, excluding compensated absences are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|--------------------|-------------------|--------------------|
| 2016 | \$ 180,240 | \$ 62,851 | \$ 243,091 |
| 2017 | 192,375 | 50,716 | 243,091 |
| 2018 | 205,344 | 37,747 | 243,091 |
| 2019 | 219,204 | 23,887 | 243,091 |
| 2020 | 177,302 | 9,395 | 186,697 |
| 2021 - 2025 | 1,133,887 | 82,112 | 1,215,999 |
| 2026 - 2029 | 816,655 | 5,251 | 821,906 |
| Total | <u>\$2,925,007</u> | <u>\$ 271,959</u> | <u>\$3,196,966</u> |

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

NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2015

8. MANAGEMENT AGREEMENT

The Housing 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.

9. RESTRICTED NET POSITION

As of December 31, 2015, net position restrictions as shown on the Statement of Net Position are the reserve for replacements in the amount of \$226,707, the access to which is controlled by the revenue bond holder and net pension asset components in the amount of \$54,306, which recognizes the Housing Commission's proportionate share of the restricted net pension asset resulting from their membership in the South Dakota Retirement System.

10. PENSION PLAN

Plan Information

All employees, working more than 20 hours per week during the year, participate in the SDRS, a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. 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://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation.

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

NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2015

10. PENSION PLAN, continued

Benefits Provided, continued

All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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

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

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

Contributions

Per 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. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Housing Commission's share of contributions to the SDRS for the fiscal year ended December 31, 2015, was \$10,786, equal to the required contributions each year.

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

NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2015

10. PENSION PLAN, continued

Pension Assets, Pension Revenue, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2015, SDRS is 104.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Housing Commission as of June 30, 2015 are as follows:

| | |
|--|------------------|
| Proportionate share of net position restricted for pension benefits | \$1,045,453 |
| Less proportionate share of total pension liability | <u>1,004,307</u> |
| Proportionate share of net pension asset | <u>\$ 41,146</u> |

At December 31, 2015, the Housing Commission reported an asset of \$41,146 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015 and the total pension asset used to calculate the net pension asset was based on a projection of the Housing Commission's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the Housing Commission's proportion was 0.0097012%.

For the year ended December 31, 2015, the Housing Commission recognized pension revenue of \$5,528. At December 31, 2015, the Housing Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 8,425 | \$ - |
| Changes in assumptions | 32,626 | - |
| Net difference between projected and actual earnings on pension plan investments | 25,135 | 60,711 |
| Changes in proportion and difference between Commission's contributions and proportionate share of contributions | 2,100 | - |
| Commission contributions subsequent to the measurement date | <u>5,585</u> | <u>-</u> |
| Total | <u>\$ 73,871</u> | <u>\$ 60,711</u> |

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

NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2015

10. PENSION PLAN, continued

Pension Assets, Pension Revenue, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions, continued:

\$5,585 reported as deferred outflow of resources related to pensions resulting from the Housing 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

| <u>Year Ended</u> <u>December 31</u> | | |
|---|----|---------------|
| 2016 | \$ | 7,504 |
| 2017 | | 7,503 |
| 2018 | | 7,504 |
| 2019 | | <u>6,820</u> |
| Total | \$ | <u>29,331</u> |

Actuarial Assumptions

The total pension asset in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.25 percent |
| Salary Increases | 5.83 percent at entry to 3.87 percent after 30 years of service |
| Investment Rate of Return | 7.25 percent through 2017 and 7.50 percent thereafter, net of pension plan investment expense |

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

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

NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2015

10. PENSION PLAN, continued

Actuarial Assumptions, continued

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man 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 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, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|------------------------------|---|
| Global Equity | 61.0% | 4.5% |
| Fixed Income | 27.0% | 1.8% |
| Real Estate | 10.0% | 5.2% |
| Cash | <u>2.0%</u> | 0.0% |
| Total | <u>100%</u> | |

Discount Rate

The discount rate used to measure the total pension asset was 7.25 percent through 2017 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from 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 asset.

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

NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2015

10. PENSION PLAN, continued

Sensitivity of liability (asset) to changes in the discount rate

The following presents the Housing Commission's proportionate share of net pension liability (asset) calculated using the discount rate of 7.25 percent through 2017 and 7.50 percent thereafter, as well as what the Housing 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 (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|----------------------------------|--------------------|
| Association's proportionate share of the net pension liability (asset) | \$ 103,563 | \$ (41,146) | \$ (159,143) |

Pension Plan Fiduciary Net Position

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

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

NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2015

11. SEGMENT INFORMATION

The Project, a business activity of the Housing and Redevelopment Commission of the City of Hot Springs, South Dakota provides 85 Section 8 housing units financed partially by user charges. Segment information for these separately identifiable activities that have one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt, as well as a requirement to account for the activity's revenues, expenses, gains and losses, assets and liabilities apart from other activities within the same fund or in different funds is as follows:

