

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

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

DECEMBER 31, 2022

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether in our judgement, there are conditions or events, considered in the aggregate that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying financial data schedules and schedule of expenditures of federal awards, as required by Title 2 U.S *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2023, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Wohlschlag Ritzman + Co., LLC

Yankton, South Dakota
September 22, 2023

Madison Housing and Redevelopment Commission

Management's Discussion and Analysis

December 31, 2022

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

Our discussion and analysis of the Madison Housing & Redevelopment Commission (herein referred to as "the Housing Authority"), Madison, South Dakota, financial performance provides an overview of the Housing Authority's financial activities for the fiscal year ended December 31, 2022. Please read the MD&A in conjunction with the Housing Authority's financial statements.

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

Financial Highlights

Total assets and deferred outflows of resources of the Housing Authority for the year ended December 31, 2022, were \$3,918,916. Total liabilities were \$1,138,267. Deferred inflows of resources were \$40,350, and total assets and deferred outflows exceeded total liabilities and deferred inflows by \$2,740,299 (net position).

Unrestricted net position totals \$833,753. This is the amount of the Authority's reserve.

Total operating and non-operating revenue for the year ended December 31, 2022, was \$1,231,349 and expenses totaled \$1,335,194, expenses exceeded revenue by \$103,845.

Overview of the Financial Statements

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

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

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

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

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

Madison Housing and Redevelopment Commission

Management's Discussion and Analysis

December 31, 2022

Financial Analysis

The Housing Authority's basic financial statements are the Statement of Net Position and the Statement of Changes in Net Position. The Statement of Net Position provides a summary of the Housing Authority's assets and liabilities as of the close of business on December 31, 2022. The Statement of Activities summarizes the revenues and sources of those revenues, and expenses incurred in operating the Housing Authority for the year ended December 31, 2022.

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

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

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

City Housing / Townhouses – The Housing Authority is operating a residential rental facility for moderate income families and individuals that is not funded by HUD.

Statement of Net Position		
FOR THE YEAR ENDED December 31,	2022	2021
Current assets	\$ 947,527	\$ 929,240
Capital assets, net	\$ 2,908,040	\$ 3,099,275
Pension assets, net	\$ 684	\$ 53,792
Total Assets	\$ 3,856,251	\$ 4,082,307
Deferred Outflows of Resources	\$ 62,665	\$ 69,832
Current liabilities	\$ 163,538	\$ 166,363
Non-current liabilities	\$ 974,729	\$ 1,037,057
Total liabilities	\$ 1,138,267	\$ 1,203,420
Deferred Inflow of Resources	\$ 40,350	\$ 104,575
Net Position		
Invested in capital assets, net of related debt	\$ 1,870,597	\$ 2,009,621
Restricted	\$ 35,949	\$ 27,886
Unrestricted	\$ 833,753	\$ 806,637
Total Net Position	\$ 2,740,299	\$ 2,844,144
Total Liabilities, and Deferred inflow of Resources and Net Position	\$ 3,918,916	\$ 4,152,139

Madison Housing and Redevelopment Commission
Management's Discussion and Analysis
December 31, 2022

Comparative Statement of Revenues, Expenses and Changes in Net Position			
FOR THE YEAR ENDED December 31,	2022	2021	Change
Program Revenue			
Tenant revenue	\$ 404,378	\$ 379,602	\$ 24,776
Other income	\$ 45,677	\$ 63,100	\$ (17,423)
Federal grants and subsidies	\$ 780,203	\$ 857,907	\$ (77,704)
Interest income	\$ 1,091	\$ 592	\$ 499
Gain/Loss on Disposal Assets	\$ -	\$ -	\$ -
Total revenue	\$ 1,231,349	\$ 1,301,201	\$ (69,852)
Program Expenses			
Administration	\$ 210,223	\$ 190,607	\$ 19,616
Tenant Services	\$ 21,344	\$ 29,269	\$ (7,925)
Utilities	\$ 134,878	\$ 144,690	\$ (9,812)
Ordinary maintenance & operations	\$ 236,732	\$ 214,998	\$ 21,734
Insurance expense	\$ 45,579	\$ 49,584	\$ (4,005)
General expenses	\$ 29,166	\$ 25,124	\$ 4,042
Non-routine maintenance	\$ 9,184	\$ -	\$ 9,184
Casualty losses	\$ 10,949	\$ -	\$ 10,949
Depreciation	\$ 255,950	\$ 264,473	\$ (8,523)
Interest Expense	\$ 39,715	\$ 41,679	\$ (1,964)
HAP	\$ 341,474	\$ 358,316	\$ (16,842)
Total expenses	\$ 1,335,194	\$ 1,318,740	\$ 16,454
Change in Net Position	\$ (103,845)	\$ (17,539)	\$ (86,306)
Beginning Net Position	\$ 2,844,144	\$ 2,861,683	\$ (17,539)
Ending Net Position	\$ 2,740,299	\$ 2,844,144	\$ (103,845)

Federal grants total \$780,203.

Capital Assets

Capital Assets at Year-End, (Net of Depreciation)			
FOR THE YEAR ENDED December 31,	2022	2021	Change
Cost			
Land	\$ 295,156	\$ 295,156	\$ -
Buildings and improvements	\$ 8,378,186	\$ 8,246,374	\$ 131,812
Equipment	\$ 225,337	\$ 220,798	\$ 4,539
Construction in progress	\$ 92,192	\$ 163,828	\$ (71,636)
Total cost	\$ 8,990,871	\$ 8,926,156	\$ 64,715
Accumulated depreciation	\$ (6,082,831)	\$ (5,826,881)	\$ (255,950)
Capital Assets, Net	\$ 2,908,040	\$ 3,099,275	\$ (191,235)

Long Term Debt

The Housing Authority has \$1,037,443 in long-term debt.

