

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2017

MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
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YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Mobridge Housing and Redevelopment Commission
Mobridge, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the Mobridge Housing and Redevelopment Commission (the Commission) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Mobridge Housing and Redevelopment Commission as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying combining financial statements, schedule of expenditures of federal awards and the financial data schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2018 on our consideration of the Mobridge Housing and Redevelopment 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mobridge Housing and Redevelopment Commission's internal control over financial reporting and compliance.



Johnson, Mattson, Smail & Cavanaugh, PLLC
St. Louis Park, Minnesota
August 23, 2018

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

The Mobridge Housing and Redevelopment Commission (the Commission) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Commission's financial activity, (c) identify changes in the Commission's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Commission's financial statements.

FINANCIAL HIGHLIGHTS

- The Commission's net position decreased by \$22,914 (or 31.6%) during 2017. Since the Commission engages only in business-type activities, the decrease is all in the category of business-type net position. Net position was \$(95,399) and \$(72,485) for 2017 and 2016, respectively.
- The operating revenue decreased by \$45,209 (or 5.1%) during 2017 and was \$844,139 and \$889,348 for 2017 and 2016, respectively.
- The total operating expenses of all Authority programs decreased by \$32,366 (or 3.8%). Total operating expenses were \$815,609 and \$847,975 for 2017 and 2016, respectively.
- The net nonoperating revenues (expenses) increased by \$2,369 during 2017 and was \$(51,444) and \$(53,813) for 2017 and 2016, respectively.

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business. The Commission consists of exclusively enterprise funds, which use full accrual basis of accounting. All the Commission's activities are reported as a single enterprise fund. This method of accounting is similar to accounting utilized by the private sector accounting.

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Commission. The Statement of Net position presents financial information on all of the assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities and deferred inflows/outflows of resources, for the entire Authority. Net Position is reported in three broad categories:

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets, 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.

Restricted Net Position: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of Net Position that do not meet the definition of "Net Investment in in Capital Assets", or "Restricted Net Position".

The basic financial statements also include a *Statement of Revenues, Expenses and Changes in Net Position* (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income and operating grants, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Finally, a *Statement of Cash Flows* is included, which discloses net cash provided by or used for operating activities, non-capital financing activities, from capital and related financing activities, and investing activities.

Many of the programs maintained by the Commission are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

BASIC FINANCIAL STATEMENTS

Statement of Net Position

The following table reflects the condensed Statement of Net Position as of December 31, 2017 and 2016.

**TABLE 1
STATEMENT OF NET POSITION**

	2017	2016	Dollar Change	Percent Change
Current and Other Assets	\$ 160,066	\$ 201,974	\$ (41,908)	-20.7%
Capital Assets	911,985	952,030	(40,045)	-4.2%
Total Assets	<u>1,072,051</u>	<u>1,154,004</u>	<u>(81,953)</u>	-7.1%
Current Liabilities	84,338	108,879	(24,541)	-22.5%
Noncurrent Liabilities	1,083,112	1,117,610	(34,498)	-3.1%
Total Liabilities	<u>1,167,450</u>	<u>1,226,489</u>	<u>(59,039)</u>	-4.8%
Net Position				
Net Investment in Capital Assets	(200,494)	(194,633)	(5,861)	3.0%
Restricted	-	10,701	(10,701)	-100.0%
Unrestricted	105,095	111,447	(6,352)	-5.7%
Total Net Position	<u>\$ (95,399)</u>	<u>\$ (72,485)</u>	<u>\$ (22,914)</u>	31.6%

For more detailed information, see the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

- Current and other assets decreased by \$41,908, current liabilities decreased by \$24,541.
- There are sufficient current assets (primarily cash and investments) to extinguish the current liabilities.

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

Statement of Revenues, Expenses and Changes in Net Position

The following table reflects the Changes in Net Position for the year ended December 31, 2017 and 2016.

**TABLE 2
CHANGES IN NET POSITION**

	2017	2016	Dollar Change	Percent Change
Revenues				
Tenant Revenue	\$ 121,350	\$ 117,289	\$ 4,061	3.5%
Operating Grants	715,873	764,736	(48,863)	-6.4%
Other Revenue	6,916	7,323	(407)	-5.6%
Total Operating Revenue	<u>844,139</u>	<u>889,348</u>	<u>(45,209)</u>	-5.1%
Operating Expenses				
Administration	94,415	96,484	(2,069)	-2.1%
Tenant Services	34,266	42,791	(8,525)	-19.9%
Utilities	5,876	5,379	497	9.2%
Ordinary Maintenance	17,828	15,969	1,859	11.6%
General Expense	7,194	7,750	(556)	-7.2%
Housing Assistance Payments	609,470	634,245	(24,775)	-3.9%
Depreciation	46,560	45,357	1,203	2.7%
Total Operating Expenses	<u>815,609</u>	<u>847,975</u>	<u>(32,366)</u>	-3.8%
Operating Income (Loss)	<u>28,530</u>	<u>41,373</u>	<u>(12,843)</u>	-31.0%
Nonoperating Revenue (Expenses)				
Interest Income	80	144	(64)	
Gain (Loss) on Disposal of Capital Assets	-	(900)	900	
Interest Expense	(51,524)	(53,057)	1,533	
Net Nonoperating Revenues (Expenses)	<u>(51,444)</u>	<u>(53,813)</u>	<u>2,369</u>	
Change In Net Position	(22,914)	(12,440)	(10,474)	
Net Position - Beginning	(72,485)	(60,045)	(12,440)	
Net Position - Ending	<u>\$ (95,399)</u>	<u>\$ (72,485)</u>	<u>\$ (22,914)</u>	31.6%

Major Factors Affecting the Statement of Revenues, Expenses and Changes in Net Position

- Tenant services decreased due to a decrease in salaries expense.
- Ordinary maintenance increased due to an increase in materials purchased.
- General expense is down due to a decrease in insurance premiums.