As of December 31, 2015

| CONDENSED STATEMENT OF NET POSITION | <u>Business Activity</u> |
|-------------------------------------|------------------------------|
| Assets | |
| Current and other assets | \$ 291,713 |
| Capital assets | 2,868,466 |
| Total Assets | <u>3,160,179</u> |
| Liabilities | |
| Current liabilities | 216,573 |
| Noncurrent liabilities | 2,542,589 |
| Total Liabilities | <u>2,759,162</u> |
| Net Position | |
| Net Investment in capital assets | 157,607 |
| Restricted | 226,707 |
| Unrestricted | 16,703 |
| Total Net Position | <u>\$ 401,017</u> |

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

NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2015

11. SEGMENT INFORMATION, continued

Year Ended December 31, 2015

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION

| | |
|-----------------------------------|------------|
| Operating revenues | \$ 301,218 |
| Depreciaton expense | (103,694) |
| Other operating expenses | (316,849) |
| Operating (loss) | (119,325) |
| | |
| Nonoperating revenues (expenses) | |
| HUD PHA grants | 313,427 |
| Investment and other income | 12,121 |
| Interest and amortization expense | (66,703) |
| Changes in net position | 139,520 |
| Beginning net position | 261,497 |
| Ending net position | \$ 401,017 |

Business
Activity

CONDENSED STATEMENT OF CASH FLOWS

| | |
|--|-------------|
| Net cash provided by (used in): | |
| Operating activities | \$ (39,900) |
| Noncapital financing activities | 294,956 |
| Capital and related financing activities | (258,629) |
| Investing activities | 5,348 |
| Net increase (decrease) | 1,775 |
| Beginning cash and cash equivalents | 31,346 |
| Ending cash and cash equivalents | \$ 33,121 |

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

NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2015

12. RISK MANAGEMENT

The Housing 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 period ended December 31, 2015 the Commission managed its risks as follows:

Employee Health Insurance

The Housing 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 Housing Commission purchases liability insurance risks 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.

Worker's Compensation

The Housing 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 Housing 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.

13. RELATED PARTY TRANSACTIONS

Fall River Housing & Redevelopment Commission paid management fees totaling \$15,792 and a maintenance and operations contract in the amount of \$7,624 to the Housing Commission for the year ended December 31, 2015.

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

NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2015

14. CAPITAL FUNDS CLOSE-OUTS

The following HUD Capital Grants were closed out during the year ended December 31, 2015:

| | Grant <u>SD06P019501-13</u> |
|------------|--------------------------------|
| Authorized | \$ 75,939 |
| Disbursed | <u>(75,939)</u> |
| Balance | <u>\$ -</u> |

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION ASSET

South Dakota Retirement System

| | <u>2015</u> |
|---|-------------|
| Commission's proportion of the net pension asset | 0.0097012% |
| Commission's proportionate share of net pension asset | \$ 41,146 |
| Commission's covered-employee payroll | \$ 177,114 |
| Commission's proportionate share of the net pension asset as a percentage of its covered-employee payroll | 23.23% |
| Plan fiduciary net position as a percentage of the total pension asset | 104.1% |

Note: 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.

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

| | <u>2015</u> |
|--|---------------|
| Contractually required contribution | \$ 10,786 |
| Contributions in relation to the contractually required contribution | <u>10,786</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Commission's covered-employee payroll | \$ 179,766 |
| Contributions as a percentage of covered-employee payroll | 6.00% |