Madison Housing and Redevelopment Commission
Management's Discussion and Analysis
December 31, 2022

Economic Factors

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

Contacting the Housing Authority's Financial Management

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Gaylynn Hagemann, Executive Director, at Madison Housing & Redevelopment Commission, 111 S Washington Avenue, Madison, South Dakota 57042 -- (605) 256-2112

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

STATEMENT OF NET POSITION
DECEMBER 31, 2022

ASSETS

Current assets:

Cash and cash equivalents:

Cash	\$ 907,652
Tenant security deposits	25,055
Accounts receivable - HUD	3,494
Accounts receivable - tenants, less allowance for doubtful accounts of \$-0-	122
Accounts receivable - other	10,280
Interest receivable	136
Prepaid expenses and other assets	788
Total current assets	<u>947,527</u>

Noncurrent assets:

Net pension asset	684
Capital assets:	
Land	295,156
Construction in progress	92,192
Buildings and improvements	8,378,186
Furniture and equipment	225,337
Accumulated depreciation	<u>(6,082,831)</u>
Total noncurrent assets	<u>2,908,724</u>

Total assets	<u>3,856,251</u>
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DEFERRED OUTFLOWS OF RESOURCES

Pension related deferred outflows	<u>62,665</u>
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LIABILITIES

Current liabilities:

Accounts payable - vendors	19,599
Accrued payroll liabilities	9,004
Accrued interest payable	2,810
Due to other governments	26,950
Tenant security deposits	25,055
Unearned revenue	1,795
Other accrued liabilities	13,529
Current portion of noncurrent liabilities:	
Accrued compensated absences	2,082
Notes payable	<u>62,714</u>
Total current liabilities	163,538

Noncurrent liabilities:

Notes payable	<u>974,729</u>
Total noncurrent liabilities	<u>974,729</u>
Total liabilities	<u>1,138,267</u>

DEFERRED INFLOWS OF RESOURCES

Pension related deferred inflows	<u>40,350</u>
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NET POSITION

Net investment in capital assets	1,870,597
Restricted	35,949
Unrestricted	833,753
Total net position	<u>\$ 2,740,299</u>

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

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

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2022

OPERATING REVENUES

Rental income	\$ 404,378
Tenant revenue - other	4,488
Fraud recovery	1,579
Other revenue	<u>39,610</u>
Total operating revenues	<u>450,055</u>

OPERATING EXPENSES

Administration	210,223
Tenant services	21,344
Utilities	134,878
Maintenance and operation	236,732
Insurance expense	45,579
General expense	29,166
Extraordinary maintenance	9,184
Casualty losses	10,949
Housing assistance payments	341,474
Depreciation	<u>255,950</u>
Total operating expenses	<u>1,295,479</u>
Operating (loss)	<u>(845,424)</u>

NONOPERATING REVENUES AND EXPENSES

HUD operating grants	750,100
Investment income	1,091
Interest expense	<u>(39,715)</u>
Total nonoperating revenues and expenses	<u>711,476</u>
Loss before contributions	(133,948)
Capital contributions	<u>30,103</u>
Change in net position	(103,845)
Net position - beginning	<u>2,844,144</u>
Net position - end of year	<u><u>\$ 2,740,299</u></u>

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

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

STATEMENT OF CASH FLOWS (PAGE 1 OF 2)
YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 447,017
Payments to tenants through escrow	7,442
Payments to employees	(256,279)
Payments to others for goods and services	(438,857)
Payments in lieu of taxes	(23,676)
Housing assistance payments	(341,474)
Net cash provided by (used in) operating activities	<u>(605,827)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING
ACTIVITIES**

Operating grants received	<u>762,430</u>
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**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Capital grants received	35,067
Acquisition of capital assets	(64,715)
Principal payments on notes payable	(52,211)
Interest payments on notes payable	(39,956)
Net cash provided by (used in) capital and related financing activities	<u>(121,815)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>1,021</u>
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Net change in cash and cash equivalents 35,809

Balances - beginning of the year 896,898

Balances - end of the year \$ 932,707

**RECONCILIATION OF CASH TO THE STATEMENT
OF NET POSITION**

Cash and cash equivalents	\$ 907,652
Tenant security deposits	<u>25,055</u>
Total cash and cash equivalents	<u><u>\$ 932,707</u></u>

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

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

STATEMENT OF CASH FLOWS PAGE (2 OF 2)
YEAR ENDED DECEMBER 31, 2022

Reconciliation of operating (loss) to net cash (used in) operating activities:	
Operating (loss)	\$ (845,424)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	255,950
Change in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable - tenants	(26)
Accounts receivable - other	(3,822)
Prepaid expenses	4,146
Pension related assets	(3,950)
Increase (decrease) in:	
Accounts payable	(15,809)
Other liabilities	(4,888)
Accrued compensated absences	(3,715)
Payments in lieu of taxes	3,459
Prepaid rents	810
Tenant security deposits	<u>7,442</u>
Net cash provided by (used in) operating activities	<u>\$ (605,827)</u>

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Housing and Redevelopment Commission of the City of Madison, South Dakota (the Commission) was created 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 city 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 Madison, 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 Madison, 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 in the Commission's financial statements.

Nature of Business

The Commission administers various low-income housing assistance payment programs in Madison, South Dakota through HUD. The PAS/LOCCS Project No. SD011-001 operates 53 units; and Project No. SD011V is authorized to operate 111 units under the Section 8 Housing Choice Voucher Program.

In addition, the Commission manages two eight-unit and two four-unit complexes primarily to provide off campus housing for university students.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Nature of Business, continued

The McCook County Housing and Redevelopment Commission (MCHRC) has signed a joint powers agreement with the Commission. This agreement is to establish various rights and responsibilities between MCHRC and the Commission to operate, manage, and administer the HUD Section 8 Rental Assistance Program of the MCHRC of Salem, McCook County, South Dakota. No monies have been exchanged or are due as of and for the year ended December 31, 2022.

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 expenses 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, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or non-current) are included on the statement of net position and the statement of activities presents increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and Cash Equivalents

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

Accounts Receivable

All tenants accounts receivable are shown net of an allowance for doubtful accounts. The allowance is calculated based on historical trends.

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. Depreciation is computed principally by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	20 - 40
Building improvements	10 - 40
Land improvements	10 - 10
Furniture and equipment	3 - 15

Land, an inexhaustible capital asset, is not depreciated.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net position 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 statement of net position 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.

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

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Pensions

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

Long-Term Liabilities

Long-term liabilities primarily consist of 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.

Equity Classifications

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - 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 MADISON, SOUTH DAKOTA**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

Fraud Recovery

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

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, and those differences could be material.

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 are prepared in accordance with HUD requirements.

2. DEPOSITS AND INVESTMENTS

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

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

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

2. DEPOSITS AND INVESTMENTS, continued

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

Investments – As stated in SDCL 11-7-31, a commission shall have power to invest any funds held in reserves or debt service funds, or any funds not required for immediate disbursement, in property or securities in which savings banks may legally invest funds subject to their control. In general, SDCL 4-5-6 permits housing authority funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the Commission's deposits may not be returned to it. The Commission has adopted an investment policy which requires all deposits to be adequately collateralized. As of December 31, 2022, the Commission's deposits were fully insured or collateralized.

At December 31, 2022, the actual bank balances were as follows:

Insured (FDIC)	\$ 552,317
Uninsured, collateral held by the Commission or the Commission's agent in the Commission's name	<u>416,587</u>
Total deposits	<u>\$ 968,904</u>
The Commission's carrying amount of deposits	<u>\$ 932,707</u>

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. DEPOSITS AND INVESTMENTS, continued

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

Authorized Investments by the Commission – The Commission does have a formal investment policy, but it does not limit investments beyond those imposed by statutes.