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end the Commission had \$911,985 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$40,045 from the end of last year. This decrease is due to the annual depreciation of the assets.

**TABLE 3
CAPITAL ASSETS AT YEAR END**

	<u>2017</u>	<u>2016</u>
Nondepreciable Assets		
Land	\$ 23,696	\$ 23,696
Depreciable Assets		
Buildings	1,366,960	1,362,756
Furniture, Equipment and Machinery	40,970	41,325
Accumulated Depreciation, Net	<u>(519,641)</u>	<u>(475,747)</u>
Net Capital Assets	<u><u>\$ 911,985</u></u>	<u><u>\$ 952,030</u></u>

The following reconciliation summarizes the change in capital assets, which is presented in the detail in the notes.

**TABLE 4
CHANGE IN CAPITAL ASSETS**

Balance on 12/31/2016	\$ 952,030
Increases	6,516
Decreases	(2,667)
Accumulated Depreciation, Net	<u>(43,894)</u>
Balance on 12/31/2017	<u><u>\$ 911,985</u></u>

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

Debt Outstanding

As of year-end the Commission had \$1,112,479 in debt (bonds, notes, etc.) outstanding.

**TABLE 5
OUTSTANDING DEBT, AT YEAR END**

	2017	2016
\$800K Bond	\$ 591,403	\$ 612,867
\$600K Bond	521,076	533,795
Total	\$ 1,112,479	\$ 1,146,662

ECONOMIC FACTORS

Significant economic factors affecting the Commission areas as follows:

- Federal funding of the Department of Housing and Urban Development.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies and other costs.

FINANCIAL CONTACT

This financial report is designed to provide a general overview of the Commission's finances and to demonstrate the Commission's accountability. If you have any questions regarding this report or need additional information, please contact the Mobridge Housing and Redevelopment Commission's Contracting Manager, Rich Galbraith at PO Box 370, Mobridge, South Dakota 57601 or call (605) 229-0180 or by e-mail at rich@ram.solutions.

MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 92,314
Cash and Cash Equivalents - Restricted	16,541
Accounts Receivable - Other, Net	12,829
Investments - Unrestricted	11,495
Investments - Restricted	22,958
Prepaid Expenses and Other Assets	3,929
Total Current Assets	<u>160,066</u>

Noncurrent Assets

Capital Assets

Land	23,696
Building	1,366,960
Furniture, Equipment & Machinery	40,970
Accumulated Depreciation	<u>(519,641)</u>
Total Capital Assets, Net	<u>911,985</u>
Total Assets	<u>1,072,051</u>

LIABILITIES

Current Liabilities

Accounts Payable	1,759
Accounts Payable - HUD PHA Programs	889
Account Payable - PHA Projects	8,591
Tenant Security Deposits	10,125
Long-term Debt - Current Portion	35,783
Other Liabilities	27,191
Total Current Liabilities	<u>84,338</u>

Noncurrent Liabilities

Long-term Debt, Net of Current	1,076,696
Other Noncurrent Liabilities	6,416
Total Noncurrent Liabilities	<u>1,083,112</u>
Total Liabilities	<u>1,167,450</u>

NET POSITION

Net Investment in Capital Assets	(200,494)
Unrestricted	105,095
Total Net Position	<u>\$ (95,399)</u>

MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2017

OPERATING REVENUES	
Net Tenant Rental Revenue	\$ 115,075
Tenant Revenue - Other	6,275
Total Tenant Revenue	<u>121,350</u>
HUD PHA Operating Grants	715,873
Fraud Recovery	467
Other Revenue	6,449
Total Operating Revenues	<u>844,139</u>
OPERATING EXPENSES	
Administrative	94,415
Tenant Services	34,266
Utilities	5,876
Ordinary Maintenance and Operations	17,828
Insurance Premiums	6,894
General Expenses	300
Housing Assistance Payments	609,470
Depreciation Expense	46,560
Total Operating Expenses	<u>815,609</u>
OPERATING INCOME (LOSS)	<u>28,530</u>
NONOPERATING REVENUES (EXPENSES)	
Investment Income - Unrestricted	80
Interest Expense	(51,524)
Total Nonoperating Revenues (Expenses)	<u>(51,444)</u>
CHANGE IN NET POSITON	(22,914)
Net Position - Beginning of Year	<u>(72,485)</u>
NET POSITION - END OF YEAR	<u><u>\$ (95,399)</u></u>

MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Rent	\$ 83,335
Operating Subsidies - HUD	737,552
Cash Received from Other Sources	6,693
Cash Paid to Other Suppliers of Goods or Services	(715,583)
Cash Payments to Employees for Services	(40,136)
Net Cash Provided (Used) by Operating Activities	<u>71,861</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of Capital Assets	(6,515)
Interest and Fiscal Charges Paid	(51,655)
Repayment of Long-term Debt	(34,183)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(92,353)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	80
Net Cash Provided by Investing Activities	<u>80</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (20,412)

Cash and Cash Equivalents - Beginning of Year	163,720
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CASH AND CASH EQUIVALENTS - END OF YEAR \$ 143,308

RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION

Cash and Cash Equivalents	\$ 103,809
Restricted Assets - Cash and Investments	39,499
Cash and Cash Equivalents - End of Year	<u>\$ 143,308</u>

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017**

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ 28,530
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	46,560
(Increase) Decrease in Assets:	
Accounts Receivable	21,456
Prepayments	40
Increase (Decrease) in Liabilities:	
Accounts Payable	631
Unearned Revenue	(38,015)
Tenants Security Deposits	350
Accrued Expenses	12,309
Net Cash Provided (Used) by Operating Activities	<u>\$ 71,861</u>

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The accompanying financial statements of the Mobridge Housing and Redevelopment Commission (the Commission) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Financial Reporting Entity

The Commission was created for the purpose of providing housing and redevelopment services to the local area. The Commission's primary operations are the development and management of housing units, which are rented to low-income residents, and the administration of housing assistance programs for low-income residents. The governing body consists of a five-member board of commissioners appointed by the Mayor and city council.

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Commission for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

- the organization is legally separate (can sue and be sued in their own name)
- the Commission holds the corporate powers of the organization
- the Commission appoints a voting majority of the organization's board
- the Commission is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Commission
- there is fiscal dependency by the organization on the Commission

Based on the previous criteria, the Commission has determined that there are no component units that should be considered as part of the Commission reporting entity.

The Commission has Joint Powers Agreements to administer, through agency funds, the Housing Choice Voucher program for the Campbell, Corson, Dewey, Edmunds, Faulk, McPherson, Perkins, Potter and Walworth Counties Housing and Redevelopment Commissions, and the Cities of Faulkton and Lemmon Housing and Redevelopment Commissions.

Basis of Presentation

The Commission's accounts are organized as a proprietary (enterprise) fund. The operations are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. Enterprise funds are used to account for operations that provide a service to the public financed by charges to users of that service and activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fund Financial Statements

The Commission segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. All programs have been combined into one enterprise fund for financial statement presentation. The Commission has presented the following major proprietary funds:

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Housing Choice Vouchers Program

This program records the receipt of HUD grants and the subsequent payment to landlords of Housing Assistance Payments along with the other related expenses.

Business Activities

This program records the activities of 12 units of residential rental, and an 8-plex unit under SDCL 11-7-53.3 and a 4-plex unit under SDCL 11-7-53.3.

Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation

This program records the activity to provide housing assistance payments to participating owners on behalf of eligible low- and very-low income tenants. Housing assistance payments are used to make up the difference between the approved rent due to the owner for the dwelling unit and the occupant family's required contribution toward rent.

PIH Family Self-Sufficiency Program

This program records the activity to provide payment for the annual salary and fringe benefits of FSS program coordinators. The FSS program enables families assisted through the Housing Choice Voucher (HCV) and Public Housing (PH) programs to increase their earned income and reduce their dependency on social services and rental subsidies.

Measurement Focus/Basis of Accounting

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

Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. According to the Commission's policy, governmental operating grants are considered operating revenues. The other principal operating revenues of the Commission are rent and maintenance charges to residents and operating fees earned. Operating expenses for proprietary funds include the administrative costs of providing the service. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenues susceptible to accrual include rental income and capital grants earned but not received. Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenue is recognized when the corresponding expenditure is incurred. The Commission also receives an annual appropriation from HUD, which is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period.

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment earnings and revenue from other sources are recognized when earned.

Budget Information

The Commission adopts an estimated revenue and expenditure budget for each fund. Comparisons of estimated revenues and budgeted expenditures to actual are not presented in the financial statements. Amendments to the original budget require board approval. Appropriations lapse at year end. The Commission does not use encumbrance accounting.

Assets, Liabilities, and Net Position Accounts

1. **Assets**

Cash and Cash Equivalents

All checking, savings, certificates of deposit and cash on hand are included in cash for the cash flow statement. Cash equivalents are considered to be short-term, highly liquid investments that are readily convertible to cash.

Investments

Investments are stated at fair value, except for nonnegotiable certificates of deposit, which are on a cost basis, and short-term money market investments, which are stated at amortized cost. The fair value of investments is based on quoted market prices. Short-term investments are valued at cost, which approximates fair value.

Receivables

Accounts receivable have been adjusted for all known uncollectible accounts.

Prepaid Items

Certain payments made for insurance reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by grantors and other external parties.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of each fund involved.

Capital Assets

Capital assets, which includes property, buildings, furniture and equipment, are reported in the applicable business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Capital assets are depreciated using the straight line method over the estimated useful lives of the individual assets, which range from five to 27.5 years.

Buildings	27.5 years
Furniture, Equipment and Machinery	5-15 years

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Liabilities

All liabilities are recorded as incurred in the appropriate fund.