See Independent Auditor's Report

SUPPLEMENTARY INFORMATION

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

FINANCIAL DATA SCHEDULE - BALANCE SHEET
DECEMBER 31, 2015

| Line Item No. | Description | Total Programs | Eliminations | Total Low Rent and Capital Fund | 14.856 N/C S/R Section 8 | Component Unit |
|---------------|--|---------------------|--------------|---------------------------------|-----------------------------|-------------------|
| 111 | Cash - Unrestricted | \$ 338,765 | \$ - | \$ 170,714 | \$ 9,107 | \$ 158,944 |
| 112 | Cash - Restricted - Modernization and Development | \$ 226,707 | \$ - | \$ - | \$ 226,707 | \$ - |
| 113 | Cash - Other Restricted | \$ - | \$ - | \$ - | \$ - | \$ - |
| 114 | Cash - Tenant Security Deposits | \$ 55,805 | \$ - | \$ 28,138 | \$ 24,014 | \$ 3,653 |
| 115 | Cash - Restricted for Payment of Current Liabilities | \$ - | \$ - | \$ - | \$ - | \$ - |
| 100 | Total Cash | \$ 621,277 | \$ - | \$ 198,852 | \$ 259,828 | \$ 162,597 |
| 121 | Accounts Receivable - PHA Projects | \$ - | \$ - | \$ - | \$ - | \$ - |
| 122-010 | Operating Subsidy | \$ - | \$ - | \$ - | \$ - | \$ - |
| 122-020 | Capital Fund | \$ 991 | \$ - | \$ 991 | \$ - | \$ - |
| 122-030 | Other | \$ - | \$ - | \$ - | \$ - | \$ - |
| 122 | Accounts Receivable - HUD Other Projects | \$ 991 | \$ - | \$ 991 | \$ - | \$ - |
| 124 | Accounts Receivable - Other Government | \$ - | \$ - | \$ - | \$ - | \$ - |
| 125-010 | Not For Profit | \$ - | \$ - | \$ - | \$ - | \$ - |
| 125-020 | Partnership | \$ - | \$ - | \$ - | \$ - | \$ - |
| 125-030 | Joint Venture | \$ - | \$ - | \$ - | \$ - | \$ - |
| 125-040 | Tax Credit | \$ - | \$ - | \$ - | \$ - | \$ - |
| 125-050 | Other | \$ - | \$ - | \$ - | \$ - | \$ - |
| 125-060 | Other Comments | \$ - | \$ - | \$ - | \$ - | \$ - |
| 125 | Accounts Receivable - Miscellaneous | \$ - | \$ - | \$ - | \$ - | \$ - |
| 126 | Accounts Receivable - Tenants | \$ 4,272 | \$ - | \$ 1,966 | \$ 1,923 | \$ 383 |
| 126.1 | Allowance for Doubtful Accounts - Tenants | \$ (65) | \$ - | \$ (34) | \$ - | \$ (31) |
| 126.2 | Allowance for Doubtful Accounts - Other | \$ - | \$ - | \$ - | \$ - | \$ - |
| 127 | Notes, Loans, & Mortgages Receivable - Current | \$ 11,971 | \$ - | \$ - | \$ - | \$ 11,971 |
| 128 | Fraud Recovery | \$ - | \$ - | \$ - | \$ - | \$ - |
| 128.1 | Allowance for Doubtful Accounts - Fraud | \$ - | \$ - | \$ - | \$ - | \$ - |
| 129 | Accrued Interest Receivable | \$ 2,221 | \$ - | \$ 36 | \$ - | \$ 2,185 |
| 120 | Total Receivables, Net of Allowances for Doubtful Accounts | \$ 19,390 | \$ - | \$ 2,959 | \$ 1,923 | \$ 14,508 |
| 131 | Investments - Unrestricted | \$ - | \$ - | \$ - | \$ - | \$ - |
| 132 | Investments - Restricted | \$ - | \$ - | \$ - | \$ - | \$ - |
| 135 | Investments - Restricted for Payment of Current Liability | \$ - | \$ - | \$ - | \$ - | \$ - |
| 142 | Prepaid Expenses and Other Assets | \$ 26,751 | \$ - | \$ 5,156 | \$ 18,262 | \$ 3,333 |
| 143 | Inventories | \$ 21,259 | \$ - | \$ 9,559 | \$ 11,700 | \$ - |
| 143.1 | Allowance for Obsolete Inventories | \$ - | \$ - | \$ - | \$ - | \$ - |
| 144 | Inter Program Due From | \$ - | \$ - | \$ - | \$ - | \$ - |
| 145 | Assets Held for Sale | \$ - | \$ - | \$ - | \$ - | \$ - |
| 150 | Total Current Assets | \$ 688,677 | \$ - | \$ 216,526 | \$ 291,713 | \$ 180,438 |
| 161 | Land | \$ 131,796 | \$ - | \$ 56,875 | \$ 51,900 | \$ 23,021 |
| 162 | Buildings | \$ 8,294,186 | \$ - | \$ 4,238,142 | \$ 3,270,143 | \$ 785,901 |
| 163 | Furniture, Equipment & Machinery - Dwellings | \$ 268,861 | \$ - | \$ - | \$ 224,388 | \$ 44,473 |
| 164 | Furniture, Equipment & Machinery - Administration | \$ 58,616 | \$ - | \$ 54,016 | \$ 4,600 | \$ - |
| 165 | Leasehold Improvements | \$ - | \$ - | \$ - | \$ - | \$ - |
| 166 | Accumulated Depreciation | \$ (3,718,839) | \$ - | \$ (2,386,915) | \$ (709,265) | \$ (622,659) |
| 167 | Construction in Progress | \$ - | \$ - | \$ - | \$ - | \$ - |
| 168 | Infrastructure | \$ 50,124 | \$ - | \$ - | \$ 26,700 | \$ 23,424 |
| 160 | Total Capital Assets, Net of Accumulated Depreciation | \$ 5,084,744 | \$ - | \$ 1,962,118 | \$ 2,868,466 | \$ 254,160 |
| 171-010 | Not For Profit | \$ - | \$ - | \$ - | \$ - | \$ - |
| 171-020 | Partnership | \$ - | \$ - | \$ - | \$ - | \$ - |
| 171-030 | Joint Venture | \$ - | \$ - | \$ - | \$ - | \$ - |
| 171-040 | Tax Credit | \$ - | \$ - | \$ - | \$ - | \$ - |
| 171-050 | Other | \$ 202,177 | \$ - | \$ - | \$ - | \$ 202,177 |
| 171-060 | Other Comments | \$ - | \$ - | \$ - | \$ - | \$ - |
| 171 | Notes, Loans and Mortgages Receivable - Non-Current | \$ 202,177 | \$ - | \$ - | \$ - | \$ 202,177 |
| 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 | \$ - | \$ - | \$ - | \$ - | \$ - |
| 174-050 | Other | \$ 41,146 | \$ - | \$ 41,146 | \$ - | \$ - |