Interest Rate Risk – The Commission does have a formal investment policy, but it does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2022, the Commission had no investments.

Credit Risk – State law limits eligible investments for the Commission, as discussed above. The Commission has a formal investment policy, but it does not further limit its investment choices. As of December 31, 2022, the Commission had no investments.

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

3. CAPITAL ASSETS

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

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets not being depreciated:</i>				
Land	\$ 295,156	\$ -	\$ -	\$ 295,156
Construction in progress	163,828	30,023	(101,659)	92,192
Total capital assets not being depreciated	458,984	30,023	(101,659)	387,348
<i>Capital assets being depreciated:</i>				
Buildings and improvements	8,246,374	131,812	-	8,378,186
Equipment	220,798	4,539	-	225,337
Total capital assets being depreciated	8,467,172	136,351	-	8,603,523
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	5,613,259	252,309	-	5,865,568
Equipment	213,622	3,641	-	217,263
Total accumulated depreciation	5,826,881	255,950	-	6,082,831
Total capital assets being depreciated, net	2,640,291	(119,599)	-	2,520,692
Capital assets, net	<u>\$ 3,099,275</u>	<u>\$ (89,576)</u>	<u>\$ (101,659)</u>	<u>\$ 2,908,040</u>

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

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

3. CAPITAL ASSETS, continued

The Commission is undertaking several improvement projects within the Low Rent Program. The Commission has budgeted Capital Funds Program expenditures totaling \$253,582. A total of \$92,192 has been spent on the project as of December 31, 2022. Remaining funding will be provided through the Capital Funds Program.

4. 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 December 31, 2022, were \$27,135.

5. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion
Notes payable	\$ 1,089,654	\$ -	\$ (52,211)	\$ 1,037,443	\$ 62,714
Compensated absences	5,797	-	(3,715)	2,082	2,082
Total long-term liabilities	<u>\$ 1,095,451</u>	<u>\$ -</u>	<u>\$ (55,926)</u>	<u>\$ 1,039,525</u>	<u>\$ 64,796</u>

Notes Payable

In June of 2022, the Commission executed a real estate mortgage loan with a local financial institution to refinance the outstanding principal balance of a note payable balloon payment that had come due. The note, totaling \$1,069,340, carries an interest rate of 3.75% and calls for monthly principal and interest payments totaling \$8,379 with a balloon payment of \$752,685 due June of 2027. The note is secured by a collateral real estate mortgage on the property and an assignment of rents.

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

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

5. LONG-TERM LIABILITIES, continued

The annual requirements to amortize all notes payable outstanding as of December 31, 2022, are as follows:

Year Ending December 31,	Notes Payable		
	Principal	Interest	Total
2023	\$ 62,714	\$ 37,831	\$ 100,545
2024	65,005	35,540	100,545
2025	67,587	32,958	100,545
2026	70,165	30,380	100,545
2027	771,972	11,792	783,764
Total	<u>\$ 1,037,443</u>	<u>\$ 148,501</u>	<u>\$ 1,185,944</u>

6. RESTRICTED NET POSITION

As of December 31, 2022, net position restrictions as shown on the Statement of Net Position includes: 1). Net pension liability (asset) components in the amount of \$22,999, which recognizes the Commission's proportionate share resulting from their membership in the South Dakota Retirement System and 2). Housing Assistance Payments equity in the Housing Choice Vouchers Program in the amount of \$12,950.

7. PENSION PLAN

Plan Information

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

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

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

7. PENSION PLAN, continued

Benefits Provided

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent Joint survivor benefit when the member dies.

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

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

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

7. PENSION PLAN, continued

Benefits Provided, continued

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

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

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

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Commission's share of contributions to the SDRS for the fiscal years ended December 31, 2022, 2021 and 2020 was \$11,186, \$10,207 and \$8,763 respectively, equal to the required contributions each year.

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

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

7. PENSION PLAN, continued

Pension Liability (Assets), Pension Revenue and Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2022, SDRS is 100.10% 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 the measurement date of June 30, 2022, and reported by the Commission as of December 31, 2022 are as follows:

Proportionate share of pension liability	\$1,021,620
Less proportionate share of net pension restricted for pension benefits	<u>1,022,304</u>
Proportionate share of net pension liability (asset)	<u>\$ (684)</u>

At December 31, 2022, the Commission reported a liability/(asset) of \$(684) for its proportionate share of the net pension liability/(asset). The net pension liability/(asset) was measured as of June 30, 2022, and the total pension liability/(asset) used to calculate the net pension liability/(asset) was based on a projection of the Commission's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Commission's proportion was 0.00723700%, which is an increase of 0.0002130% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Commission recognized (a reduction in pension expense of \$(3,950). At December 31, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

7. PENSION PLAN, continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,019	\$ 44
Changes in assumptions	43,469	38,095
Net difference between projected and actual earnings on pension plan investments	-	1,639
Changes in proportion and difference between Commission contributions and proportionate share of contributions	303	572
Commission contributions subsequent to the measurement date	5,874	-
Total	<u>\$ 62,665</u>	<u>\$ 40,350</u>

\$5,874 reported as deferred outflow of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/(asset) in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended December 31	
2023	\$ 4,512
2024	9,341
2025	(10,925)
2026	13,513
Total	<u>\$ 16,441</u>

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

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

7. PENSION PLAN, continued

Actuarial Assumptions

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

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

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

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

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

7. PENSION PLAN, continued

Actuarial Assumptions, continued

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Discount Rate

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

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

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

7. 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 6.50 percent, as well as what the Commission's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Commission's proportionate share of the net pension liability (asset)	\$ 142,014	\$ (684)	\$ (117,306)

Pension Plan Fiduciary Net Position

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

8. 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 December 31, 2022, the Commission managed its risks as follows:

Liability Insurance

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

Worker's Compensation

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

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

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

9. LITIGATION

The Commission is involved in a dispute over the purchase option and price for the sale of 2 8-plex units owned by the Commission. Although the Commission is not contesting the option to purchase the property, they are contesting what the purchase price will be.

