

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

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**SEPTEMBER 30, 2015**

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

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on Financial Statements

We have audited the accompanying financial statements of **The Housing and Redevelopment Commission of the City of Lemmon, South Dakota, a component unit of the City of Lemmon, South Dakota (the Commission)**, as of September 30, 2015, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express 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.

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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 Housing and Redevelopment Commission of the City of Lemmon, South Dakota, as of September 30, 2015, and the respective changes in financial position, and its 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 8 to the financial statements, the 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 October 1, 2014. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of Commission's proportionate share of net pension asset, and the schedule of Commission's contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise The Housing and Redevelopment Commission of the City of Lemmon, South Dakota's basic financial statements. The Commission's Financial Data Schedule (FDS), 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 of The Housing and Redevelopment Commission of the City of Lemmon, South Dakota.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016, on our consideration of The Housing and Redevelopment Commission of the City of Lemmon, South Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Wohlberg Ritzman + Co., LLC*

Yankton, South Dakota  
June 27, 2016

*Lemmon Housing Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2015*

*Introduction*

This Management's Discussion and Analysis (MD&A) of The Housing and Redevelopment Commission of the City of Lemmon, South Dakota, a Component Unit of the City of Lemmon, South Dakota (the Commission), provides an introduction and overview to the financial statements of the Commission for the fiscal year ended September 30, 2015. The Commission presents this discussion and analysis of its financial performance during the fiscal year ended September 30, 2015, to assist the reader in focusing on significant financial issues.

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

The Commission has three individual programs. They include the Low Rent Public Housing Program, Capital Fund Program, and Business Activities.

- The Low Rent Program consists of 43 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received by the Department of Housing & Urban Development (HUD) based on a formula.
- The Capital Fund Program is also a formula based program from HUD. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Public Housing Program. These resources allow the Commission to provide capital improvements for the current dwelling structures and assist in their operations.
- The Business Activities manages 2 4-plex units and 6 single family dwellings developed by the Commission and financed by Housing Development Bonds and notes payable through local financial institutions. Rent for the units is based on current market rates.

*Overview of the Financial Statements*

This overview of the financial statement is intended to inform and introduce the reader to the Commission's basic financial statements. The basic financial statements are comprised of three individual statements. These statements include:

- The Statement of Net Position
- The Statement of Revenues, Expenses and Changes in Fund Net Position
- The Statement of Cash Flows

## *Management's Discussion and Analysis-Cont.*

**The Statement of Net Position** presents information on the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the differences between these being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial situation of the Commission is improving or deteriorating. Net Position is comprised of three individual components:

- *Net Investment in Capital Assets* consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with these assets
- *Restricted Net Position* consists of assets that are restricted by limitations placed on these assets by an external source or party.
- *Unrestricted Net Position* consists of net position that does not meet the definition of the above categories. Unrestricted net position represents the amount of funds available for future year appropriations.

**The Statement of Revenues, Expenses and Changes in Fund Net Position** reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Commission for the fiscal year ended September 30, 2015 to determine the change in net position for the fiscal year.

**The Statement of Cash Flows** reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended September 30, 2014.

### *Financial Highlights*

- The Commission's total net position decreased from \$793,458 to \$777,833; a decrease of \$15,625 or 18.95%. Total assets increased by \$19,027 or 2.34%.
- Unrestricted net position is \$129,022 at September 30, 2015. This represents an increase of \$14,511 or 12.67% from the previous year.
- Total revenues increased from \$371,775 to \$398,738, an increase of \$26,963 or 7.25%.
- Total expenses increased by \$7,200, from \$407,163 to \$414,363 for the current year. This represents an increase of 1.77%.

## *Management's Discussion and Analysis-Cont.*

### Housing Authority Activities & Highlights

The Commission's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended September 30, 2015 and September 30, 2014.

Table 1 Condensed Balance Sheet				
	2015	2014	Dollar Change	Percentage Change
Current Assets	176,192	165,944	10,248	6.18%
Noncurrent Assets	1,430,925	1,447,997	(17,072)	-1.18%
Total Assets	<u>1,607,117</u>	<u>1,613,941</u>	<u>(6,824)</u>	-0.42%
Deferred Outflows of Resources	<u>26,152</u>	<u>17,783</u>	<u>8,369</u>	47.06%
Current Liabilities	105,171	178,420	(73,249)	-41.05%
Noncurrent Liabilities	<u>725,611</u>	<u>633,335</u>	<u>92,276</u>	14.57%
Total Liabilities	<u>830,782</u>	<u>811,755</u>	<u>19,027</u>	2.34%
Deferred Inflows of Resources	<u>24,654</u>	<u>26,511</u>	<u>(1,857)</u>	-7.00%
Net Investment in Capital Assets	631,706	664,785	(33,079)	-4.98%
Restricted Net Position	17,105	14,162	2,943	20.78%
Unrestricted Net Position	<u>129,022</u>	<u>114,511</u>	<u>14,511</u>	12.67%
Total Net Position	<u>777,833</u>	<u>793,458</u>	<u>(15,625)</u>	-1.97%

#### *Current Assets*

The increase in Current Assets is primarily due to cash and cash equivalents, which increased from \$158,061 to \$168,654, an increase of \$10,593 from September 30, 2014 to September 30, 2015.

#### *Noncurrent Assets*

Noncurrent assets decreased by \$17,072. This is due primarily to depreciation expense exceeding capital purchases and will be discussed in the capital assets section.

#### *Current Liabilities*

Current liabilities decreased from \$178,420 to \$105,171; a decrease of \$73,249 from September 30, 2014 to September 30, 2015. This is due to a decrease in short-term borrowings and accounts payable.



## *Management's Discussion and Analysis-Cont.*

### *Long-Term Liabilities*

Long-term liabilities increased by \$92,276. This is due to additional long-term borrowing in the Business Activities and will be discussed in the debt administration section.

### *Net Position*

The Commission's total net position decreased \$15,625 from the previous year.

The Commission's unrestricted net position increased from \$114,511 to \$129,022; an increase of \$14,511 or 12.67% from the prior year. The unrestricted net position represents the amount available for future appropriations. This balance is subject to program specific guidelines. Individual program balances are as follows:

Low Rent Housing Program	\$ 152,544
Business Activities	<u>( 23,522)</u>
Total	<u>\$ 129,022</u>

Table 2				
Condensed Statement of Revenues, Expenses and Changes in Net Position				
	2015	2014	Dollar Change	Percentage Change
Operating Revenue:				
Rental Income	237,696	238,286	(590)	-0.25%
Other Operating Income	31,773	11,510	20,263	176.05%
Nonoperating Revenue:				
Operating Grants	125,154	121,784	3,370	2.77%
Capital Grants	3,996	-	3,996	100.00%
Investment Income	119	195	(76)	-38.97%
Total Revenues	<u>398,738</u>	<u>371,775</u>	<u>26,963</u>	7.25%
Expenses				
Administration	91,906	65,858	26,048	39.55%
Tenant Services	4,543	3,616	927	25.64%
Utilities	66,034	70,084	(4,050)	-5.78%
Maintenance and Operation	85,001	109,598	(24,597)	-22.44%
General Expense	33,155	29,172	3,983	13.65%
Interest Expense	27,313	25,526	1,787	7.00%
Depreciation	106,411	103,309	3,102	3.00%
Total Expenses	<u>414,363</u>	<u>407,163</u>	<u>7,200</u>	1.77%
Change in Net Position	(15,625)	(35,388)	19,763	-55.85%
Beginning Net Position	<u>793,458</u>	<u>814,684</u>	<u>(21,226)</u>	-2.61%
Ending Net Position	777,833	779,296	(15,625)	-2.01%
Prior Period Adjustment		<u>14,162</u>		
Ending Net Position (Restated)		793,458		

## *Management's Discussion and Analysis-Cont.*

### *Results of Operations*

Revenues of the Commission are generated principally from dwelling rents and HUD grants (Operating and Capital Funds). The Commission's revenue increased \$26,963 during the current fiscal year. Significant changes noted between the current and prior fiscal years include:

- HUD Grant revenue increased \$7,366 during the current year. This was due to anticipated HUD funding.
- Rental revenues remained relatively unchanged from the prior year.