Fall River Housing & Redevelopment Commission

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

FINANCIAL DATA SCHEDULE - BALANCE SHEET
DECEMBER 31, 2015

| Line Item No. | Description | Total Programs | Eliminations | Total Low Rent and Capital Fund | 14.856 N/C S/R Section 8 | Component Unit |
|---------------|---|----------------|--------------|---------------------------------|-----------------------------|----------------|
| 174-060 | Other Comments | | | | | |
| 174 | Other Assets | \$ 41,146 | \$ - | \$ 41,146 | \$ - | \$ - |
| 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 | \$ 5,328,067 | \$ - | \$ 2,003,264 | \$ 2,868,466 | \$ 456,337 |
| 190 | Total Assets | \$ 6,016,744 | \$ - | \$ 2,219,790 | \$ 3,160,179 | \$ 636,775 |
| 200 | Deferred Outflow of Resources | \$ 73,871 | \$ - | \$ 73,871 | \$ - | \$ - |
| 290 | Total Assets and Deferred Outflow of Resources | \$ 6,090,615 | \$ - | \$ 2,293,661 | \$ 3,160,179 | \$ 636,775 |
| 311 | Bank Overdraft | \$ - | \$ - | \$ - | \$ - | \$ - |
| 312 | Accounts Payable <= 90 Days | \$ 31,197 | \$ - | \$ 13,419 | \$ 12,207 | \$ 5,571 |
| 313 | Accounts Payable >90 Days Past Due | \$ - | \$ - | \$ - | \$ - | \$ - |
| 321 | Accrued Wage/Payroll Taxes Payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| 322 | Accrued Compensated Absences - Current Portion | \$ 6,394 | \$ - | \$ 6,394 | \$ - | \$ - |
| 324 | Accrued Contingency Liability | \$ - | \$ - | \$ - | \$ - | \$ - |
| 325 | Accrued Interest Payable | \$ 11,407 | \$ - | \$ 6,261 | \$ 5,146 | \$ - |
| 331-010 | Operating Subsidy | \$ - | \$ - | \$ - | \$ - | \$ - |
| 331-020 | Capital Fund | \$ - | \$ - | \$ - | \$ - | \$ - |
| 331-030 | Other | \$ - | \$ - | \$ - | \$ - | \$ - |
| 331 | Accounts Payable - HUD PHA Programs | \$ - | \$ - | \$ - | \$ - | \$ - |
| 332 | Account Payable - PHA Projects | \$ 604 | \$ - | \$ - | \$ 604 | \$ - |
| 333 | Accounts Payable - Other Government | \$ 27,600 | \$ - | \$ 13,797 | \$ 6,327 | \$ 7,476 |
| 341 | Tenant Security Deposits | \$ 55,605 | \$ - | \$ 28,138 | \$ 23,814 | \$ 3,653 |
| 342-010 | Operating Subsidy | \$ - | \$ - | \$ - | \$ - | \$ - |
| 342-020 | Capital Fund | \$ - | \$ - | \$ - | \$ - | \$ - |
| 342-030 | Other | \$ 984 | \$ - | \$ 722 | \$ 205 | \$ 57 |
| 342 | Deferred Revenues | \$ 984 | \$ - | \$ 722 | \$ 205 | \$ 57 |
| 343-010 | CFFP | \$ - | \$ - | \$ - | \$ - | \$ - |
| 343-020 | Capital Projects/Mortgage Revenue | \$ 180,240 | \$ - | \$ 11,970 | \$ 168,270 | \$ - |
| 343 | Current Portion of Long-term Debt - Capital Projects/Mortgage | \$ 180,240 | \$ - | \$ 11,970 | \$ 168,270 | \$ - |
| 344 | Current Portion of Long-term Debt - Operating Borrowings | \$ - | \$ - | \$ - | \$ - | \$ - |
| 345 | Other Current Liabilities | \$ - | \$ - | \$ - | \$ - | \$ - |
| 346 | Accrued Liabilities - Other | \$ - | \$ - | \$ - | \$ - | \$ - |
| 347 | Inter Program - Due To | \$ - | \$ - | \$ - | \$ - | \$ - |
| 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 | \$ 314,031 | \$ - | \$ 80,701 | \$ 216,573 | \$ 16,757 |
| 351-010 | CFFP | \$ - | \$ - | \$ - | \$ - | \$ - |
| 351-020 | Capital Projects/Mortgage Revenue | \$ 2,542,589 | \$ - | \$ - | \$ 2,542,589 | \$ - |
| 351 | Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue | \$ 2,744,767 | \$ - | \$ 202,178 | \$ 2,542,589 | \$ - |
| 352 | Long-term Debt, Net of Current - Operating Borrowings | \$ - | \$ - | \$ - | \$ - | \$ - |
| 353 | Non-current Liabilities - Other | \$ - | \$ - | \$ - | \$ - | \$ - |
| 354 | Accrued Compensated Absences - Non Current | \$ 10,451 | \$ - | \$ 10,451 | \$ - | \$ - |
| 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 | \$ - | \$ - | \$ - | \$ - | \$ - |
| 350 | Total Non-Current Liabilities | \$ 2,755,218 | \$ - | \$ 212,629 | \$ 2,542,589 | \$ - |
| 300 | Total Liabilities | \$ 3,069,249 | \$ - | \$ 293,330 | \$ 2,759,162 | \$ 16,757 |