Motions for Summary Judgement have been offered to the Court and the Court will render an opinion thereon. The Commission's attorney is vigorously defending their position in the purchase contract. Should the Court find in favor of the purchaser, the Commission could recognize a loss on the sale of the property.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

South Dakota Retirement System

Last 10 Years *

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Commission's proportion of the net pension liability/asset	0.0031321%	0.0079461%	0.0065369%	0.0069708%	0.0063754%
Commission's proportionate share of net pension liability (asset)	\$ (13,284)	\$ 26,841	\$ (593)	\$ (163)	\$ (676)
Commission's covered-employee payroll	\$ 57,179	\$ 151,096	\$ 132,817	\$ 144,936	\$ 135,542
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-23.23%	17.76%	-0.45%	-0.11%	-0.50%
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.10%	96.89%	100.10%	100.02%	100.09%
	<u>2020</u>	<u>2021</u>	<u>2022</u>		
Commission's proportion of the net pension liability/asset	0.0067786%	0.0070240%	0.0072370%		
Commission's proportionate share of net pension liability (asset)	\$ (294)	\$ (53,792)	\$ (684)		
Commission's covered-employee payroll	\$ 148,779	\$ 159,408	\$ 172,826		
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.20%	-33.74%	-0.40%		
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.04%	105.52%	100.10%		

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

See Independent Auditor's Report

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

SCHEDULE OF CONTRIBUTIONS

South Dakota Retirement System

Last 10 Years *

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 7,735	\$ 9,159	\$ 7,885	\$ 8,126	\$ 8,962
Contributions in relation to the contractually required contribution	<u>7,735</u>	<u>9,159</u>	<u>7,885</u>	<u>8,126</u>	<u>8,962</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered-employee payroll	\$ 128,914	\$ 152,655	\$ 131,437	\$ 135,436	\$ 149,418
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%
	<u>2020</u>	<u>2021</u>	<u>2022</u>		
Contractually required contribution	\$ 8,763	\$ 10,207	\$ 11,186		
Contributions in relation to the contractually required contribution	<u>8,763</u>	<u>10,207</u>	<u>11,186</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Commission's covered-employee payroll	\$ 146,052	\$ 170,134	\$ 186,446		
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%		

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

See Independent Auditor's Report

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

Actuarial Assumption Changes, continued

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

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

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

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

Actuarial Method Changes

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

SUPPLEMENTARY INFORMATION

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

FINANCIAL DATA SCHEDULE - BALANCE SHEET
YEAR ENDED DECEMBER 31, 2022

Line Item No.	Description	Total Programs	Eliminations	Total Low Rent and Capital Fund	14.871	Business Activities
					Housing Choice Vouchers	
111	Cash - Unrestricted	\$ 894,702	\$ -	\$ 474,300	\$ 24,718	\$ 395,684
112	Cash - Restricted - Modernization and Development	\$ -	\$ -	\$ -	\$ -	\$ -
113	Cash - Other Restricted	\$ 12,950	\$ -	\$ -	\$ 12,950	\$ -
114	Cash - Tenant Security Deposits	\$ 25,055	\$ -	\$ 18,555	\$ -	\$ 6,500
115	Cash - Restricted for Payment of Current Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
100	Total Cash	\$ 932,707	\$ -	\$ 492,855	\$ 37,668	\$ 402,184
121	Accounts Receivable - PHA Projects	\$ -	\$ -	\$ -	\$ -	\$ -
122-010	Operating Subsidy	\$ -	\$ -	\$ -	\$ -	\$ -
122-020	Capital Fund	\$ 3,494	\$ -	\$ 3,494	\$ -	\$ -
122-030	Other	\$ -	\$ -	\$ -	\$ -	\$ -
122	Accounts Receivable - HUD Other Projects	\$ 3,494	\$ -	\$ 3,494	\$ -	\$ -
124	Accounts Receivable - Other Government	\$ -	\$ -	\$ -	\$ -	\$ -
125-010	Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -
125-020	Partnership	\$ -	\$ -	\$ -	\$ -	\$ -
125-030	Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -
125-040	Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -
125-050	Other	\$ 10,280	\$ -	\$ 10,280	\$ -	\$ -
125-060	Other Comments			Mgmt. Fees Receivable		
125	Accounts Receivable - Miscellaneous	\$ 10,280	\$ -	\$ 10,280	\$ -	\$ -
126	Accounts Receivable - Tenants	\$ 122	\$ -	\$ 122	\$ -	\$ -
126.1	Allowance for Doubtful Accounts - Tenants	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ 136	\$ -	\$ 136	\$ -	\$ -
120	Total Receivables, Net of Allowances for Doubtful Accounts	\$ 14,032	\$ -	\$ 14,032	\$ -	\$ -
131	Investments - Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -
132	Investments - Restricted	\$ -	\$ -	\$ -	\$ -	\$ -
135	Investments - Restricted for Payment of Current Liability	\$ -	\$ -	\$ -	\$ -	\$ -
142	Prepaid Expenses and Other Assets	\$ 788	\$ -	\$ 788	\$ -	\$ -
143	Inventories	\$ -	\$ -	\$ -	\$ -	\$ -
143.1	Allowance for Obsolete Inventories	\$ -	\$ -	\$ -	\$ -	\$ -
144	Inter Program Due From	\$ -	\$ (8,558)	\$ -	\$ -	\$ 8,558
145	Assets Held for Sale	\$ -	\$ -	\$ -	\$ -	\$ -
150	Total Current Assets	\$ 947,527	\$ (8,558)	\$ 507,675	\$ 37,668	\$ 410,742
161	Land	\$ 295,156	\$ -	\$ 97,596	\$ -	\$ 197,560
162	Buildings	\$ 8,378,186	\$ -	\$ 6,539,563	\$ -	\$ 1,838,623
163	Furniture, Equipment & Machinery - Dwellings	\$ -	\$ -	\$ -	\$ -	\$ -
164	Furniture, Equipment & Machinery - Administration	\$ 225,337	\$ -	\$ 115,582	\$ -	\$ 109,755
165	Leasehold Improvements	\$ -	\$ -	\$ -	\$ -	\$ -
166	Accumulated Depreciation	\$ (6,082,831)	\$ -	\$ (4,987,492)	\$ -	\$ (1,095,339)
167	Construction in Progress	\$ 92,192	\$ -	\$ 92,192	\$ -	\$ -
168	Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -
160	Total Capital Assets, Net of Accumulated Depreciation	\$ 2,908,040	\$ -	\$ 1,857,441	\$ -	\$ 1,050,599
171-010	Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -
171-020	Partnership	\$ -	\$ -	\$ -	\$ -	\$ -
171-030	Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -
171-040	Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -
171-050	Other	\$ -	\$ -	\$ -	\$ -	\$ -
171-060	Other Comments					
171	Notes, Loans and Mortgages Receivable - Non-Current	\$ -	\$ -	\$ -	\$ -	\$ -
172-010	Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -
172-020	Partnership	\$ -	\$ -	\$ -	\$ -	\$ -
172-030	Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -
172-040	Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -
172-050	Other	\$ -	\$ -	\$ -	\$ -	\$ -
172-060	Other Comments					
172	Notes, Loans, & Mortgages Receivable - Non Current - Past Due	\$ -	\$ -	\$ -	\$ -	\$ -
173	Grants Receivable - Non Current	\$ -	\$ -	\$ -	\$ -	\$ -
174-010	Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -
174-020	Partnership	\$ -	\$ -	\$ -	\$ -	\$ -
174-030	Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -
174-040	Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -
174-050	Other	\$ 684	\$ -	\$ 684	\$ -	\$ -
174-060	Other Comments			Net Pension Asset		