Total expenses increased only slightly by \$7,200 from the previous year. Significant changes in specific accounts include the following:

- Maintenance expenses decreased while administrative expenses increased by a similar amount.
- Interest expense increased slightly.

### *Capital Assets*

As of September 30, 2015, the Commission's investment in capital assets was \$1,411,318. This investment includes land, buildings, and equipment, net of depreciation.

	2015	2014	Dollar Change	Percentage Change
Land	74,489	74,489	-	0.00%
Construction in progress	-	19,316	(19,316)	-100.00%
Buildings and Improvements	2,904,878	2,788,941	115,937	4.16%
Furniture and Equipment	94,016	94,016	-	0.00%
Accumulated Depreciation	<u>(1,662,065)</u>	<u>(1,555,655)</u>	<u>(106,410)</u>	6.84%
Capital Assets (Net)	1,411,318	1,421,107	(9,789)	-0.69%

As noted above, depreciation expense exceeded capital purchases resulting in overall decrease in capital assets, net of accumulated depreciation. Major increases were seen in the Business Activities with the renovation of single family rental properties. These were funded through issuance of long-term liabilities.

# *Management's Discussion and Analysis-Cont.*

## Debt Administration

	2015	2014	Dollar Change	Percentage Change
Revenue Bonds	505,831	531,893	(26,062)	-4.90%
Notes Payable	257,781	188,429	69,352	100.00%
Compensated Absences	2,997	4,974	(1,977)	-39.75%
Total	766,609	725,296	41,313	5.70%

As of September 30, 2015 the Commission had \$505,831 in revenue bonds outstanding. During the year, the Business Activities received funding through SDHDA to retire short-term borrowings and provide additional renovations to rental properties. Refer to the Notes to the Financial Statements for further discussion of the Bonds and Notes Payable.

The Compensated Absences represent employee leave payable at the end of the year. The Commission classifies a portion of the employee's leave as long term. This is because the Commission does not anticipate paying out the total amount accrued in the upcoming fiscal year. The amount estimated as long term was \$929.

## Economic Factors and Next Year's Budget

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

## Request for Information

This financial report is designed to provide a general overview of the Commission's accountability for all those interested.

If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Lemmon Housing Authority  
Cathy Evans, Executive Director  
206 6<sup>th</sup> Street  
Lemmon, SD 57638

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

STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015

<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 154,720
Tenant security deposits	13,934
Accounts receivable - tenants, less allowance for doubtful accounts of \$105	507
Prepaid expenses and other assets	5,102
Inventories, less allowance for obsolete inventories of \$214	<u>1,929</u>
Total current assets	<u>176,192</u>
Noncurrent assets:	
Net pension liability (asset)	15,607
Capital assets:	
Land	78,489
Buildings and improvements	2,904,878
Furniture and equipment	94,016
Accumulated depreciation	<u>(1,662,065)</u>
Total noncurrent assets	<u>1,430,925</u>
Total assets	<u>1,607,117</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	<u>26,152</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable - vendors	3,222
Accrued payroll and payroll liabilities	1,551
Accrued interest payable	1,474
Due to other governments	14,847
Tenant security deposits	13,934
Unearned revenue	3,943
Other accrued liabilities	5,202
Short-term notes payable	20,000
Current portion of noncurrent liabilities:	
Revenue bonds and notes payable	38,930
Accrued compensated absences	<u>2,068</u>
Total current liabilities	<u>105,171</u>
Noncurrent liabilities:	
Revenue bonds and notes payable	724,682
Accrued compensated absences	<u>929</u>
Total noncurrent liabilities	<u>725,611</u>
Total liabilities	<u>830,782</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows	<u>24,654</u>
<b>NET POSITION</b>	
Net investment in capital assets	631,706
Restricted - SDRS pension	17,105
Unrestricted	<u>129,022</u>
Total net position	<u>\$ 777,833</u>

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

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

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<b>OPERATING REVENUES</b>	
Dwelling rental	\$ 193,490
Pledged as security for revenue bonds:	
Dwelling rentals	44,206
Tenant revenue-other	17,333
Other operating revenue	<u>14,440</u>
Total operating revenues	<u>269,469</u>
 <b>OPERATING EXPENSES</b>	
Administration	91,906
Tenant services	4,543
Utilities	66,034
Maintenance and operations	85,001
Insurance	17,097
Other general expenses	16,058
Depreciation	<u>106,411</u>
Total operating expenses	<u>387,050</u>
 Operating (loss)	 <u>(117,581)</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
HUD operating grants	125,154
Investment income	119
Interest expense	<u>(27,313)</u>
Total nonoperating revenues	<u>97,960</u>
 (Loss) before contributions	 (19,621)
 Capital contributions	 <u>3,996</u>
 Change in net position	 <u>(15,625)</u>
 Net position - beginning of year	 779,296
Prior period adjustment - change in accounting principle	<u>14,162</u>
Net position - beginning of year (restated)	<u>793,458</u>
 Net position - end of year	 <u>\$ 777,833</u>

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

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

STATEMENT OF CASH FLOWS - PAGE 1 OF 2  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 270,228
Receipts from tenants in escrow	2,165
Payments to employees	(107,696)
Payments to others for goods and services	(175,924)
Payments in lieu of taxes	<u>(5,927)</u>
Net cash (used in) operating activities	<u>(17,154)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating grants received	<u>125,262</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital grants received	3,996
Proceeds from issuance of long-term debt	78,980
Acquisitions of capital assets	(96,622)
Principal payments on short-term notes payable	(20,000)
Principal payments on long-term capital debt	(35,690)
Interest payments on long-term capital debt	<u>(28,298)</u>
Net cash (used in) capital and related financing activities	<u>(97,634)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	<u>119</u>
Net increase in cash	10,593
Balances - beginning of the year	<u>158,061</u>
Balances - end of the year	<u>\$ 168,654</u>
<b>RECONCILIATION OF CASH TO THE BALANCE SHEET</b>	
Cash and cash equivalents	\$ 154,720
Tenant security deposits	<u>13,934</u>
Total cash	<u>\$ 168,654</u>

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

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

STATEMENT OF CASH FLOWS - PAGE 2 OF 2  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<b>Reconciliation of operating (loss) to net cash (used in)</b>	
<b>operating activities:</b>	
Operating (loss)	\$ (117,581)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation expense	106,411
Change in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable - tenants	230
Prepaid insurance	(109)
Inventories	116
Pension related assets	(2,943)
Increase (decrease) in:	
Accounts payable - vendors	(11,385)
Accrued wages/payroll taxes payable	401
Accrued compensated absences	(1,977)
Other accrued liabilities	1,080
Payments in lieu of taxes	3,109
Unearned Revenue	3,329
Tenant security deposits	2,165
Net cash (used in) operating activities	<u>\$ (17,154)</u>

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

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

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

The Housing and Redevelopment Commission of the City of Lemmon, South Dakota (the Commission) was organized in 1968 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 commissioners 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 Lemmon, South Dakota has the ability to veto or otherwise modify a housing commission's decision to construct a specific project and issue debt.

The primary government is the City of Lemmon, South Dakota.

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

The Commission considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include the Commission's financial statements.

**Nature of Business**

The Commission administers PAS/LOCCS Project No. SD025-1, under Annual Contribution Contract DEN-569, which consists of 43 conventional low rent units.

Additionally, the Commission has constructed two four-plex rental facilities and purchased six single-family rental properties. These projects are not low income housing programs and rental charges are based upon current market rate for similar type housing in the local area.