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

FINANCIAL DATA SCHEDULE - BALANCE SHEET
DECEMBER 31, 2015

| Line Item No. | Description | Total Programs | Eliminations | Total Low Rent and Capital Fund | 14.856 | |
|---------------|--|----------------|--------------|---------------------------------|-------------------|----------------|
| | | | | | N/C S/R Section 8 | Component Unit |
| 400 | Deferred Inflow of Resources | \$ 60,711 | \$ - | \$ 60,711 | \$ - | \$ - |
| 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 | \$ 2,159,737 | \$ - | \$ 1,747,970 | \$ 157,607 | \$ 254,160 |
| 511.4 | Restricted Net Position | \$ 281,013 | \$ - | \$ 54,306 | \$ 226,707 | \$ - |
| 512.4 | Unrestricted Net Position | \$ 519,905 | \$ - | \$ 137,344 | \$ 16,703 | \$ 365,858 |
| 513 | Total Equity - Net Assets / Position | \$ 2,960,655 | \$ - | \$ 1,939,620 | \$ 401,017 | \$ 620,018 |
| 600 | Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position | \$ 6,090,615 | \$ - | \$ 2,293,661 | \$ 3,160,179 | \$ 636,775 |

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

FINANCIAL DATA SCHEDULE - INCOME STATEMENT
YEAR ENDED DECEMBER 31, 2015

| Line Item No. | Description | Total Programs | Eliminations | 14.850 | 14.872 | 14.856 | Component Unit |
|---------------|---|---------------------|--------------------|-------------------|----------------------|-------------------|-------------------|
| | | | | Low Rent | Capital Fund Program | N/C S/R Section 8 | |
| 70300 | Net Tenant Rental Revenue | \$ 645,871 | \$ - | \$ 305,293 | \$ - | \$ 290,576 | \$ 50,002 |
| 70400 | Tenant Revenue - Other | \$ 14,323 | \$ - | \$ 2,293 | \$ - | \$ 10,642 | \$ 1,388 |
| 70500 | Total Tenant Revenue | \$ 660,194 | \$ - | \$ 307,586 | \$ - | \$ 301,218 | \$ 51,390 |
| 70600 | HUD PHA Operating Grants | \$ 569,174 | \$ - | \$ 181,723 | \$ 14,025 | \$ 313,427 | \$ 59,999 |
| 70610 | Capital Grants | \$ 51,214 | \$ - | \$ - | \$ 51,214 | \$ - | \$ - |
| 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 | \$ 8,989 | \$ - | \$ 273 | \$ - | \$ 5,348 | \$ 3,368 |
| 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 | \$ 51,843 | \$ (76,026) | \$ 117,253 | \$ - | \$ 6,773 | \$ 3,843 |
| 71600 | Gain or Loss on Sale of Capital Assets | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 72000 | Investment Income - Restricted | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 70000 | Total Revenue | \$ 1,341,414 | \$ (76,026) | \$ 606,835 | \$ 65,239 | \$ 626,766 | \$ 118,600 |
| 91100 | Administrative Salaries | \$ 96,468 | \$ - | \$ 96,468 | \$ - | \$ - | \$ - |
| 91200 | Auditing Fees | \$ 21,217 | \$ - | \$ 14,472 | \$ - | \$ 6,745 | \$ - |
| 91300-010 | To PHA Administered Program (i.e., COCC) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 91300-020 | To a Third Party/Outside Entity | \$ 15,792 | \$ (38,874) | \$ - | \$ - | \$ 38,874 | \$ 15,792 |
| 91300 | Management Fee | \$ 15,792 | \$ (38,874) | \$ - | \$ - | \$ 38,874 | \$ 15,792 |
| 91300 | Management Fee | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 91310 | Book-keeping Fee | \$ 1,709 | \$ - | \$ - | \$ - | \$ 1,322 | \$ 387 |