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

FINANCIAL DATA SCHEDULE - BALANCE SHEET
YEAR ENDED DECEMBER 31, 2022

Line Item No.	Description	Total Programs	Eliminations	Total Low Rent and Capital Fund	14.871	Business Activities
					Housing Choice Vouchers	
174	Other Assets	\$ 684	\$ -	\$ 684	\$ -	\$ -
176-010	Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -
176-020	Partnership	\$ -	\$ -	\$ -	\$ -	\$ -
176-030	Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -
176-040	Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -
176-050	Other	\$ -	\$ -	\$ -	\$ -	\$ -
176-060	Other Comments					
176	Investments in Joint Ventures	\$ -	\$ -	\$ -	\$ -	\$ -
180	Total Non-Current Assets	\$ 2,908,724	\$ -	\$ 1,858,125	\$ -	\$ 1,050,599
190	Total Assets	\$ 3,856,251	\$ (8,558)	\$ 2,365,800	\$ 37,668	\$ 1,461,341
200	Deferred Outflow of Resources	\$ 62,665	\$ -	\$ 62,665	\$ -	\$ -
290	Total Assets and Deferred Outflow of Resources	\$ 3,918,916	\$ (8,558)	\$ 2,428,465	\$ 37,668	\$ 1,461,341
311	Bank Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts Payable <= 90 Days	\$ 19,599	\$ -	\$ 9,320	\$ 9,669	\$ 610
313	Accounts Payable >90 Days Past Due	\$ -	\$ -	\$ -	\$ -	\$ -
321	Accrued Wage/Payroll Taxes Payable	\$ 9,004	\$ -	\$ 9,004	\$ -	\$ -
322	Accrued Compensated Absences - Current Portion	\$ 2,082	\$ -	\$ 2,082	\$ -	\$ -
324	Accrued Contingency Liability	\$ -	\$ -	\$ -	\$ -	\$ -
325	Accrued Interest Payable	\$ 2,810	\$ -	\$ -	\$ -	\$ 2,810
331-010	Operating Subsidy	\$ -	\$ -	\$ -	\$ -	\$ -
331-020	Capital Fund	\$ -	\$ -	\$ -	\$ -	\$ -
331-030	Other	\$ -	\$ -	\$ -	\$ -	\$ -
331	Accounts Payable - HUD PHA Programs	\$ -	\$ -	\$ -	\$ -	\$ -
332	Account Payable - PHA Projects	\$ -	\$ -	\$ -	\$ -	\$ -
333	Accounts Payable - Other Government	\$ 26,950	\$ -	\$ 6,046	\$ -	\$ 20,904
341	Tenant Security Deposits	\$ 25,055	\$ -	\$ 18,555	\$ -	\$ 6,500
342-010	Operating Subsidy	\$ -	\$ -	\$ -	\$ -	\$ -
342-020	Capital Fund	\$ -	\$ -	\$ -	\$ -	\$ -
342-030	Other	\$ 1,795	\$ -	\$ 1,795	\$ -	\$ -
342	Unearned Revenue	\$ 1,795	\$ -	\$ 1,795	\$ -	\$ -
343-010	CFFP	\$ -	\$ -	\$ -	\$ -	\$ -
343-020	Capital Projects/Mortgage Revenue	\$ 62,714	\$ -	\$ -	\$ -	\$ 62,714
343	Current Portion of Long-term Debt - Capital Projects/Mortgage	\$ 62,714	\$ -	\$ -	\$ -	\$ 62,714
344	Current Portion of Long-term Debt - Operating Borrowings	\$ -	\$ -	\$ -	\$ -	\$ -
345	Other Current Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
346	Accrued Liabilities - Other	\$ 13,529	\$ -	\$ 13,529	\$ -	\$ -
347	Inter Program - Due To	\$ -	\$ (8,558)	\$ 8,558	\$ -	\$ -
348-010	Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -
348-020	Partnership	\$ -	\$ -	\$ -	\$ -	\$ -
348-030	Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -
348-040	Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -
348-050	Other	\$ -	\$ -	\$ -	\$ -	\$ -
348-060	Other Comments					
348	Loan Liability - Current	\$ -	\$ -	\$ -	\$ -	\$ -
310	Total Current Liabilities	\$ 163,538	\$ (8,558)	\$ 68,889	\$ 9,669	\$ 93,538
351-010	CFFP	\$ -	\$ -	\$ -	\$ -	\$ -
351-020	Capital Projects/Mortgage Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$ 974,729	\$ -	\$ -	\$ -	\$ 974,729
352	Long-term Debt, Net of Current - Operating Borrowings	\$ -	\$ -	\$ -	\$ -	\$ -
353	Non-current Liabilities - Other	\$ -	\$ -	\$ -	\$ -	\$ -
354	Accrued Compensated Absences - Non Current	\$ -	\$ -	\$ -	\$ -	\$ -
355-010	Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -
355-020	Partnership	\$ -	\$ -	\$ -	\$ -	\$ -
355-030	Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -
355-040	Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -
355-050	Other	\$ -	\$ -	\$ -	\$ -	\$ -
355-060	Other Comments					
355	Loan Liability - Non Current	\$ -	\$ -	\$ -	\$ -	\$ -
356	FASB 5 Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
357-010	Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -
357-020	OPEB Liability	\$ -	\$ -	\$ -	\$ -	\$ -
357	Accrued Pension and OPEB Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
357	Accrued Pension and OPEB Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
350	Total Non-Current Liabilities	\$ 974,729	\$ -	\$ -	\$ -	\$ 974,729
300	Total Liabilities	\$ 1,138,267	\$ (8,558)	\$ 68,889	\$ 9,669	\$ 1,068,267

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

FINANCIAL DATA SCHEDULE - BALANCE SHEET
YEAR ENDED DECEMBER 31, 2022

Line Item No.	Description	Total Programs	Eliminations	Total Low Rent and Capital Fund	14.871	
					Housing Choice Vouchers	Business Activities
400	Deferred Inflow of Resources	\$ 40,350	\$ -	\$ 40,350	\$ -	\$ -
508.1	Invested in Capital Assets, Net of Related Debt	\$ -	\$ -	\$ -	\$ -	\$ -
511.1	Restricted Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -
512.1	Unrestricted Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -
513	Total Equity/Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -
509.2	Fund Balance Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
511.2	Unreserved, Designated Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -
512.2	Unreserved, Undesignated Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -
513	Total Equity/Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -
508.3	Nonspendable Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -
509.3	Restricted Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -
510.3	Committed Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -
511.3	Assigned Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -
512.3	Unassigned Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -
513	Total Equity/Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -
508.4	Net Investment in Capital Assets	\$ 1,870,597	\$ -	\$ 1,857,441	\$ -	\$ 13,156
511.4	Restricted Net Position	\$ 35,949	\$ -	\$ 22,999	\$ 12,950	\$ -
512.4	Unrestricted Net Position	\$ 833,753	\$ -	\$ 438,786	\$ 15,049	\$ 379,918
513	Total Equity - Net Assets / Position	\$ 2,740,299	\$ -	\$ 2,319,226	\$ 27,999	\$ 393,074
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	\$ 3,918,916	\$ (8,558)	\$ 2,428,465	\$ 37,668	\$ 1,461,341