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

NOTES TO FINANCIAL STATEMENTS – continued  
SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**Basis of Presentation**

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

**Measurement Focus and Basis of Accounting**

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

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the statement of revenues, expenses and changes in fund net position present 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 reporting the statement of cash flows, the Commission considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Certificates of deposit, regardless of maturity, are considered to be cash equivalents.

**Accounts Receivable**

All tenants accounts receivable are shown net of an allowance for doubtful accounts. The allowances for uncollectible accounts receivable is calculated based on historical trend data.

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

NOTES TO FINANCIAL STATEMENTS – continued  
SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**Capital Assets**

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

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	15-40
Improvements other than buildings	15
Furniture and equipment	3-5

**Inventories**

Inventories consist of supplies or fuel, and are valued at cost.

**Deferred Inflows and Deferred Outflows of Resources**

In addition to assets, the balance sheet reports 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 (expenses) until the applicable future period. In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisition of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources (revenue) until the applicable future period.

**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 AND REDEVELOPMENT COMMISSION  
OF THE CITY OF LEMMON, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS – continued  
SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**Long-Term Liabilities**

Long-term liabilities primarily consist of bonds and notes payable, and compensated absences. 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.

**Other Postemployment Benefits**

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

**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 amount of any bonds or mortgage notes that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of 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 – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

**Application of Net Position**

It is the Commission’s policy to first use restricted net position (if any), prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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

NOTES TO FINANCIAL STATEMENTS – continued  
SEPTEMBER 30, 2015

**Operating Revenues and Expenses**

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

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

**Budgets**

The Commission is not legally required to adopt a budget, therefore, budgetary data is not included in the required supplementary information. Capital Fund budgets are adopted on a “project length” basis and prepared in accordance with HUD requirements.

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

As of October 1, 2014, the 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 8.

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:

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

NOTES TO FINANCIAL STATEMENTS – continued  
SEPTEMBER 30, 2015

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

Net Position - September 30, 2014, as previously reported	\$	779,296
Restatement for pension accounting:		
Net Pension Asset		22,890
Pension Related Deferred Outflows of Resources		17,783
Pension Related Deferred Inflows of Resources		<u>(26,511)</u>
 Net Position - October 1, 2014, as restated	 \$	 <u>793,458</u>

3. DEPOSITS AND INVESTMENTS

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

Deposits – The Commission’s deposits are made in qualified public depositories as defined by SDCL 4-6A-1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank’s public debt rating which may not be less than “AA” or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – 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.

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

NOTES TO FINANCIAL STATEMENTS – continued  
SEPTEMBER 30, 2015

3. DEPOSITS AND INVESTMENTS, continued

**Custodial Credit Risk – Deposits** – The risk that, in the event of a depository failure, the Commission’s deposits may not be returned to it. The Commission does not have a deposit policy for custodial risk. As of September 30, 2015, the Commission’s deposits were fully insured or collateralized and were not exposed to custodial credit risk.

**Investments** – As of September 30, 2015, the Commission had no investments.

**Interest Rate Risk** – The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** – State law limits eligible investments for the Commission, as discussed above. The Commission has no investment policy that would further limit its investment choices. As of September 30, 2015, the Commission had no investments.

**Concentration of Credit Risk** – The Commission places no limit on the amount that may be invested in any one issuer. As of September 30, 2015, the Commission had no investments.

4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 78,489	\$ -	\$ -	\$ 78,489
Furniture and equipment	<u>19,316</u>	<u>-</u>	<u>(19,316)</u>	<u>-</u>
Total capital assets not being depreciated	<u>97,805</u>	<u>-</u>	<u>(19,316)</u>	<u>78,489</u>
Capital assets being depreciated:				
Buildings and improvements	2,788,941	115,937	-	2,904,878
Furniture and equipment	<u>94,016</u>	<u>-</u>	<u>-</u>	<u>94,016</u>
Total capital assets being depreciated	<u>2,882,957</u>	<u>115,937</u>	<u>-</u>	<u>2,998,894</u>

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

NOTES TO FINANCIAL STATEMENTS – continued  
SEPTEMBER 30, 2015

4. CAPITAL ASSETS, continued

	Beginning Balances	Increases	Decreases	Ending Balances
Less accumulated depreciation for:				
Buildings and improvements	1,491,143	93,983	-	1,585,126
Furniture and equipment	64,511	12,428	-	76,939
Total accumulated depreciation	1,555,654	106,411	-	1,662,065
Total capital assets being depreciated, net	1,327,303	9,526	-	1,336,829
Capital assets, net	\$ 1,425,108	\$ 9,526	\$ (19,316)	\$ 1,415,318

5. SHORT-TERM NOTES PAYABLE

During 2014, the Commission secured two short-term notes payable to assist with the purchase and remodeling of four single family rental properties. Short-term notes payable activity for the year ended September 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Financial Institution	\$ 20,000	\$ -	\$ (20,000)	\$ -
LACED	20,000	-	-	20,000
Total short-term notes payable	\$ 40,000	\$ -	\$ (20,000)	\$ 20,000

The \$20,000 loan with a local financial institution carried an interest rate of 8.99%, with a maturity date of October 1, 2014. The note was paid in full during the year ended September 30, 2015.

The \$20,000 loan with Lemmon Area Charitable and Economic Development (LACED) was issued at 0% with a maturity date of January 1, 2015. The due date was subsequently extended to January 1, 2016.

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

NOTES TO FINANCIAL STATEMENTS – continued  
SEPTEMBER 30, 2015

6. LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended September 30, 2015, were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One year
Revenue bonds	\$ 531,893	\$ -	\$ (26,062)	\$ 505,831	\$ 26,852
Notes payable	188,429	78,980	(9,628)	257,781	12,078
Total debt payable	720,322	78,980	(35,690)	763,612	38,930
Compensated absences	4,974	4,912	(6,889)	2,997	2,068
 Total long-term liabilities	 <u>\$ 725,296</u>	 <u>\$ 83,892</u>	 <u>\$ (42,579)</u>	 <u>\$ 766,609</u>	 <u>\$ 40,998</u>

Revenue bonds payable at September 30, 2015, consist of two issues secured by real estate mortgages on and the assignments of leases and rents on the Commission's two four-plex projects. The City of Lemmon, South Dakota, guarantees payment of the bonds to a limit of 25% of the original principal amount of the bonds, for a total of \$165,500.

Long-term liabilities at September 30, 2015, are comprised of the following:

Revenue Bonds:

\$300,000 Essential Function Housing Development  
Revenue Bonds, Series 2001; Maturity date  
June 1, 2031; 1.82% interest rate; secured by  
mortgage; \$1,511 monthly payments \$ 187,916

\$390,000 Essential Function Housing Development  
Revenue Bonds, Series 2006; Maturity date  
June 1, 2036; 4.50% interest rate; secured by  
mortgage: \$2,172 monthly payments 317,915

Notes Payable:

\$36,000 mortgage note payable – financial institution  
5.00% interest rate; \$285 monthly payments;  
balloon payment due November 2017;  
secured by mortgage 29,192



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

NOTES TO FINANCIAL STATEMENTS – continued  
SEPTEMBER 30, 2015

6. LONG-TERM LIABILITIES, continued

Notes Payable, continued:

\$29,600 mortgage note payable – financial institution 5.00% interest rate; \$234 monthly payments; balloon payment due September 2017; secured by mortgage	25,338
\$35,200 mortgage note payable – financial institution 5.00% interest rate; \$279 monthly payments; balloon payment due March 2017; secured by mortgage	32,812
\$97,200 mortgage note payable – financial institution 5.00% interest rate; \$771 monthly payments; balloon payment due May 2017; secured by mortgage	91,459
\$78,980 mortgage note payable – SDHDA HOF Funding 0.00% interest rate; \$219 monthly payments; maturity date December 2045; secured by mortgage	78,980

Compensated Absences:

Vacation payable to employees as of September 30, 2015	<u>2,997</u>
Total Long-Term Liabilities	<u>\$ 766,609</u>

The two bond issues have provisions to adjust interest rates every 5 years.