| 91400 | Advertising and Marketing | \$ 11,492 | \$ - | \$ 1,439 | \$ 6,563 | \$ 1,150 | \$ 2,340 |
| 91500 | Employee Benefit contributions - Administrative | \$ 51,762 | \$ - | \$ 51,762 | \$ - | \$ - | \$ - |
| 91600 | Office Expenses | \$ 35,051 | \$ - | \$ 27,785 | \$ 332 | \$ 5,760 | \$ 1,174 |
| 91700 | Legal Expense | \$ 222 | \$ - | \$ 180 | \$ 42 | \$ - | \$ - |
| 91800 | Travel | \$ 1,782 | \$ - | \$ 617 | \$ - | \$ 676 | \$ 489 |
| 91810 | Allocated Overhead | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 91900 | Other | \$ 9,106 | \$ - | \$ 7,920 | \$ - | \$ 391 | \$ 795 |
| 91000 | Total Operating - Administrative | \$ 244,601 | \$ (38,874) | \$ 200,643 | \$ 6,937 | \$ 54,918 | \$ 20,977 |
| 92000 | Asset Management Fee | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 92100 | Tenant Services - Salaries | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 92200 | Relocation Costs | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 92300 | Employee Benefit Contributions - Tenant Services | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 92400 | Tenant Services - Other | \$ 462 | \$ - | \$ 462 | \$ - | \$ - | \$ - |
| 92500 | Total Tenant Services | \$ 462 | \$ - | \$ 462 | \$ - | \$ - | \$ - |
| 93100 | Water | \$ 21,233 | \$ - | \$ 8,707 | \$ - | \$ 11,140 | \$ 1,386 |
| 93200 | Electricity | \$ 164,956 | \$ - | \$ 81,174 | \$ - | \$ 54,349 | \$ 29,433 |
| 93300 | Gas | \$ 47,010 | \$ - | \$ 47,010 | \$ - | \$ - | \$ - |
| 93400 | Fuel | \$ 54,981 | \$ - | \$ - | \$ - | \$ 54,981 | \$ - |
| 93500 | Labor | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 93600 | Sewer | \$ 55,112 | \$ - | \$ 28,175 | \$ - | \$ 26,434 | \$ 503 |
| 93700 | Employee Benefit Contributions - Utilities | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 93800 | Other Utilities Expense | \$ 8,287 | \$ - | \$ 2,258 | \$ - | \$ - | \$ 6,029 |
| 93000 | Total Utilities | \$ 351,579 | \$ - | \$ 167,324 | \$ - | \$ 146,904 | \$ 37,351 |
| 94100 | Ordinary Maintenance and Operations - Labor | \$ 91,733 | \$ (37,152) | \$ 84,109 | \$ - | \$ 37,152 | \$ 7,624 |
| 94200 | Ordinary Maintenance and Operations - Materials and Other | \$ 27,669 | \$ - | \$ 10,049 | \$ - | \$ 12,409 | \$ 5,211 |
| 94300-010 | Garbage and Trash Removal Contracts | \$ 11,166 | \$ - | \$ 4,973 | \$ - | \$ 4,702 | \$ 1,491 |
| 94300-020 | Heating & Cooling Contracts | \$ 5,529 | \$ - | \$ 779 | \$ - | \$ 4,750 | \$ - |
| 94300-030 | Snow Removal Contracts | \$ 637 | \$ - | \$ 272 | \$ - | \$ 365 | \$ - |
| 94300-040 | Elevator Maintenance Contracts | \$ 9,114 | \$ - | \$ 9,114 | \$ - | \$ - | \$ - |
| 94300-050 | Landscape & Grounds Contracts | \$ 9,937 | \$ - | \$ 4,943 | \$ - | \$ - | \$ 4,994 |
| 94300-060 | Unit Turnaround Contracts | \$ 411 | \$ - | \$ 411 | \$ - | \$ - | \$ - |
| 94300-070 | Electrical Contracts | \$ 522 | \$ - | \$ 70 | \$ - | \$ 452 | \$ - |
| 94300-080 | Plumbing Contracts | \$ 469 | \$ - | \$ 469 | \$ - | \$ - | \$ - |
| 94300-090 | Extermination Contracts | \$ 1,380 | \$ - | \$ 1,380 | \$ - | \$ - | \$ - |
| 94300-100 | Janitorial Contracts | \$ 3,523 | \$ - | \$ 100 | \$ - | \$ 3,423 | \$ - |