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

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

				14.850	14.872	14.871	
Line Item No.	Description	Total Programs	Eliminations	Low Rent	Capital Fund Program	Housing Choice Vouchers	Business Activities
70300	Net Tenant Rental Revenue	\$ 404,378	\$ -	\$ 191,714	\$ -	\$ -	\$ 212,664
70400	Tenant Revenue - Other	\$ 4,488	\$ -	\$ 4,488	\$ -	\$ -	\$ -
70500	Total Tenant Revenue	\$ 408,866	\$ -	\$ 196,202	\$ -	\$ -	\$ 212,664
70600	HUD PHA Operating Grants	\$ 750,100	\$ -	\$ 285,383	\$ 38,000	\$ 426,717	\$ -
70610	Capital Grants	\$ 30,103	\$ -	\$ -	\$ 30,103	\$ -	\$ -
70710	Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70720	Asset Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70730	Book Keeping Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70740	Front Line Service Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70750	Other Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70700	Total Fee Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70800	Other Government Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
71100	Investment Income - Unrestricted	\$ 1,089	\$ -	\$ 951	\$ -	\$ 119	\$ 19
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	\$ 789	\$ -	\$ -	\$ -	\$ 789	\$ -
71400-020	Fraud Recovery - Administrative Fee	\$ 790	\$ -	\$ -	\$ -	\$ 790	\$ -
71500	Other Revenue	\$ 39,610	\$ (98,253)	\$ 118,877	\$ -	\$ -	\$ 18,986
71600	Gain or Loss on Sale of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
72000	Investment Income - Restricted	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ 2
70000	Total Revenue	\$ 1,231,349	\$ (98,253)	\$ 601,413	\$ 68,103	\$ 428,415	\$ 231,671
91100	Administrative Salaries	\$ 83,116	\$ -	\$ 83,116	\$ -	\$ -	\$ -
91200	Auditing Fees	\$ 15,100	\$ -	\$ 15,100	\$ -	\$ -	\$ -
91300-010	To PHA Administered Program (i.e., COCC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
91300-020	To a Third Party/Outside Entity	\$ -	\$ (98,253)	\$ -	\$ -	\$ 81,100	\$ 17,153
91300	Management Fee	\$ -	\$ (98,253)	\$ -	\$ -	\$ 81,100	\$ 17,153
91300	Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
91310	Book-keeping Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
91400	Advertising and Marketing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
91500	Employee Benefit contributions - Administrative	\$ 29,322	\$ -	\$ 29,322	\$ -	\$ -	\$ -
91600	Office Expenses	\$ 57,921	\$ -	\$ 57,227	\$ -	\$ 447	\$ 247
91700	Legal Expense	\$ 13,498	\$ -	\$ -	\$ -	\$ -	\$ 13,498
91800	Travel	\$ 865	\$ -	\$ 865	\$ -	\$ -	\$ -
91810	Allocated Overhead	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
91900	Other	\$ 10,401	\$ -	\$ 10,401	\$ -	\$ -	\$ -
91000	Total Operating - Administrative	\$ 210,223	\$ (98,253)	\$ 196,031	\$ -	\$ 81,547	\$ 30,898
92000	Asset Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
92100	Tenant Services - Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
92200	Relocation Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
92300	Employee Benefit Contributions - Tenant Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
92400	Tenant Services - Other	\$ 21,344	\$ -	\$ 21,344	\$ -	\$ -	\$ -
92500	Total Tenant Services	\$ 21,344	\$ -	\$ 21,344	\$ -	\$ -	\$ -
93100	Water	\$ 30,485	\$ -	\$ 28,862	\$ -	\$ -	\$ 1,623
93200	Electricity	\$ 72,536	\$ -	\$ 71,983	\$ -	\$ -	\$ 553
93300	Gas	\$ 5,885	\$ -	\$ 5,339	\$ -	\$ -	\$ 546
93400	Fuel	\$ 758	\$ -	\$ 758	\$ -	\$ -	\$ -
93500	Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
93600	Sewer	\$ 23,292	\$ -	\$ 22,928	\$ -	\$ -	\$ 364
93700	Employee Benefit Contributions - Utilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
93800	Other Utilities Expense	\$ 1,922	\$ -	\$ 1,382	\$ -	\$ -	\$ 540
93000	Total Utilities	\$ 134,878	\$ -	\$ 131,252	\$ -	\$ -	\$ 3,626
94100	Ordinary Maintenance and Operations - Labor	\$ 102,833	\$ -	\$ 102,833	\$ -	\$ -	\$ -
94200	Ordinary Maintenance and Operations - Materials and Other	\$ 60,201	\$ -	\$ 36,324	\$ 18,080	\$ -	\$ 5,797
94300-010	Garbage and Trash Removal Contracts	\$ 6,819	\$ -	\$ 6,754	\$ -	\$ -	\$ 65
94300-020	Heating & Cooling Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
94300-030	Snow Removal Contracts	\$ 190	\$ -	\$ 190	\$ -	\$ -	\$ -
94300-040	Elevator Maintenance Contracts	\$ 7,462	\$ -	\$ 7,462	\$ -	\$ -	\$ -
94300-050	Landscape & Grounds Contracts	\$ 878	\$ -	\$ 788	\$ -	\$ -	\$ 90
94300-060	Unit Turnaround Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