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

NOTES TO FINANCIAL STATEMENTS – continued  
SEPTEMBER 30, 2015

6. LONG-TERM LIABILITIES, continued

The annual requirements to amortize long-term debt outstanding as of September 30, 2015, except for compensated absences, are as follows:

Year Ending September 30,	Revenue Bonds and Notes Payable		
	Principal	Interest	Total
2016	\$ 38,930	\$ 26,081	\$ 65,011
2017	173,927	22,580	196,507
2018	56,249	15,881	72,130
2019	32,051	19,439	51,490
2020	32,965	13,873	46,838
2021 - 2025	165,810	54,485	220,295
2026 - 2030	151,933	29,338	181,271
2031 - 2035	84,763	4,313	89,076
2036 - 2040	13,163	-	13,163
2041 - 2045	13,163	-	13,163
2046 - 2050	658	-	658
Total	<u>\$ 763,612</u>	<u>\$ 185,990</u>	<u>\$ 949,602</u>

7. PAYMENTS IN LIEU OF TAXES

Public housing authorities are not required to pay property taxes based on the normal property value assessment and tax levy procedures on real property owned, but rather make payments in lieu of (property) taxes (PILOT). State law requires that the amount due is the lower of 10% of gross rents less utilities or 5% of gross rents. Payments in lieu of taxes at September 30, 2015 were \$9,036.

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

NOTES TO FINANCIAL STATEMENTS – continued  
SEPTEMBER 30, 2015

8. PENSION PLAN

**Plan Information**

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer 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.

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:

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

NOTES TO FINANCIAL STATEMENTS – continued  
SEPTEMBER 30, 2015

8. PENSION PLAN, continued

**Benefits Provided, continued**

- 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 Commission's share of contributions to the SDRS for the fiscal years ended September 30, 2015, 2014 and 2013 was \$4,174, \$3,342 and \$3,437 respectively, equal to the required contributions each year.

**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 Commission as of June 30, 2015 are as follows:

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

NOTES TO FINANCIAL STATEMENTS – continued  
SEPTEMBER 30, 2015

8. PENSION PLAN, continued

Proportionate share of net position restricted for pension benefits	\$ 396,555
Less proportionate share of total pension liability	<u>380,948</u>
Proportionate share of net pension asset	<u>\$ 15,607</u>

At September 30 2015, the Commission reported an asset of \$15,607 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 Commission's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the Commission's proportion was 0.0036798%.

For the year ended September 30, 2015, the Commission recognized pension revenue of \$2,800. At September 30, 2015 the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,196	\$ -
Changes in assumptions	12,375	-
Net difference between projected and actual earnings on pension plan investments	9,534	23,029
Changes in proportion and difference between commission's contributions and proportionate share of contributions	-	1,625
Commission contributions subsequent to the measurement date	<u>1,047</u>	<u>-</u>
Total	<u>\$ 26,152</u>	<u>\$ 24,654</u>

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

NOTES TO FINANCIAL STATEMENTS – continued  
SEPTEMBER 30, 2015

8. PENSION PLAN, continued

\$1,047 reported as deferred outflow of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 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:

Year Ended <u>September 30</u>		
2016	\$	740
2017		740
2018		(1,990)
2019		<u>2,587</u>
Total	\$	<u>2,077</u>

**Actuarial Assumptions**

The total pension asset in the September 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 LEMMON, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS – continued  
SEPTEMBER 30, 2015

8. PENSION PLAN, 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 2016 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 LEMMON, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS – continued  
SEPTEMBER 30, 2015

8. PENSION PLAN, continued

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

The following presents the 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 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)	\$ 39,283	\$ (15,607)	\$ (60,365)

**Pension Plan Fiduciary Net Position**

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

10. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During the period ended September 30, 2015 the Commission managed its risks as follows:

**Employee Health Insurance**

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

**Liability Insurance**

The Commission purchases liability insurance 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.



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

NOTES TO FINANCIAL STATEMENTS – continued  
SEPTEMBER 30, 2015

10. RISK MANAGEMENT, continued

**Worker's Compensation**

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

**Unemployment Benefits**

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE PROPORTIONATE SHARE  
OF THE NET PENSION ASSET

South Dakota Retirement System

	<u>2014</u>	<u>2015</u>
Commission's proportion of the net pension asset	0.0031772%	0.0036798%
Commission's proportionate share of net pension asset	\$ 22,890	\$ 15,607
Commission's covered-employee payroll	\$ 55,567	\$ 67,183
Commission's proportionate share of the net pension asset as a percentage of its covered-employee payroll	41.19%	23.23%
Plan fiduciary net position as a percentage of the total pension asset	107.3%	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 LEMMON, SOUTH DAKOTA

SCHEDULE OF CONTRIBUTIONS

South Dakota Retirement System

	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$ 3,342	\$ 4,174
Contributions in relation to the contractually required contribution	<u>3,342</u>	<u>\$ 4,174</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Association's covered-employee payroll	\$ 55,700	\$ 69,567
Contributions as a percentage of covered-employee payroll	6.00%	6.00%

See Independent Auditor's Report

SUPPLEMENTARY INFORMATION

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF LEMMON, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - BALANCE SHEET  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Line Item No.	Description	Total Programs	Eliminations	Total Low Rent and Capital Fund	Business Activities
111	Cash - Unrestricted	\$ 154,720	\$ -	\$ 148,127	\$ 6,593
112	Cash - Restricted - Modernization and Development	\$ -	\$ -	\$ -	\$ -
113	Cash - Other Restricted	\$ -	\$ -	\$ -	\$ -
114	Cash - Tenant Security Deposits	\$ 13,934	\$ -	\$ 3,970	\$ 9,964
115	Cash - Restricted for Payment of Current Liabilities	\$ -	\$ -	\$ -	\$ -
<b>100</b>	<b>Total Cash</b>	<b>\$ 168,654</b>	<b>\$ -</b>	<b>\$ 152,097</b>	<b>\$ 16,557</b>
121	Accounts Receivable - PHA Projects	\$ -	\$ -	\$ -	\$ -
122-010	Operating Subsidy	\$ -	\$ -	\$ -	\$ -
122-020	Capital Fund	\$ -	\$ -	\$ -	\$ -
122-030	Other	\$ -	\$ -	\$ -	\$ -
<b>122</b>	<b>Accounts Receivable - HUD Other Projects</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
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				
<b>125</b>	<b>Accounts Receivable - Miscellaneous</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
126	Accounts Receivable - Tenants	\$ 612	\$ -	\$ 612	\$ -
126.1	Allowance for Doubtful Accounts - Tenants	\$ (105)	\$ -	\$ (105)	\$ -
126.2	Allowance for Doubtful Accounts - Other	\$ -	\$ -	\$ -	\$ -
127	Notes, Loans, & Mortgages Receivable - Current	\$ -	\$ -	\$ -	\$ -
128	Fraud Recovery	\$ -	\$ -	\$ -	\$ -
128.1	Allowance for Doubtful Accounts - Fraud	\$ -	\$ -	\$ -	\$ -
129	Accrued Interest Receivable	\$ -	\$ -	\$ -	\$ -
<b>120</b>	<b>Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>\$ 507</b>	<b>\$ -</b>	<b>\$ 507</b>	<b>\$ -</b>
131	Investments - Unrestricted	\$ -	\$ -	\$ -	\$ -
132	Investments - Restricted	\$ -	\$ -	\$ -	\$ -
135	Investments - Restricted for Payment of Current Liability	\$ -	\$ -	\$ -	\$ -
142	Prepaid Expenses and Other Assets	\$ 5,102	\$ -	\$ 4,443	\$ 659
143	Inventories	\$ 2,143	\$ -	\$ 2,143	\$ -
143.1	Allowance for Obsolete Inventories	\$ (214)	\$ -	\$ (214)	\$ -
144	Inter Program Due From	\$ -	\$ (16,116)	\$ 16,116	\$ -
145	Assets Held for Sale	\$ -	\$ -	\$ -	\$ -
<b>150</b>	<b>Total Current Assets</b>	<b>\$ 176,192</b>	<b>\$ (16,116)</b>	<b>\$ 175,092</b>	<b>\$ 17,216</b>
161	Land	\$ 78,489	\$ -	\$ 53,489	\$ 25,000
162	Buildings	\$ 2,904,878	\$ -	\$ 1,836,429	\$ 1,068,449
163	Furniture, Equipment & Machinery - Dwellings	\$ -	\$ -	\$ -	\$ -
164	Furniture, Equipment & Machinery - Administration	\$ 94,016	\$ -	\$ 93,980	\$ 36
165	Leasehold Improvements	\$ -	\$ -	\$ -	\$ -
166	Accumulated Depreciation	\$ (1,662,065)	\$ -	\$ (1,451,616)	\$ (210,449)
167	Construction in Progress	\$ -	\$ -	\$ -	\$ -
168	Infrastructure	\$ -	\$ -	\$ -	\$ -
<b>160</b>	<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 1,415,318</b>	<b>\$ -</b>	<b>\$ 532,282</b>	<b>\$ 883,036</b>
171-010	Not For Profit	\$ -	\$ -	\$ -	\$ -
171-020	Partnership	\$ -	\$ -	\$ -	\$ -