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

FINANCIAL DATA SCHEDULE - INCOME STATEMENT
YEAR ENDED DECEMBER 31, 2015

| Line Item No. | Description | Total Programs | Eliminations | 14.850 | 14.872 | 14.856 | Component Unit |
|---------------|---|----------------|--------------|-------------|----------------------|-------------------|----------------|
| | | | | Low Rent | Capital Fund Program | N/C S/R Section 8 | |
| 94300-110 | Routine Maintenance Contracts | \$ 158 | \$ - | \$ 158 | \$ - | \$ - | \$ - |
| 94300-120 | Miscellaneous Contracts | \$ 48,972 | \$ - | \$ 18,754 | \$ - | \$ 24,423 | \$ 5,795 |
| 94300 | Ordinary Maintenance and Operations Contracts | \$ 91,818 | \$ - | \$ 41,423 | \$ - | \$ 38,115 | \$ 12,280 |
| 94500 | Employee Benefit Contributions - Ordinary Maintenance | \$ 29,802 | \$ - | \$ 29,802 | \$ - | \$ - | \$ - |
| 94000 | Total Maintenance | \$ 241,022 | \$ (37,152) | \$ 165,383 | \$ - | \$ 87,676 | \$ 25,115 |
| 95100 | Protective Services - Labor | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 95200 | Protective Services - Other Contract Costs | \$ 1,833 | \$ - | \$ 1,833 | \$ - | \$ - | \$ - |
| 95300 | Protective Services - Other | \$ 668 | \$ - | \$ - | \$ - | \$ 668 | \$ - |
| 95500 | Employee Benefit Contributions - Protective Services | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 95000 | Total Protective Services | \$ 2,501 | \$ - | \$ 1,833 | \$ - | \$ 668 | \$ - |
| 96110 | Property Insurance | \$ 40,277 | \$ - | \$ 14,867 | \$ - | \$ 19,325 | \$ 6,085 |
| 96120 | Liability Insurance | \$ 556 | \$ - | \$ 556 | \$ - | \$ - | \$ - |
| 96130 | Workmen's Compensation | \$ 7,411 | \$ - | \$ 7,411 | \$ - | \$ - | \$ - |
| 96140 | All Other Insurance | \$ 686 | \$ - | \$ 686 | \$ - | \$ - | \$ - |
| 96100 | Total Insurance Premiums | \$ 48,930 | \$ - | \$ 23,520 | \$ - | \$ 19,325 | \$ 6,085 |
| 96200 | Other General Expenses | \$ 7,088 | \$ - | \$ - | \$ 7,088 | \$ - | \$ - |
| 96210 | Compensated Absences | \$ 3,727 | \$ - | \$ 3,727 | \$ - | \$ - | \$ - |
| 96300 | Payments in Lieu of Taxes | \$ 27,600 | \$ - | \$ 13,797 | \$ - | \$ 6,327 | \$ 7,476 |
| 96400 | Bad debt - Tenant Rents | \$ 1,466 | \$ - | \$ 435 | \$ - | \$ 1,031 | \$ - |
| 96500 | Bad debt - Mortgages | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 96600 | Bad debt - Other | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 96800 | Severance Expense | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 96000 | Total Other General Expenses | \$ 39,881 | \$ - | \$ 17,959 | \$ 7,088 | \$ 7,358 | \$ 7,476 |
| 96710 | Interest of Mortgage (or Bonds) Payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 96720 | Interest on Notes Payable (Short and Long Term) | \$ 76,227 | \$ - | \$ 9,524 | \$ - | \$ 66,703 | \$ - |
| 96730 | Amortization of Bond Issue Costs | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 96700 | Total Interest Expense and Amortization Cost | \$ 76,227 | \$ - | \$ 9,524 | \$ - | \$ 66,703 | \$ - |
| 96900 | Total Operating Expenses | \$ 1,005,203 | \$ (76,026) | \$ 586,648 | \$ 14,025 | \$ 383,552 | \$ 97,004 |
| 97000 | Excess of Operating Revenue over Operating Expenses | \$ 336,211 | \$ - | \$ 20,187 | \$ 51,214 | \$ 243,214 | \$ 21,596 |
| 97100 | Extraordinary Maintenance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 97200 | Casualty Losses - Non-capitalized | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 97300 | Housing Assistance Payments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 97350 | HAP Portability-in | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 97400 | Depreciation Expense | \$ 231,033 | \$ - | \$ 91,717 | \$ 1,210 | \$ 103,694 | \$ 34,412 |
| 97500 | Fraud Losses | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 97600 | Capital Outlays - Governmental Funds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 97700 | Debt Principal Payment - Governmental Funds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 97800 | Dwelling Units Rent Expense | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 90000 | Total Expenses | \$ 1,236,236 | \$ (76,026) | \$ 678,365 | \$ 15,235 | \$ 487,246 | \$ 131,416 |
| 10010 | Operating Transfer In | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10020 | Operating transfer Out | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 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) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10000 | Excess (Deficiency) of Total Revenue Over (Under) Total | \$ 105,178 | \$ - | \$ (71,530) | \$ 50,004 | \$ 139,520 | \$ (12,816) |

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

FINANCIAL DATA SCHEDULE - INCOME STATEMENT
YEAR ENDED DECEMBER 31, 2015

| Line Item No. | Description | Total Programs | Eliminations | 14.850 | 14.872 | 14.856 | Component Unit |
|---------------|---|----------------|--------------|------------------|----------------------|-------------------|----------------|
| | | | | Low Rent | Capital Fund Program | N/C S/R Section 8 | |
| 11020 | Required Annual Debt Principal Payments | \$ 157,270 | \$ - | \$ - | \$ - | \$ 157,270 | \$ - |
| 11030 | Beginning Equity | \$ 2,806,858 | \$ - | \$ 1,833,960 | \$ 78,567 | \$ 261,497 | \$ 632,834 |
| 11040-010 | Prior Period Adjustments and Correction of Errors | \$ 34 | \$ - | \$ - | \$ - | \$ 34 | \$ - |
| 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 | \$ - | \$ - | \$ 59,343 | \$ (59,343) | \$ - | \$ - |
| 11040-080 | Equity Transfers | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11040-090 | Equity Transfers | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11040-100 | Equity Transfers | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11040-110 | Equity Transfers | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11040 | Prior Period Adjustments, Equity Transfers and Correction of | \$ 34 | \$ - | \$ 59,343 | \$ (59,343) | \$ 34 | \$ - |
| 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 | 2,191 | - | 1,099 | - | 901 | 191 |
| 11270 | Excess Cash | \$ 223,144 | \$ - | \$ 71,232 | \$ - | \$ - | \$ 151,912 |
| 11610 | Land Purchases | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11620 | Building Purchases | \$ 105,135 | \$ - | \$ 53,921 | \$ 51,214 | \$ - | \$ - |
| 11630 | Furniture & Equipment - Dwelling Purchases | \$ 33,769 | \$ - | \$ - | \$ - | \$ 33,769 | \$ - |
| 11640 | Furniture & Equipment - Administrative Purchases | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 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, 2015