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

				14.850	14.872	14.871	
Line Item No.	Description	Total Programs	Eliminations	Low Rent	Capital Fund Program	Housing Choice Vouchers	Business Activities
94300-070	Electrical Contracts	\$ 1,757	\$ -	\$ 1,757	\$ -	\$ -	\$ -
94300-080	Plumbing Contracts	\$ 1,028	\$ -	\$ 1,028	\$ -	\$ -	\$ -
94300-090	Extermination Contracts	\$ 4,258	\$ -	\$ 4,258	\$ -	\$ -	\$ -
94300-100	Janitorial Contracts	\$ 618	\$ -	\$ 618	\$ -	\$ -	\$ -
94300-110	Routine Maintenance Contracts	\$ 247	\$ -	\$ 247	\$ -	\$ -	\$ -
94300-120	Miscellaneous Contracts	\$ 19,131	\$ -	\$ 10,740	\$ -	\$ -	\$ 8,391
94300	Ordinary Maintenance and Operations Contracts	\$ 42,388	\$ -	\$ 33,842	\$ -	\$ -	\$ 8,546
94500	Employee Benefit Contributions - Ordinary Maintenance	\$ 31,310	\$ -	\$ 31,310	\$ -	\$ -	\$ -
94000	Total Maintenance	\$ 236,732	\$ -	\$ 204,309	\$ 18,080	\$ -	\$ 14,343
95100	Protective Services - Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
95200	Protective Services - Other Contract Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
95300	Protective Services - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
95500	Employee Benefit Contributions - Protective Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
95000	Total Protective Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96110	Property Insurance	\$ 35,448	\$ -	\$ 26,627	\$ -	\$ -	\$ 8,821
96120	Liability Insurance	\$ 5,471	\$ -	\$ 5,471	\$ -	\$ -	\$ -
96130	Workmen's Compensation	\$ 3,106	\$ -	\$ 3,106	\$ -	\$ -	\$ -
96140	All Other Insurance	\$ 1,554	\$ -	\$ 1,554	\$ -	\$ -	\$ -
96100	Total Insurance Premiums	\$ 45,579	\$ -	\$ 36,758	\$ -	\$ -	\$ 8,821
96200	Other General Expenses	\$ 776	\$ -	\$ 124	\$ -	\$ 527	\$ 125
96210	Compensated Absences	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96300	Payments in Lieu of Taxes	\$ 27,135	\$ -	\$ 6,231	\$ -	\$ -	\$ 20,904
96400	Bad debt - Tenant Rents	\$ 1,255	\$ -	\$ 1,255	\$ -	\$ -	\$ -
96500	Bad debt - Mortgages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96600	Bad debt - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96600-100	Bad debt - Admin	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96600-200	Bad debt - Housing Assistance Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96800	Severance Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96000	Total Other General Expenses	\$ 29,166	\$ -	\$ 7,610	\$ -	\$ 527	\$ 21,029
96710	Interest of Mortgage (or Bonds) Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96720	Interest on Notes Payable (Short and Long Term)	\$ 39,715	\$ -	\$ -	\$ -	\$ -	\$ 39,715
96730	Amortization of Bond Issue Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96700	Total Interest Expense and Amortization Cost	\$ 39,715	\$ -	\$ -	\$ -	\$ -	\$ 39,715
96900	Total Operating Expenses	\$ 717,637	\$ (98,253)	\$ 597,304	\$ 18,080	\$ 82,074	\$ 118,432
97000	Excess of Operating Revenue over Operating Expenses	\$ 513,712	\$ -	\$ 4,109	\$ 50,023	\$ 346,341	\$ 113,239
97100	Extraordinary Maintenance	\$ 9,184	\$ -	\$ 9,184	\$ -	\$ -	\$ -
97200	Casualty Losses - Non-capitalized	\$ 10,949	\$ -	\$ 10,949	\$ -	\$ -	\$ -
97300	Housing Assistance Payments	\$ 341,474	\$ -	\$ -	\$ -	\$ 341,474	\$ -
97350	HAP Portability-In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
97400	Depreciation Expense	\$ 255,950	\$ -	\$ 197,395	\$ -	\$ -	\$ 58,555
97500	Fraud Losses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
97600	Capital Outlays - Governmental Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
97700	Debt Principal Payment - Governmental Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
97800	Dwelling Units Rent Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
90000	Total Expenses	\$ 1,335,194	\$ (98,253)	\$ 814,832	\$ 18,080	\$ 423,548	\$ 176,987
10010	Operating Transfer In	\$ -	\$ (21,700)	\$ 21,700	\$ -	\$ -	\$ -
10020	Operating transfer Out	\$ -	\$ 21,700	\$ (1,700)	\$ (20,000)	\$ -	\$ -
10030-010	Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10030-020	Partnership	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10030-030	Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10030-040	Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10030-050	Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10030-060	Other Comments						
10030	Operating Transfers from/to Primary Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10040	Operating Transfers from/to Component Unit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10050	Proceeds from Notes, Loans and Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10060	Proceeds from Property Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10070	Extraordinary Items, Net Gain/Loss	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10080	Special Items (Net Gain/Loss)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

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

				14.850	14.872	14.871	
Line Item No.	Description	Total Programs	Eliminations	Low Rent	Capital Fund Program	Housing Choice Vouchers	Business Activities
10091	Inter Project Excess Cash Transfer In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10092	Inter Project Excess Cash Transfer Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10093	Transfers between Program and Project - In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10094	Transfers between Project and Program - Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10100	Total Other financing Sources (Uses)	\$ -	\$ -	\$ 20,000	\$ (20,000)	\$ -	\$ -
10000	Excess (Deficiency) of Total Revenue Over (Under) Total	\$ (103,845)	\$ -	\$ (193,419)	\$ 30,023	\$ 4,867	\$ 54,684
11020	Required Annual Debt Principal Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11030	Beginning Equity	\$ 2,844,144	\$ -	\$ 2,318,794	\$ 163,828	\$ 23,132	\$ 338,390
11040-010	Prior Period Adjustments and Correction of Errors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-020	Prior Period Adjustments and Correction of Errors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-030	Prior Period Adjustments and Correction of Errors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-040	Prior Period Adjustments and Correction of Errors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-050	Prior Period Adjustments and Correction of Errors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-060	Prior Period Adjustments and Correction of Errors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-070	Equity Transfers	\$ -	\$ -	\$ 101,659	\$ (101,659)	\$ -	\$ -
11040-080	Equity Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-090	Equity Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-100	Equity Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-110	Equity Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040	Prior Period Adjustments, Equity Transfers and Correction of	\$ -	\$ -	\$ 101,659	\$ (101,659)	\$ -	\$ -
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	\$ 14,295	\$ -	\$ -	\$ -	\$ 14,295	\$ -
11170-010	Administrative Fee Revenue	\$ 81,919	\$ -	\$ -	\$ -	\$ 81,919	\$ -
11170-020	Hard to House Fee Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11170-021	FSS Coordinator Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11170-030	Audit Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11170-040	Investment Income	\$ 119	\$ -	\$ -	\$ -	\$ 119	\$ -
11170-045	Fraud Recovery Revenue	\$ 790	\$ -	\$ -	\$ -	\$ 790	\$ -
11170-050	Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11170-051	Comment for Other Revenue						
11170-060	Total Admin Fee Revenues	\$ 82,828	\$ -	\$ -	\$ -	\$ 82,828	\$ -
11170-080	Total Operating Expenses	\$ 82,074	\$ -	\$ -	\$ -	\$ 82,074	\$ -
11170-090	Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11170-095	Housing Assistance Payment Portability In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11170-100	Other Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11170-101	Comment for Other Expenses						
11170-110	Total Expenses	\$ 82,074	\$ -	\$ -	\$ -	\$ 82,074	\$ -
11170-002	Net Administrative Fee	\$ 754	\$ -	\$ -	\$ -	\$ 754	\$ -
11170-003	Administrative Fee Equity - Ending Balance	\$ 15,049	\$ -	\$ -	\$ -	\$ 15,049	\$ -
11170-005	Pre-2004 Administrative Fee Reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11170-006	Post-2003 Administrative Fee Reserves	\$ 15,049	\$ -	\$ -	\$ -	\$ 15,049	\$ -
11180	Housing Assistance Payments Equity						
11180-001	Housing Assistance Payments Equity - Beginning Balance	\$ 8,837	\$ -	\$ -	\$ -	\$ 8,837	\$ -
11180-010	Housing Assistance Payment Revenues	\$ 344,798	\$ -	\$ -	\$ -	\$ 344,798	\$ -
11180-015	Fraud Recovery Revenue	\$ 789	\$ -	\$ -	\$ -	\$ 789	\$ -
11180-020	Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11180-021	Comments for Other Revenue						
11180-025	Investment Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11180-030	Total Housing Assistance Payments Revenues	\$ 345,587	\$ -	\$ -	\$ -	\$ 345,587	\$ -
11180-080	Housing Assistance Payments	\$ 341,474	\$ -	\$ -	\$ -	\$ 341,474	\$ -
11180-090	Other Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11180-091	Comments for Other Expenses	\$ -					
11180-100	Total Housing Assistance Payments Expenses	\$ 341,474	\$ -	\$ -	\$ -	\$ 341,474	\$ -
11180-002	Net Housing Assistance Payments	\$ 4,113	\$ -	\$ -	\$ -	\$ 4,113	\$ -
11180-003	Housing Assistance Payments Equity - Ending Balance	\$ 12,950	\$ -	\$ -	\$ -	\$ 12,950	\$ -
11190	Unit Months Available						
11190-210	Total ACC HCV Units	2,638	-	1,026	-	1,332	280
11190-220	Unfunded Units	0	-	-	-	-	-
11190-230	Other Adjustments	0	-	-	-	-	-