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THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF LEMMON, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - BALANCE SHEET  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Line Item No.	Description	Total Programs	Eliminations	Total Low Rent and Capital Fund	Business Activities
171-030	Joint Venture	\$ -	\$ -	\$ -	\$ -
171-040	Tax Credit	\$ -	\$ -	\$ -	\$ -
171-050	Other	\$ -	\$ -	\$ -	\$ -
171-060	Other Comments				
<b>171</b>	<b>Notes, Loans and Mortgages Receivable - Non-Current</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
172-010	Not For Profit	\$ -	\$ -	\$ -	\$ -
172-020	Partnership	\$ -	\$ -	\$ -	\$ -
172-030	Joint Venture	\$ -	\$ -	\$ -	\$ -
172-040	Tax Credit	\$ -	\$ -	\$ -	\$ -
172-050	Other	\$ -	\$ -	\$ -	\$ -
172-060	Other Comments				
<b>172</b>	<b>Notes, Loans, &amp; Mortgages Receivable - Non Current - Past Due</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
173	Grants Receivable - Non Current	\$ -	\$ -	\$ -	\$ -
174-010	Not For Profit	\$ -	\$ -	\$ -	\$ -
174-020	Partnership	\$ -	\$ -	\$ -	\$ -
174-030	Joint Venture	\$ -	\$ -	\$ -	\$ -
174-040	Tax Credit	\$ -	\$ -	\$ -	\$ -
174-050	Other	\$ 15,607	\$ -	\$ 12,642	\$ 2,965
174-060	Other Comments			Net Pension Asset	Net Pension Asset
174	Other Assets	\$ 15,607	\$ -	\$ 12,642	\$ 2,965
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	\$ -	\$ -	\$ -	\$ -
<b>180</b>	<b>Total Non-Current Assets</b>	<b>\$ 1,430,925</b>	<b>\$ -</b>	<b>\$ 544,924</b>	<b>\$ 886,001</b>
<b>190</b>	<b>Total Assets</b>	<b>\$ 1,607,117</b>	<b>\$ (16,116)</b>	<b>\$ 720,016</b>	<b>\$ 903,217</b>
<b>200</b>	<b>Deferred Outflow of Resources</b>	<b>\$ 26,152</b>	<b>\$ -</b>	<b>\$ 21,183</b>	<b>\$ 4,969</b>
<b>290</b>	<b>Total Assests and Deferred Outflow of Resources</b>	<b>\$ 1,633,269</b>	<b>\$ (16,116)</b>	<b>\$ 741,199</b>	<b>\$ 908,186</b>
311	Bank Overdraft	\$ -	\$ -	\$ -	\$ -
312	Accounts Payable <= 90 Days	\$ 3,222	\$ -	\$ 2,888	\$ 334
313	Accounts Payable >90 Days Past Due	\$ -	\$ -	\$ -	\$ -
321	Accrued Wage/Payroll Taxes Payable	\$ 1,551	\$ -	\$ 1,551	\$ -
322	Accrued Compensated Absences - Current Portion	\$ 2,068	\$ -	\$ 1,617	\$ 451
324	Accrued Contingency Liability	\$ -	\$ -	\$ -	\$ -
325	Accrued Interest Payable	\$ 1,474	\$ -	\$ -	\$ 1,474
331-010	Operating Subsidy	\$ -	\$ -	\$ -	\$ -
331-020	Capital Fund	\$ -	\$ -	\$ -	\$ -
331-030	Other	\$ -	\$ -	\$ -	\$ -
<b>331</b>	<b>Accounts Payable - HUD PHA Programs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
332	Account Payable - PHA Projects	\$ -	\$ -	\$ -	\$ -
333	Accounts Payable - Other Government	\$ 14,847	\$ -	\$ 6,284	\$ 8,563
341	Tenant Security Deposits	\$ 13,934	\$ -	\$ 3,970	\$ 9,964
342-010	Operating Subsidy	\$ -	\$ -	\$ -	\$ -

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THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF LEMMON, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - BALANCE SHEET  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Line Item No.	Description	Total Programs	Eliminations	Total Low Rent and Capital Fund	Business Activities
342-020	Capital Fund	\$ -	\$ -	\$ -	\$ -
342-030	Other	\$ 3,943	\$ -	\$ 938	\$ 3,005
<b>342</b>	<b>Unearned Revenue</b>	<b>\$ 3,943</b>	<b>\$ -</b>	<b>\$ 938</b>	<b>\$ 3,005</b>
343-010	CFFP	\$ -	\$ -	\$ -	\$ -
343-020	Capital Projects/Mortgage Revenue	\$ 58,930	\$ -	\$ -	\$ 58,930
<b>343</b>	<b>Current Portion of Long-term Debt - Capital Projects/Mortgage</b>	<b>\$ 58,930</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 58,930</b>
344	Current Portion of Long-term Debt - Operating Borrowings	\$ -	\$ -	\$ -	\$ -
345	Other Current Liabilities	\$ -	\$ -	\$ -	\$ -
346	Accrued Liabilities - Other	\$ 5,202	\$ -	\$ 4,573	\$ 629
347	Inter Program - Due To	\$ -	\$ (16,116)	\$ -	\$ 16,116
348-010	Not For Profit	\$ -	\$ -	\$ -	\$ -
348-020	Partnership	\$ -	\$ -	\$ -	\$ -
348-030	Joint Venture	\$ -	\$ -	\$ -	\$ -
348-040	Tax Credit	\$ -	\$ -	\$ -	\$ -
348-050	Other	\$ -	\$ -	\$ -	\$ -
348-060	Other Comments				
<b>348</b>	<b>Loan Liability - Current</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>310</b>	<b>Total Current Liabilities</b>	<b>\$ 105,171</b>	<b>\$ (16,116)</b>	<b>\$ 21,821</b>	<b>\$ 99,466</b>
351-010	CFFP	\$ -	\$ -	\$ -	\$ -
351-020	Capital Projects/Mortgage Revenue	\$ 724,682	\$ -	\$ -	\$ 724,682
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$ 724,682	\$ -	\$ -	\$ 724,682
352	Long-term Debt, Net of Current - Operating Borrowings	\$ -	\$ -	\$ -	\$ -
353	Non-current Liabilities - Other	\$ -	\$ -	\$ -	\$ -
354	Accrued Compensated Absences - Non Current	\$ 929	\$ -	\$ 727	\$ 202
355-010	Not For Profit	\$ -	\$ -	\$ -	\$ -
355-020	Partnership	\$ -	\$ -	\$ -	\$ -
355-030	Joint Venture	\$ -	\$ -	\$ -	\$ -
355-040	Tax Credit	\$ -	\$ -	\$ -	\$ -
355-050	Other	\$ -	\$ -	\$ -	\$ -
355-060	Other Comments				
<b>355</b>	<b>Loan Liability - Non Current</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
356	FASB 5 Liabilities	\$ -	\$ -	\$ -	\$ -
357-010	Pension Liability	\$ -	\$ -	\$ -	\$ -
357-020	OPEB Liability	\$ -	\$ -	\$ -	\$ -
357	Accrued Pension and OPEB Liabilities	\$ -	\$ -	\$ -	\$ -
357	Accrued Pension and OPEB Liabilities	\$ -	\$ -	\$ -	\$ -
<b>350</b>	<b>Total Non-Current Liabilities</b>	<b>\$ 725,611</b>	<b>\$ -</b>	<b>\$ 727</b>	<b>\$ 724,884</b>
<b>300</b>	<b>Total Liabilities</b>	<b>\$ 830,782</b>	<b>\$ (16,116)</b>	<b>\$ 22,548</b>	<b>\$ 824,350</b>
<b>400</b>	<b>Deferred Inflow of Resources</b>	<b>\$ 24,654</b>	<b>\$ -</b>	<b>\$ 19,970</b>	<b>\$ 4,684</b>
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	\$ -	\$ -	\$ -	\$ -