3. Unearned Revenue

The Commission reports prepaid revenues on its statement of net position. Prepaid revenues arise when resources are received by the Commission before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Commission has a legal claim to the resources, the liability for prepaid revenue is removed from the statement of net position and the revenue is recognized.

4. Compensated Absences

The Commission has no employees. The Commission's staffing is contracted through a management company.

5. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted are amounts that do not meet the definition of restricted or net investment in capital assets.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Commission's cash and investments at year end were comprised of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand and Time Deposits	\$ 108,855	\$ 107,881
Investments	34,453	34,453
Total Cash and Investments	<u>\$ 143,308</u>	<u>\$ 142,334</u>
Reconciliation to Financial Statements		
Per Statement of Net Position		
Unrestricted Cash and Investments	\$ 103,809	
Restricted Cash and Investments	39,499	
Total Cash and Investments	<u>\$ 143,308</u>	

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

The Commission had bank deposits at one financial institution for the years ended December 31, 2016. The Commission deposits are made in qualified public depositories as defined by SDCL 4-6A-1. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% of the public deposit accounts which exceed deposit insurance such as FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of the bank's public debt rating which may not be less than "AA" or better, or a qualified public depository may furnish a corporate surety bond from a corporation authorized to do business in South Dakota.

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the Commission's deposits may not be returned to the Commission. As of December 31, 2017, the Commission's deposits were not exposed to custodial credit risk.

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 full 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.

At December 31, 2017, the Commission had the following deposits and investments:

	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair Value)
	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	
Negotiable Certificates of Deposit					
Dacotah Bank	N/R	N/A	19.37%	3/16/2018	\$ 6,675
Dacotah Bank	N/R	N/A	11.39%	3/16/2018	3,925
Dacotah Bank - Money Market	N/R	N/A	2.60%	N/A	895
Wells Fargo - Savings	N/R	N/A	66.64%	N/A	22,958
Total Investments					<u>34,453</u>
Checking					103,764
Savings					5,091
Total Cash and Investments					<u>\$ 143,308</u>

N/A - Not Applicable, N/R - Not Rated

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets; Level 2 investments are valued using inputs that are based on quoted prices for singular assets or inputs that are observable, either directly or indirectly; Level 3 investments are valued using inputs that are unobservable.

Investment Type	12/31/2017	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investment at Fair Value:				
Money Market and Savings	\$ 23,853	\$ 23,853	\$ -	\$ -
Certificates of Deposit	10,600	-	10,600	-
Total Investment at Fair Value	<u>\$ 34,453</u>	<u>\$ 23,853</u>	<u>\$ 10,600</u>	<u>\$ -</u>

NOTE 3 - RESTRICTED ASSETS

Tenant Security Deposits

The Commission holds security deposits from tenants. Security deposits were \$10,125 as of December 31, 2017.

Housing Assistance Payments

The Commission maintains restricted cash in the amount of housing assistance payments equity as required by the grantor. As of December 31, 2017, the restricted cash was \$5,091.

Investments - Restricted Assets

The Commission held \$22,958 for the Family Self-Sufficiency (FSS) Escrow Program including its home ownership clients.

Other Restricted Assets

The Commission held \$1,325 in a maintenance reserve for FSS home ownership clients that are using the Housing Choice Voucher program to help purchase a home.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
<u>Capital Assets Not Being Depreciated</u>				
Land and Improvements	\$ 23,696	\$ -	\$ -	\$ 23,696
Total Capital Assets Not Being Depreciated	<u>23,696</u>	<u>-</u>	<u>-</u>	<u>23,696</u>
<u>Capital Assets Being Depreciated</u>				
Buildings	1,362,756	4,204	-	1,366,960
Equipment and Other	41,325	2,312	(2,667)	40,970
Total Capital Assets Being Depreciated	<u>1,404,081</u>	<u>6,516</u>	<u>(2,667)</u>	<u>1,407,930</u>
Accumulated Depreciation	(475,747)	(46,560)	2,666	(519,641)
Total Capital Assets Being Depreciated, Net	<u>928,334</u>	<u>(40,044)</u>	<u>(1)</u>	<u>888,289</u>
Total Capital Assets, Net	<u>\$ 952,030</u>	<u>\$ (40,044)</u>	<u>\$ (1)</u>	<u>\$ 911,985</u>

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the Commission as follows:

Housing Choice Vouchers	\$ 838
Business Activities	45,722
Total Depreciation Expense	<u>\$ 46,560</u>

NOTE 5 - LIABILITIES

Liabilities at year end consisted of the following:

Current Liabilities

Accounts Payable <= 90 Days	\$ 1,759
Accrued Interest Payable	4,233
Accounts Payable - HUD PHA Programs	889
Accounts Payable - PHA Projects	8,591
Tenant Security Deposits	10,125
Current Portion of Long-term Debt - Capital	35,783
Other Current Liabilities	22,958
Total Current Liabilities	<u>84,338</u>

Noncurrent Liabilities

Long-term Debt, Net of Current - Capital	1,076,696
Noncurrent Liabilities - Other	6,416
Total Noncurrent Liabilities	<u>1,083,112</u>
Total Liabilities	<u>\$ 1,167,450</u>

NOTE 6 - LONG-TERM OBLIGATIONS

Bonds Payable

Essential Function Housing Development Revenue Bond, Series 2004 was issued by a local bank under SDLC 11-7-92 in the amount of \$800,000. The note matures on June 1, 2035 at an interest rate of 4.5%. The bond was secured by real and personal property of the 8-plex housing unit built with this bond. The city of Mobridge guarantees 25% of this bond.