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

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

				14.850	14.872	14.871	
Line Item No.	Description	Total Programs	Eliminations	Low Rent	Capital Fund Program	Housing Choice Vouchers	Business Activities
11190	Unit Months Available	2,638	-	1,026	-	1,332	280
11210	Number of Unit Months Leased	2,037	-	746	-	1,011	280
11270	Excess Cash	\$ 387,894	\$ -	\$ 387,894	\$ -	\$ -	\$ -
11610	Land Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11620	Building Purchases	\$ 30,023	\$ -	\$ -	\$ 30,023	\$ -	\$ -
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

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

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

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

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

Federal Programs		
Element	Description	Value
G4000-020	Dollar Threshold Used to Distinguish Type A and Type B Programs	\$750,000
G4000-030	Low-Risk Auditee Indicator	YES
G4000-040	Indicator-Any Audit Findings Disclosed that are Required to be Reported	NO
G4000-080	Was a Schedule of Prior Audit Findings prepared?	YES
G4100-040	Total Federal Awards Expended (This cell is populated by G4100-030 from the "Federal Award Details" Tab)	\$780,203

See Independent Auditor's Report

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

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

Federal Award Details		
Element	Description	Details
G4100-030	Amount Expended	\$780,203
G4200-010	Major Federal Program Indicator	YES
G4200-050	Type of Opinion on Major Federal Program	UNMODIFIED
G4200-060	Number of Uniform Guidance Compliance Audit Findings	0
G4200-100	Significant Deficiency Indicator	NO
G4200-200	Number of Significant Deficiencies	0
G4200-110	Material Weakness Indicator	NO
G4200-210	Number of Material Weaknesses	0
G4200-120	Material Noncompliance Indicator	NO
G4200-220	Number of Material Noncompliance	0
G4200-070	Audit Finding Reference Number	N/A
G4200-090	Are Awards Received Directly from a Federal Agency?	YES
G4100-050	Total Amount of Questioned Costs	\$0

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

See Independent Auditor's Report

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

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

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number		Disbursements/ Expenditures
U.S. DEPARTMENT OF THE HOUSING AND URBAN DEVELOPMENT:			
Direct Funding:			
Public and Indian Housing Program:	14.850		
Operating Subsidy			\$ 285,383
Public Housing Capital Fund Program	14.872		
Grant - SD01P011501-20		\$ 5,584	
Grant - SD01P011501-21		32,741	
Grant - SD01P011501-22		<u>29,778</u>	68,103
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	14.871		<u>426,717</u>
Total Federal Funding			<u>\$ 780,203</u>

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Commission under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Commission.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Commission has elected to not use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

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

To the Board of Commissioners
The Housing and Redevelopment Commission
of the City of Madison, 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 Madison, South Dakota, a component unit of the City of Madison, South Dakota (the Commission) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 22, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

The Commission's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is matter of public record and its distribution is not limited.

Wohlberg Ritzman + Co., LLC

Yankton, South Dakota
September 22, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risk. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Uhlenberg Ritzman + Co., LLC

Yankton, South Dakota
September 22, 2023

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

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

FINDINGS - FINANCIAL STATEMENTS AUDIT

Finding 2021-001 Preparation of Financial Statements

Condition:

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

Recommendation:

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

Current Status:

Revised and Repeated as Finding 2022-001.

FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no major federal award programs audit findings reported.

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

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

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified? X yes none reported

Noncompliance material to financial
statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified? yes X none reported

Type of auditor's report issued on
compliance for major programs Unmodified

Any audit findings disclosed that are
required to be reported in accordance
2 CFR section 200.516(a)? yes X no

Identification of major programs:

AL Numbers
14.871

Name of Federal Program or Cluster
Section 8 Housing Choice Vouchers

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

Auditee qualified as low-risk auditee? X yes no

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

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

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT

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

Significant Deficiency

Condition:

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

Questioned Costs:

None

Criteria:

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

Cause:

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

Effect:

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

Recommendation:

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

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

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

**SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD
PROGRAMS AUDIT**

There are no major federal award program findings reported.

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

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

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

Independent Public Accounting Firm:

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

Audit Period:

January 1, 2022 - December 31, 2022

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

Findings Related to the Financial Statements

Finding 2022-001 Preparation of Financial Statements

Condition as Noted in Auditor's Finding:

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

Responsible Individuals:

Board of Commissioners and Management

Corrective Action Plan:

The Commission is aware of the risk associated with requesting the auditors to assist in the preparation of the financial statements. Planned actions include management to annually review the draft financial statements and related notes prepared by the auditor and the review all recommended adjusting journal entries proposed by the auditor. Additional avenues will be explored to provide Commission staff with additional training to further their knowledge of accounting standards.

Anticipated Completion Date:

Ongoing analysis