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THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF LEMMON, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - BALANCE SHEET  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Line Item No.	Description	Total Programs	Eliminations	Total Low Rent and Capital Fund	Business Activities
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	\$ 631,706	\$ -	\$ 532,282	\$ 99,424
511.4	Restricted Net Position	\$ 17,105	\$ -	\$ 13,855	\$ 3,250
512.4	Unrestricted Net Position	\$ 129,022	\$ -	\$ 152,544	\$ (23,522)
513	Total Equity - Net Assets / Position	\$ 777,833	\$ -	\$ 698,681	\$ 79,152
600	<b>Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position</b>	<b>\$ 1,633,269</b>	<b>\$ (16,116)</b>	<b>\$ 741,199</b>	<b>\$ 908,186</b>

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THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF LEMMON, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - INCOME STATEMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

				14.850	14.872	
Line Item No.	Description	Total Programs	Eliminations	Low Rent	Capital Fund Program	Business Activities
70300	Net Tenant Rental Revenue	\$ 237,696	\$ -	\$ 124,440	\$ -	\$ 113,256
70400	Tenant Revenue - Other	\$ 17,333	\$ -	\$ 14,495	\$ -	\$ 2,838
<b>70500</b>	<b>Total Tenant Revenue</b>	<b>\$ 255,029</b>	<b>\$ -</b>	<b>\$ 138,935</b>	<b>\$ -</b>	<b>\$ 116,094</b>
<b>70600</b>	<b>HUD PHA Operating Grants</b>	<b>\$ 125,154</b>	<b>\$ -</b>	<b>\$ 91,810</b>	<b>\$ 33,344</b>	<b>\$ -</b>
<b>70610</b>	<b>Capital Grants</b>	<b>\$ 3,996</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,996</b>	<b>\$ -</b>
70710	Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -
70720	Asset Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -
70730	Book Keeping Fee	\$ -	\$ -	\$ -	\$ -	\$ -
70740	Front Line Service Fee	\$ -	\$ -	\$ -	\$ -	\$ -
70750	Other Fees	\$ -	\$ -	\$ -	\$ -	\$ -
<b>70700</b>	<b>Total Fee Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
70800	Other Government Grants	\$ -	\$ -	\$ -	\$ -	\$ -
71100	Investment Income - Unrestricted	\$ 119	\$ -	\$ 116	\$ -	\$ 3
71200	Mortgage Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -
71300	Proceeds from Disposition of Assets Held for Sale	\$ -	\$ -	\$ -	\$ -	\$ -
71310	Cost of Sale of Assets	\$ -	\$ -	\$ -	\$ -	\$ -
71400	Fraud Recovery	\$ -	\$ -	\$ -	\$ -	\$ -
71400-010	Fraud Recovery - Housing Assistance Payment	\$ -	\$ -	\$ -	\$ -	\$ -
71400-020	Fraud Recovery - Administrative Fee	\$ -	\$ -	\$ -	\$ -	\$ -
71500	Other Revenue	\$ 14,440	\$ -	\$ 9,289	\$ -	\$ 5,151
71600	Gain or Loss on Sale of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -
72000	Investment Income - Restricted	\$ -	\$ -	\$ -	\$ -	\$ -
<b>70000</b>	<b>Total Revenue</b>	<b>\$ 398,738</b>	<b>\$ -</b>	<b>\$ 240,150</b>	<b>\$ 37,340</b>	<b>\$ 121,248</b>
91100	Administrative Salaries	\$ 46,559	\$ -	\$ 36,736	\$ -	\$ 9,823
91200	Auditing Fees	\$ 7,221	\$ -	\$ 5,993	\$ -	\$ 1,228
91300-010	To PHA Administered Program (i.e., COCC)	\$ -	\$ -	\$ -	\$ -	\$ -
91300-020	To a Third Party/Outside Entity	\$ -	\$ -	\$ -	\$ -	\$ -
<b>91300</b>	<b>Management Fee</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
91300	Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -
91310	Book-keeping Fee	\$ -	\$ -	\$ -	\$ -	\$ -
91400	Advertising and Marketing	\$ 275	\$ -	\$ 31	\$ -	\$ 244
91500	Employee Benefit contributions - Administrative	\$ 15,360	\$ -	\$ 13,198	\$ -	\$ 2,162
91600	Office Expenses	\$ 5,494	\$ -	\$ 4,522	\$ -	\$ 972
91700	Legal Expense	\$ 801	\$ -	\$ 63	\$ -	\$ 738
91800	Travel	\$ 8,930	\$ -	\$ 8,649	\$ -	\$ 281
91810	Allocated Overhead	\$ -	\$ -	\$ -	\$ -	\$ -
91900	Other	\$ 7,266	\$ -	\$ 5,911	\$ -	\$ 1,355
<b>91000</b>	<b>Total Operating - Administrative</b>	<b>\$ 91,906</b>	<b>\$ -</b>	<b>\$ 75,103</b>	<b>\$ -</b>	<b>\$ 16,803</b>
92000	Asset Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -
92100	Tenant Services - Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
92200	Relocation Costs	\$ -	\$ -	\$ -	\$ -	\$ -
92300	Employee Benefit Contributions - Tenant Services	\$ -	\$ -	\$ -	\$ -	\$ -
92400	Tenant Services - Other	\$ 4,543	\$ -	\$ 4,543	\$ -	\$ -
<b>92500</b>	<b>Total Tenant Services</b>	<b>\$ 4,543</b>	<b>\$ -</b>	<b>\$ 4,543</b>	<b>\$ -</b>	<b>\$ -</b>
93100	Water	\$ 12,711	\$ -	\$ 10,533	\$ -	\$ 2,178
93200	Electricity	\$ 32,874	\$ -	\$ 32,551	\$ -	\$ 323
93300	Gas	\$ 10,975	\$ -	\$ 8,500	\$ -	\$ 2,475
93400	Fuel	\$ -	\$ -	\$ -	\$ -	\$ -
93500	Labor	\$ -	\$ -	\$ -	\$ -	\$ -
93600	Sewer	\$ 9,474	\$ -	\$ 7,778	\$ -	\$ 1,696
93700	Employee Benefit Contributions - Utilities	\$ -	\$ -	\$ -	\$ -	\$ -

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THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF LEMMON, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - INCOME STATEMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