Essential Function Housing Development Revenue Bond, Series 2004 was issued by a local bank under SDLC 11-7-92 in the amount of \$600,000. The note matures on October 12, 2040 at an interest rate of 4.5%. It is secured by real and personal property of the 4-plex housing unit built with this bond. The city of Mobridge guarantees 25% of this bond.

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$800K Bond	\$ 612,866	\$ -	\$ (21,463)	\$ 591,403	\$ 22,478
\$600K Bond	533,796	-	(12,720)	521,076	13,305
Totals	<u>\$ 1,146,662</u>	<u>\$ -</u>	<u>\$ (34,183)</u>	<u>\$ 1,112,479</u>	<u>\$ 35,783</u>

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

The following is a schedule of the annual interest and principal requirements to maturity for the Commission's aggregate bonds payable:

	Principal	Interest	Total
2018	\$ 35,783	\$ 50,056	\$ 85,839
2019	37,456	48,380	85,836
2020	39,207	46,632	85,839
2021	41,041	44,797	85,838
2022	42,960	43,879	86,839
Thereafter	916,032	354,556	1,270,589
Total	<u>\$ 1,112,479</u>	<u>\$ 588,302</u>	<u>\$ 1,700,781</u>

Operating Lease

The Commission leased office space for the 2016 fiscal year for a minimum yearly lease payment of \$6,000.

NOTE 7 - TRANSFERS AND NET POSITION

Operating Transfers

Operating Transfers In	\$ 2,371	Housing Choice Vouchers
Operating Transfers Out	(2,371)	Lower Income Housing Assistance Program

Net Position

Fund net position balances are classified as follows:

Net Investment in Capital Assets	\$ (200,494)
Unrestricted	105,095
Total Net Position	<u>\$ (95,399)</u>

NOTE 8 - RISK MANAGEMENT

The Commission is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; workers' compensation claims; and natural disasters. Property and casualty and worker's compensation liabilities are insured. The Commission retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the general purpose financial statements.

NOTE 9 - CONTINGENCIES

The Commission has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

NOTE 10 - ECONOMIC DEPENDENCY

The Commission is economically dependent on annual contributions and grants from the U.S. Department of Housing and Urban Development (HUD). The Commission operates at a loss prior to receiving contributions and grants from HUD.

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MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
COMBINING STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

	PIH Family Self- Sufficiency Program	Housing Choice Vouchers	Business Activities	Lower Income Housing Assistance Program- Section 8 Moderate	ELIM	Total
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ -	\$ 36,402	\$ 55,912	\$ -	\$ -	\$ 92,314
Cash and Cash Equivalents - Restricted	-	6,416	10,125	-	-	16,541
Accounts Receivable - Other, Net	8,591	4,212	26	-	-	12,829
Investments - Unrestricted	-	-	10,600	895	-	11,495
Investments - Restricted	-	22,958	-	-	-	22,958
Prepaid Expenses and Other Assets	-	1,112	2,817	-	-	3,929
Inter Program Due From	-	-	1,800	31,117	(32,917)	-
Total Current Assets	<u>8,591</u>	<u>71,100</u>	<u>81,280</u>	<u>32,012</u>	<u>(32,917)</u>	<u>160,066</u>
Noncurrent Assets						
Capital Assets						
Land	-	-	23,696	-	-	23,696
Building	-	-	1,366,960	-	-	1,366,960
Furniture, Equipment & Machinery	-	25,641	15,329	-	-	40,970
Accumulated Depreciation	-	(21,822)	(497,819)	-	-	(519,641)
Total Capital Assets, Net	<u>-</u>	<u>3,819</u>	<u>908,166</u>	<u>-</u>	<u>-</u>	<u>911,985</u>
Total Assets	<u>\$ 8,591</u>	<u>\$ 74,919</u>	<u>\$ 989,446</u>	<u>\$ 32,012</u>	<u>\$ (32,917)</u>	<u>\$ 1,072,051</u>

MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
COMBINING STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

	PIH Family Self- Sufficiency Program	Housing Choice Vouchers	Business Activities	Lower Income Housing Assistance Program- Section 8 Moderate	ELIM	Total
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ -	\$ 867	\$ 892	\$ -	\$ -	\$ 1,759
Accounts Payable - HUD PHA Programs	-	-	-	889	-	889
Account Payable - PHA Projects	8,591	-	-	-	-	8,591
Tenant Security Deposits	-	-	10,125	-	-	10,125
Long-term Debt - Current Portion	-	-	35,783	-	-	35,783
Inter Program - Due To	-	32,917	-	-	(32,917)	-
Other Liabilities	-	22,958	4,233	-	-	27,191
Total Current Liabilities	<u>8,591</u>	<u>56,742</u>	<u>51,033</u>	<u>889</u>	<u>(32,917)</u>	<u>84,338</u>
Noncurrent Liabilities						
Long-term Debt, Net of Current	-	-	1,076,696	-	-	1,076,696
Other Noncurrent Liabilities	-	6,416	-	-	-	6,416
Total Noncurrent Liabilities	<u>-</u>	<u>6,416</u>	<u>1,076,696</u>	<u>-</u>	<u>-</u>	<u>1,083,112</u>
Total Liabilities	<u>8,591</u>	<u>63,158</u>	<u>1,127,729</u>	<u>889</u>	<u>(32,917)</u>	<u>1,167,450</u>
NET POSITION						
Net Investment in Capital Assets	-	3,819	(204,313)	-	-	(200,494)
Unrestricted	-	7,942	66,030	31,123	-	105,095
Total Net Position	<u>\$ -</u>	<u>\$ 11,761</u>	<u>\$ (138,283)</u>	<u>\$ 31,123</u>	<u>\$ -</u>	<u>\$ (95,399)</u>

MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2017

	PIH Family Self- Sufficiency Program	Housing Choice Vouchers	Business Activities	Lower Income Housing Assistance Program- Section 8 Moderate	ELIM	Total
OPERATING REVENUES						
Net Tenant Rental Revenue	\$ -	\$ -	\$ 115,075	\$ -	\$ -	\$ 115,075
Tenant Revenue - Other	-	-	6,275	-	-	6,275
Total Tenant Revenue	-	-	121,350	-	-	121,350
HUD PHA Operating Grants	34,266	434,231	-	247,376	-	715,873
Fraud Recovery	-	377	-	90	-	467
Other Revenue	-	5,744	705	-	-	6,449
Total Operating Revenues	34,266	440,352	122,055	247,466	-	844,139
OPERATING EXPENSES						
Administrative	-	57,160	7,495	29,760	-	94,415
Tenant Services	34,266	-	-	-	-	34,266
Utilities	-	801	5,075	-	-	5,876
Ordinary Maintenance and Operations	-	-	17,828	-	-	17,828
Insurance Premiums	-	782	5,674	438	-	6,894
General Expenses	-	142	158	-	-	300
Housing Assistance Payments	-	394,286	-	215,184	-	609,470
Depreciation Expense	-	838	45,722	-	-	46,560
Total Operating Expenses	34,266	454,009	81,952	245,382	-	815,609
OPERATING INCOME (LOSS)	-	(13,657)	40,103	2,084	-	28,530

MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2017

	PIH Family Self- Sufficiency Program	Housing Choice Vouchers	Business Activities	Lower Income Housing Assistance Program- Section 8 Moderate	ELIM	Total
NONOPERATING REVENUES (EXPENSES)						
Investment Income - Unrestricted	-	7	32	41	-	80
Interest Expense	-	-	(51,524)	-	-	(51,524)
Total Nonoperating Revenues (Expenses)	-	7	(51,492)	41	-	(51,444)
Income (Loss) before Transfers	-	(13,650)	(11,389)	2,125	-	(22,914)
Transfers	-	2,371	-	(2,371)	-	-
CHANGE IN NET POSITITON	-	(11,279)	(11,389)	(246)	-	(22,914)
Net Position - Beginning of Year	-	23,040	(126,894)	31,369	-	(72,485)
NET POSITION - END OF YEAR	\$ -	\$ 11,761	\$ (138,283)	\$ 31,123	\$ -	\$ (95,399)

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017**

	PIH Family Self- Sufficiency Program	Housing Choice Vouchers	Business Activities	Lower Income Housing Assistance Program- Section 8 Moderate	ELIM	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Rent	\$ -	\$ (38,015)	\$ 121,350	\$ -	\$ -	\$ 83,335
Operating Subsidies - HUD	25,675	431,512	-	280,365	-	737,552
Cash Received from Other Sources	-	5,910	693	90	-	6,693
Cash Paid to Other Suppliers of Goods or Services	8,591	(450,459)	(29,222)	(244,493)	-	(715,583)
Cash Payments to Employees for Services	(34,266)	-	(5,870)	-	-	(40,136)
Net Cash Provided (Used) by Operating Activities	-	(51,052)	86,951	35,962	-	71,861
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Decrease (Increase) in Due From Other Funds	-	15,596	(1,800)	(31,117)	17,321	-
(Decrease) Increase in Due To Other Funds	-	32,917	(1,082)	(14,514)	(17,321)	-
Operating Transfer In	-	2,371	-	-	(2,371)	-
Operating Transfers Out	-	-	-	(2,371)	2,371	-
Net Cash Provided (Used) By Noncapital And Related Financing Activities	-	50,884	(2,882)	(48,002)	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of Capital Assets	-	(1,609)	(4,906)	-	-	(6,515)
Interest and Fiscal Charges Paid	-	-	(51,655)	-	-	(51,655)
Repayment of Long-term Debt	-	-	(34,183)	-	-	(34,183)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(1,609)	(90,744)	-	-	(92,353)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Received	-	7	32	41	-	80
Net Cash Provided by Investing Activities	-	7	32	41	-	80