| 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. | 2 |
| 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 | N/A |
| G3000-330 | Does the activity relate to the Low Rent or Capital Fund Program? | NO |
| G3000-340 | Enter number of occurrences that relate to the Low Rent or Capital Fund Program. | - |

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

Financial Data Schedule - Memo Account Information
Year Ended December 31, 2015

| 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 | - |
| G4000-030 | Low-Risk Auditee Indicator | - |
| G4000-040 | Indicator-Any Audit Findings Disclosed that are Required to be Reported | - |
| G4000-080 | Was a Schedule of Prior Audit Findings prepared? | - |
| G4100-040 | Total Federal Awards Expended (This cell is populated by G4100-030 from the "Federal Award Details" Tab) | - |

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

Financial Data Schedule - Memo Account Information
Year Ended December 31, 2015

IF YOU DO NOT RECEIVE AN A-133 AUDIT, DO NOT COMPLETE THIS

| Federal Award Details | | |
|------------------------------|---|----------------|
| Element | Description | Details |
| G4100-030 | Amount Expended | - |
| G4200-010 | Major Federal Program Indicator | - |
| G4200-050 | Type of Opinion on Major Federal Program | - |
| G4200-060 | Number of A-133 Compliance Audit Findings | - |
| G4200-100 | Significant Deficiency Indicator | - |
| G4200-200 | Number of Significant Deficiencies | - |
| G4200-110 | Material Weakness Indicator | - |
| G4200-210 | Number of Material Weaknesses | - |
| G4200-120 | Material Noncompliance Indicator | - |
| G4200-220 | Number of Material Noncompliance | - |
| G4200-070 | Audit Finding Reference Number | - |
| G4200-090 | Are Awards Received Directly from a Federal Agency? | - |
| G4100-050 | Total Amount of Questioned Costs | - |

| 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 |

*Wohlenberg
Ritzman & Co., LLC*
certified public accountants

**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 aggregate discretely presented component unit of **The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota (Housing Commission)**, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Housing Commission's basic financial statements and have issued our report thereon dated September 20, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency: Finding 2015-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Housing Commission's Response to Findings

The Housing and Redevelopment Commission of Hot Springs, South Dakota's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing 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 it.

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 20, 2016

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2015**

FINDINGS – FINANCIAL STATEMENTS AUDIT

Finding 2014-001 Segregation of Duties

Condition:

Our study and evaluation of internal control structure policies and procedures disclosed that there is a weakness in controls in effect at the Housing and Redevelopment Commission of the City of Hot Springs, South Dakota (the Housing Commission) relating to a lack of segregation of duties.

Recommendation:

Management and the Board of Commissioners should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. The most effective controls lie in the Management's knowledge of the matters relating to the Housing Commission's operations and their monthly review of expenditures and financial information.

Current Status:

Resolved.

Finding 2014-002 Preparation of Financial Statements

Condition:

Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Recommendation:

It is important that management be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the Commission and changes in reporting requirements.

Current Status:

Repeated as Finding 2015-001.

FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no prior findings reported.

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

**SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2015**

FINDINGS - FINANCIAL STATEMENTS AUDIT

Finding 2015-001 - Preparation of Financial Statements (Repeat Finding)

Significant Deficiency

Condition:

We, as auditors, were requested to draft the audited financial statements and related note disclosures as part of our audit services. The Housing Commission does not have a documented internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by U.S. generally accepted accounting principles (GAAP) standards.

Questioned Costs: None.

Criteria:

It is management's responsibility to provide for the preparation of the Housing Commission's financial statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements.

Cause:

The Housing Commission does not have the resources necessary to provide for the preparation of full disclosure financial statements.

Effect:

The disclosures in the financial statements could be incomplete.

Recommendation:

We recommend that the auditee person responsible for the preparation of financial statements receive appropriate training in order that management can take responsibility for the preparation of its financial statements.

Hot Springs Housing & Redevelopment Commission
201 South River Street
Hot Springs, SD 57747
(605) 745-4067



MANAGEMENT'S REPOSE

2015-001 Finding: Preparation of Financial Statements (Repeat Finding)

The Executive Director of the Housing and Redevelopment Commission of the City of Hot Springs, South Dakota is the contact person responsible for the corrective action plan for this comment. Management is aware of their overall responsibility for the preparation of the Housing Commission's financial statements and the related footnotes. The staff and Board of Commissioners will work on implementing additional internal controls to ensure that financial statements and related footnotes are free from material misstatement.

Respectfully yours,

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

 9/26/16
Greg Foust
Executive Director