				14.850	14.872	
Line Item No.	Description	Total Programs	Eliminations	Low Rent	Capital Fund Program	Business Activities
93800	Other Utilities Expense	\$ -	\$ -	\$ -	\$ -	\$ -
<b>93000</b>	<b>Total Utilities</b>	<b>\$ 66,034</b>	<b>\$ -</b>	<b>\$ 59,362</b>	<b>\$ -</b>	<b>\$ 6,672</b>
94100	Ordinary Maintenance and Operations - Labor	\$ 29,429	\$ -	\$ 24,736	\$ -	\$ 4,693
94200	Ordinary Maintenance and Operations - Materials and Other	\$ 19,031	\$ -	\$ 13,925	\$ -	\$ 5,106
94300-010	Garbage and Trash Removal Contracts	\$ 592	\$ -	\$ 367	\$ -	\$ 225
94300-020	Heating & Cooling Contracts	\$ 929	\$ -	\$ -	\$ -	\$ 929
94300-030	Snow Removal Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
94300-040	Elevator Maintenance Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
94300-050	Landscape & Grounds Contracts	\$ 3,737	\$ -	\$ 3,511	\$ -	\$ 226
94300-060	Unit Turnaround Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
94300-070	Electrical Contracts	\$ 5,036	\$ -	\$ 3,259	\$ -	\$ 1,777
94300-080	Plumbing Contracts	\$ 4,691	\$ -	\$ 3,941	\$ -	\$ 750
94300-090	Extermination Contracts	\$ 829	\$ -	\$ 829	\$ -	\$ -
94300-100	Janitorial Contracts	\$ 614	\$ -	\$ 614	\$ -	\$ -
94300-110	Routine Maintenance Contracts	\$ 389	\$ -	\$ 389	\$ -	\$ -
94300-120	Miscellaneous Contracts	\$ 8,092	\$ -	\$ 7,942	\$ -	\$ 150
<b>94300</b>	<b>Ordinary Maintenance and Operations Contracts</b>	<b>\$ 24,909</b>	<b>\$ -</b>	<b>\$ 20,852</b>	<b>\$ -</b>	<b>\$ 4,057</b>
94500	Employee Benefit Contributions - Ordinary Maintenance	\$ 11,632	\$ -	\$ 9,867	\$ -	\$ 1,765
<b>94000</b>	<b>Total Maintenance</b>	<b>\$ 85,001</b>	<b>\$ -</b>	<b>\$ 69,380</b>	<b>\$ -</b>	<b>\$ 15,621</b>
95100	Protective Services - Labor	\$ -	\$ -	\$ -	\$ -	\$ -
95200	Protective Services - Other Contract Costs	\$ -	\$ -	\$ -	\$ -	\$ -
95300	Protective Services - Other	\$ -	\$ -	\$ -	\$ -	\$ -
95500	Employee Benefit Contributions - Protective Services	\$ -	\$ -	\$ -	\$ -	\$ -
<b>95000</b>	<b>Total Protective Services</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
96110	Property Insurance	\$ 12,171	\$ -	\$ 5,510	\$ -	\$ 6,661
96120	Liability Insurance	\$ -	\$ -	\$ -	\$ -	\$ -
96130	Workmen's Compensation	\$ 224	\$ -	\$ 186	\$ -	\$ 38
96140	All Other Insurance	\$ 4,702	\$ -	\$ 4,493	\$ -	\$ 209
<b>96100</b>	<b>Total Insurance Premiums</b>	<b>\$ 17,097</b>	<b>\$ -</b>	<b>\$ 10,189</b>	<b>\$ -</b>	<b>\$ 6,908</b>
96200	Other General Expenses	\$ 4,025	\$ -	\$ -	\$ -	\$ 4,025
96210	Compensated Absences	\$ 2,997	\$ -	\$ 2,344	\$ -	\$ 653
96300	Payments in Lieu of Taxes	\$ 9,036	\$ -	\$ 3,254	\$ -	\$ 5,782
96400	Bad debt - Tenant Rents	\$ -	\$ -	\$ -	\$ -	\$ -
96500	Bad debt - Mortgages	\$ -	\$ -	\$ -	\$ -	\$ -
96600	Bad debt - Other	\$ -	\$ -	\$ -	\$ -	\$ -
96600-100	Bad debt - Admin	\$ -	\$ -	\$ -	\$ -	\$ -
96600-200	Bad debt - Housing Assistance Payments	\$ -	\$ -	\$ -	\$ -	\$ -
96800	Severance Expense	\$ -	\$ -	\$ -	\$ -	\$ -
<b>96000</b>	<b>Total Other General Expenses</b>	<b>\$ 16,058</b>	<b>\$ -</b>	<b>\$ 5,598</b>	<b>\$ -</b>	<b>\$ 10,460</b>
96710	Interest of Mortgage (or Bonds) Payable	\$ 27,313	\$ -	\$ -	\$ -	\$ 27,313
96720	Interest on Notes Payable (Short and Long Term)	\$ -	\$ -	\$ -	\$ -	\$ -
96730	Amortization of Bond Issue Costs	\$ -	\$ -	\$ -	\$ -	\$ -
<b>96700</b>	<b>Total Interest Expense and Amortization Cost</b>	<b>\$ 27,313</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 27,313</b>
		\$ -	\$ -	\$ -	\$ -	\$ -
<b>96900</b>	<b>Total Operating Expenses</b>	<b>\$ 307,952</b>	<b>\$ -</b>	<b>\$ 224,175</b>	<b>\$ -</b>	<b>\$ 83,777</b>
<b>97000</b>	<b>Excess of Operating Revenue over Operating Expenses</b>	<b>\$ 90,786</b>	<b>\$ -</b>	<b>\$ 15,975</b>	<b>\$ 37,340</b>	<b>\$ 37,471</b>
97100	Extraordinary Maintenance	\$ -	\$ -	\$ -	\$ -	\$ -
97200	Casualty Losses - Non-capitalized	\$ -	\$ -	\$ -	\$ -	\$ -
97300	Housing Assistance Payments	\$ -	\$ -	\$ -	\$ -	\$ -

See Independent Auditor's Report

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF LEMMON, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - INCOME STATEMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Line Item No.	Description	Total Programs	Eliminations	14.850 Low Rent	14.872 Capital Fund Program	Business Activities
97350	HAP Portability-In	\$ -	\$ -	\$ -	\$ -	\$ -
97400	Depreciation Expense	\$ 106,411	\$ -	\$ 79,907	\$ 67	\$ 26,437
97500	Fraud Losses	\$ -	\$ -	\$ -	\$ -	\$ -
97600	Capital Outlays - Governmental Funds	\$ -	\$ -	\$ -	\$ -	\$ -
97700	Debt Principal Payment - Governmental Funds	\$ -	\$ -	\$ -	\$ -	\$ -
97800	Dwelling Units Rent Expense	\$ -	\$ -	\$ -	\$ -	\$ -
<b>90000</b>	<b>Total Expenses</b>	<b>\$ 414,363</b>	<b>\$ -</b>	<b>\$ 304,082</b>	<b>\$ 67</b>	<b>\$ 110,214</b>
10010	Operating Transfer In	\$ 33,344	\$ -	\$ 33,344	\$ -	\$ -
10020	Operating transfer Out	\$ (33,344)	\$ -	\$ -	\$ (33,344)	\$ -
10030-010	Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -
10030-020	Partnership	\$ -	\$ -	\$ -	\$ -	\$ -
10030-030	Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -
10030-040	Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -
10030-050	Other	\$ -	\$ -	\$ -	\$ -	\$ -
10030-060	Other Comments					
<b>10030</b>	<b>Operating Transfers from/to Primary Government</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
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	\$ -	\$ -	\$ -	\$ -	\$ -
<b>10100</b>	<b>Total Other financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 33,344</b>	<b>\$ (33,344)</b>	<b>\$ -</b>
<b>10000</b>	<b>Excess (Deficiency) of Total Revenue Over (Under) Total</b>	<b>\$ (15,625)</b>	<b>\$ -</b>	<b>\$ (30,588)</b>	<b>\$ 3,929</b>	<b>\$ 11,034</b>
11020	Required Annual Debt Principal Payments	\$ -	\$ -	\$ -	\$ -	\$ -
11030	Beginning Equity	\$ 779,296	\$ -	\$ 698,108	\$ 15,761	\$ 65,427
11040-010	Prior Period Adjustments and Correction of Errors	\$ 14,162	\$ -	\$ 11,471	\$ -	\$ 2,691
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	\$ -	\$ -	\$ 15,761	\$ (15,761)	\$ -
11040-080	Equity Transfers	\$ -	\$ -	\$ -	\$ -	\$ -
11040-090	Equity Transfers	\$ -	\$ -	\$ -	\$ -	\$ -
11040-100	Equity Transfers	\$ -	\$ -	\$ -	\$ -	\$ -
11040-110	Equity Transfers	\$ -	\$ -	\$ -	\$ -	\$ -
<b>11040</b>	<b>Prior Period Adjustments, Equity Transfers and Correction of</b>	<b>\$ 14,162</b>	<b>\$ -</b>	<b>\$ 27,232</b>	<b>\$ (15,761)</b>	<b>\$ 2,691</b>
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					
11170-001	Administrative Fee Equity - Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -
11170-010	Administrative Fee Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
11170-020	Hard to House Fee Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
11170-021	FSS Coordinator Grant	\$ -	\$ -	\$ -	\$ -	\$ -
11170-030	Audit Costs	\$ -	\$ -	\$ -	\$ -	\$ -