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017**

	PIH Family Self- Sufficiency Program	Housing Choice Vouchers	Business Activities	Lower Income Housing Assistance Program- Section 8 Moderate	ELIM	Total
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(1,770)	(6,643)	(11,999)	-	(20,412)
Cash and Cash Equivalents - Beginning of Year	-	67,546	83,280	12,894	-	163,720
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>	<u>\$ 65,776</u>	<u>\$ 76,637</u>	<u>\$ 895</u>	<u>\$ -</u>	<u>\$ 143,308</u>
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION						
Cash and Cash Equivalents	\$ -	\$ 36,402	\$ 66,512	\$ 895	\$ -	\$ 103,809
Restricted Assets - Cash and Investments	-	29,374	10,125	-	-	39,499
Cash and Cash Equivalents - End of Year	<u>\$ -</u>	<u>\$ 65,776</u>	<u>\$ 76,637</u>	<u>\$ 895</u>	<u>\$ -</u>	<u>\$ 143,308</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ -	\$ (13,657)	\$ 40,103	\$ 2,084	\$ -	\$ 28,530
Depreciation	-	838	45,722	-	-	46,560
(Increase) Decrease in Assets:						
Accounts Receivable	(8,591)	(2,930)	(12)	32,989	-	21,456
Prepayments	-	-	40	-	-	40
Increase (Decrease) in Liabilities:						
Accounts Payable	-	(117)	748	-	-	631
Unearned Revenue	-	(38,015)	-	-	-	(38,015)
Tenants Security Deposits	-	-	350	-	-	350
Accrued Expenses	8,591	2,829	-	889	-	12,309
Net Cash Provided (Used) by Operating Activities	<u>\$ -</u>	<u>\$ (51,052)</u>	<u>\$ 86,951</u>	<u>\$ 35,962</u>	<u>\$ -</u>	<u>\$ 71,861</u>

MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
OF ALL HOUSING CHOICE VOUCHERS PROGRAMS ADMINSTRATED BY MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
YEAR ENDED DECEMBER 31, 2017

	<u>Mobridge City</u>	<u>Faulk County</u>	<u>Edmunds County</u>	<u>Walworth County</u>	<u>Hand County</u>	<u>Perkins County</u>	<u>Corson County</u>	<u>Dewey County</u>	<u>Campbell County</u>	<u>Grant County</u>	<u>Potter County</u>	<u>Total</u>
OPERATING REVENUES												
HUD PHA Operating Grants	278,988	27,081	15,827	15,594	11,905	9,739	35,597	7,374	5,839	22,797	3,490	434,231
Fraud Recovery	377	-	-	-	-	-	-	-	-	-	-	377
Other Revenue	5,744	-	-	-	-	-	-	-	-	-	-	5,744
Total Operating Revenues	<u>285,109</u>	<u>27,081</u>	<u>15,827</u>	<u>15,594</u>	<u>11,905</u>	<u>9,739</u>	<u>35,597</u>	<u>7,374</u>	<u>5,839</u>	<u>22,797</u>	<u>3,490</u>	<u>440,352</u>
OPERATING EXPENSES												
Administrative	57,160	-	-	-	-	-	-	-	-	-	-	57,160
Insurance Premiums	782	-	-	-	-	-	-	-	-	-	-	782
General Expenses	943	-	-	-	-	-	-	-	-	-	-	943
Housing Assistance Payments	239,043	27,081	15,827	15,594	11,905	9,739	35,597	7,374	5,839	22,797	3,490	394,286
Depreciation Expense	838	-	-	-	-	-	-	-	-	-	-	838
Total Operating Expenses	<u>298,766</u>	<u>27,081</u>	<u>15,827</u>	<u>15,594</u>	<u>11,905</u>	<u>9,739</u>	<u>35,597</u>	<u>7,374</u>	<u>5,839</u>	<u>22,797</u>	<u>3,490</u>	<u>454,009</u>
OPERATING INCOME (LOSS)	<u>(13,657)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,657)</u>
NONOPERATING REVENUES (EXPENSES)												
Investment Income - Unrestricted	7	-	-	-	-	-	-	-	-	-	-	7
Total Nonoperating Revenues (Expenses)	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7</u>
Income (Loss) before Transfers	<u>(13,650)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,650)</u>
Transfers	2,371	-	-	-	-	-	-	-	-	-	-	2,371
CHANGE IN NET POSITON	<u>(11,279)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,279)</u>
Net Position - Beginning of Year	<u>23,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,040</u>
NET POSITION - END OF YEAR	<u>\$ 11,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,761</u>

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
<u>Direct Awards:</u>		
Lower Income Housing Assistance Program - Section 8		
Moderate Rehabilitation	14.856	\$ 247,376
Housing Choice Vouchers	14.871	434,231
PIH Family Self-Sufficiency Program	14.896	34,266
Total Expenditures of Federal Awards		<u>\$ 715,873</u>

Notes to the Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Moberidge Housing and Redevelopment Commission for the year ended December 31, 2017. 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).

Expenditures reported on the schedule are reported on the 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The entity did not elect to use the 10% de minimis indirect cost rate as covered by 2 CFR 200.414.