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THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF LEMMON, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - INCOME STATEMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Line Item No.	Description	Total Programs	Eliminations	14.850	14.872	Business Activities
				Low Rent	Capital Fund Program	
11170-040	Investment Income	\$ -	\$ -	\$ -	\$ -	\$ -
11170-045	Fraud Recovery Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
11170-050	Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
11170-051	Comment for Other Revenue					
11170-060	Total Admin Fee Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
11170-080	Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
11170-090	Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
11170-095	Housing Assisance Payment Portability In	\$ -	\$ -	\$ -	\$ -	\$ -
11170-100	Other Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
11170-101	Comment for Other Expenses					
11170-110	Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
11170-002	Net Administrative Fee	\$ -	\$ -	\$ -	\$ -	\$ -
11170-003	Administrative Fee Equity - Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -
11170-005	Pre-2004 Administrative Fee Reserves	\$ -	\$ -	\$ -	\$ -	\$ -
11170-006	Post-2003 Administrative Fee Reserves	\$ -	\$ -	\$ -	\$ -	\$ -
11180	Housing Assistance Payments Equity					
11180-001	Housing Assistance Payments Equity - Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -
11180-010	Housing Assistance Payment Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
11180-015	Fraud Recovery Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
11180-020	Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
11180-021	Comments for Other Revenue					
11180-025	Investment Income	\$ -	\$ -	\$ -	\$ -	\$ -
11180-030	Total Housing Assistance Payments Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
11180-080	Housing Assistance Payments	\$ -	\$ -	\$ -	\$ -	\$ -
11180-090	Other Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
11180-091	Comments for Other Expenses					
11180-100	Total Housing Assistance Payments Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
11180-002	Net Housing Assistance Payments	\$ -	\$ -	\$ -	\$ -	\$ -
11180-003	Housing Assistance Payments Equity - Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -
11190	Unit Months Available					
11190-210	Total ACC HCV Units	624	-	516	-	108
11190-220	Unfunded Units	-	-	-	-	-
11190-230	Other Adjustments	-	-	-	-	-
11190	Unit Months Available	624	-	516	-	108
11210	Number of Unit Months Leased	601	-	493	-	108
11270	Excess Cash	\$ 129,176	\$ -	\$ 129,176	\$ -	\$ -
11610	Land Purchases	\$ -	\$ -	\$ -	\$ -	\$ -
11620	Building Purchases	\$ 41,812	\$ -	\$ 37,816	\$ 3,996	\$ -
11630	Furniture & Equipment - Dwelling Purchases	\$ -	\$ -	\$ -	\$ -	\$ -
11640	Furniture & Equipment - Administrative Purchases	\$ -	\$ -	\$ -	\$ -	\$ -
11650	Leasehold Improvements Purchases	\$ -	\$ -	\$ -	\$ -	\$ -
11660	Infrastructure Purchases	\$ -	\$ -	\$ -	\$ -	\$ -
13510	CFFP Debt Service Payments	\$ -	\$ -	\$ -	\$ -	\$ -
13901	Replacement Housing Factor Funds	\$ -	\$ -	\$ -	\$ -	\$ -

See Independent Auditor's Report

THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF LEMMON, SOUTH DAKOTA

Financial Data Schedule - Memo Account Information  
For the Year Ended September 30, 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.	1
G3000-040	Material Weakness Indicator	NO
G3000-250	Does the material weakness relate to the Low Rent or Capital Fund Program?	N/A
G3000-260	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	-
G3000-050	Material Noncompliance Indicator	NO
G3000-270	Does the non-compliance relate to the Low Rent or Capital Fund Program?	N/A
G3000-280	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	-
G3000-060	Fraud	NO
G3000-290	Does the activity relate to the Low Rent or Capital Fund Program?	N/A
G3000-300	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	-
G3000-070	Illegal Acts	NO
G3000-310	Does the activity relate to the Low Rent or Capital Fund Program?	N/A
G3000-320	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	-
G3000-080	Abuse	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.	-

See Independent Auditor's Report

THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF LEMMON, SOUTH DAKOTA

Financial Data Schedule - Memo Account Information  
For the Year Ended September 30, 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)	-

See Independent Auditor's Report

THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF LEMMON, SOUTH DAKOTA

Financial Data Schedule - Memo Account Information  
For the Year Ended September 30, 2015

<b>Federal Award Details</b>		
<b>Element</b>	<b>Description</b>	<b>Details</b>
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	-

<b>Supplementary Information</b>		
<b>Element</b>	<b>Description</b>	<b>Value</b>
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

See Independent Auditor's Report



*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 Lemmon, South Dakota

We have audited, 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, the financial statements of **The Housing and Redevelopment Commission of the City of Lemmon, South Dakota, a component unit of the City of Lemmon, South Dakota (the Commission)** as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 27, 2016.

**Internal Control Over Financial Reporting**

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

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

### **The Commission's Response to Finding**

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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 communication is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is matter of public record and its distribution is not limited.

*Wohlschlag Ritzman + Co., LLC*

Yankton, South Dakota  
June 27, 2016

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
SEPTEMBER 30, 2015**

**Prior Audit Findings**

**Finding 2014-001                      Segregation of Duties**

*Condition:*

There is a lack of segregation of duties among Commission personnel.

*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 Commission's operations, and their monthly review of expenditures and financial information.

*Current Status:*

Repeated as Finding 2015-001.

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT**

**Finding 2015-001    Segregation of Duties (Repeat Finding)**

**Significant Deficiency**

*Condition:*

There is a lack of segregation of duties among Commission personnel.

*Criteria:*

Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

*Cause:*

Staff size limits the ability to segregate duties for certain functions.

*Effect:*

Transactions could be mishandled.

*Recommendation:*

Management and the Board of Commissioners should segregate duties as much as possible. Alternative controls should be put in place to compensate for the lack of segregation. Alternative controls can and should be provided by the Board of Commissioners, including review of Fee Accountant prepared financial information and a more active role in approval of operational activities.

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

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

**SECTION II FINDINGS – FINANCIAL STATEMENTS AUDIT, continued**

**Finding 2015-001 Segregation of Duties, continued**

*Management's Response:*

The Executive Director of the Commission is the contact person responsible for the corrective action plan. The Commission's management and Board of Commissioners has determined that it is not cost beneficial to employ additional personnel to ensure full segregation of duties. Management and the Board of Commissioners are aware of the deficiency and are attempting to provide compensating controls wherever possible and practical.