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
FINANCIAL DATA SCHEDULE - BALANCE SHEET SUMMARY
DECEMBER 31, 2017**

Line Item#	Description	PIH Family Self-Sufficiency Program	Housing Choice Vouchers	Business Activities	Lower Income Housing Assistance Program-Section 8 Moderate	ELIM	Total
111	Cash - Unrestricted	\$ -	\$ 36,402	\$ 55,912	\$ -	\$ -	\$ 92,314
113	Cash - Other Restricted	-	6,416	-	-	-	6,416
114	Cash - Tenant Security Deposits	-	-	10,125	-	-	10,125
100	Total Cash	-	42,818	66,037	-	-	108,855
122	Accounts Receivable - HUD Other Projects	8,591	2,719	-	-	-	11,310
125	Accounts Receivable - Miscellaneous	-	1,493	26	-	-	1,519
120	Total Receivables, Net of Allowances for Doubtful Accounts	8,591	4,212	26	-	-	12,829
131	Investments - Unrestricted	-	-	10,600	895	-	11,495
135	Investments - Restricted for Payment of Current Liability	-	22,958	-	-	-	22,958
142	Prepaid Expenses and Other Assets	-	1,112	2,817	-	-	3,929
144	Inter Program Due From	-	-	1,800	31,117	(32,917)	-
150	Total Current Assets	8,591	71,100	81,280	32,012	(32,917)	160,066
161	Land	-	-	23,696	-	-	23,696
162	Buildings	-	-	1,366,960	-	-	1,366,960
164	Furniture, Equipment & Machinery - Administration	-	25,641	15,329	-	-	40,970
166	Accumulated Depreciation	-	(21,822)	(497,819)	-	-	(519,641)
160	Total Capital Assets, Net of Accumulated Depreciation	-	3,819	908,166	-	-	911,985
180	Total Non-Current Assets	-	3,819	908,166	-	-	911,985
290	Total Assets and Deferred Outflow of Resources	8,591	74,919	989,446	32,012	(32,917)	1,072,051

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
FINANCIAL DATA SCHEDULE - BALANCE SHEET SUMMARY
DECEMBER 31, 2017**

Line Item#	Description	PIH Family Self-Sufficiency Program	Housing Choice Vouchers	Business Activities	Lower Income Housing Assistance Program-Section 8 Moderate	ELIM	Total
312	Accounts Payable <= 90 Days	-	867	892	-	-	1,759
325	Accrued Interest Payable	-	-	4,233	-	-	4,233
331	Accounts Payable - HUD PHA Programs	-	-	-	889	-	889
332	Account Payable - PHA Projects	8,591	-	-	-	-	8,591
341	Tenant Security Deposits	-	-	10,125	-	-	10,125
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	35,783	-	-	35,783
345	Other Current Liabilities	-	22,958	-	-	-	22,958
347	Inter Program - Due To	-	32,917	-	-	(32,917)	-
310	Total Current Liabilities	8,591	56,742	51,033	889	(32,917)	84,338
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	1,076,696	-	-	1,076,696
353	Non-current Liabilities - Other	-	6,416	-	-	-	6,416
350	Total Non-Current Liabilities	-	6,416	1,076,696	-	-	1,083,112
300	Total Liabilities	8,591	63,158	1,127,729	889	(32,917)	1,167,450
508.4	Net Investment in Capital Assets	-	3,819	(204,313)	-	-	(200,494)
512.4	Unrestricted Net Position	-	7,942	66,030	31,123	-	105,095
513	Total Equity - Net Assets / Position	-	11,761	(138,283)	31,123	-	(95,399)
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 8,591	\$ 74,919	\$ 989,446	\$ 32,012	\$ (32,917)	\$ 1,072,051

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
FINANCIAL DATA SCHEDULE - REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2017**

Line Item#	Description	PIH Family Self-Sufficiency Program	Housing Choice Vouchers	Business Activities	Lower Income Housing Assistance Program-Section 8 Moderate	ELIM	Total
70300	Net Tenant Rental Revenue	\$ -	\$ -	\$ 115,075	\$ -	\$ -	\$ 115,075
70400	Tenant Revenue - Other	-	-	6,275	-	-	6,275
70500	Total Tenant Revenue	-	-	121,350	-	-	121,350
70600	HUD PHA Operating Grants	34,266	434,231	-	247,376	-	715,873
71100	Investment Income - Unrestricted	-	7	32	41	-	80
71400	Fraud Recovery	-	377	-	90	-	467
71500	Other Revenue	-	5,744	705	-	-	6,449
70000	Total Revenue	34,266	440,359	122,087	247,507	-	844,219
91200	Auditing Fees	-	2,200	200	1,100	-	3,500
91300	Management Fee	-	36,587	6,019	-	-	42,606
91600	Office Expenses	-	13,806	1,276	6,521	-	21,603
91900	Other	-	4,567	-	22,139	-	26,706
91000	Total Operating - Administrative	-	57,160	7,495	29,760	-	94,415
92100	Tenant Services - Salaries	34,266	-	-	-	-	34,266
92500	Total Tenant Services	34,266	-	-	-	-	34,266
93100	Water	-	-	4,243	-	-	4,243
93200	Electricity	-	-	458	-	-	458
93300	Gas	-	801	374	-	-	1,175
93000	Total Utilities	-	801	5,075	-	-	5,876

MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
FINANCIAL DATA SCHEDULE - REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2017

Line Item#	Description	PIH Family Self-Sufficiency Program	Housing Choice Vouchers	Business Activities	Lower Income Housing Assistance Program-Section 8 Moderate	ELIM	Total
94100	Ordinary Maintenance and Operations - Labor	-	-	5,870	-	-	5,870
94200	Ordinary Maintenance and Operations - Materials and Other	-	-	2,518	-	-	2,518
94300	Ordinary Maintenance and Operations Contracts	-	-	8,991	-	-	8,991
94500	Employee Benefit Contributions - Ordinary Maintenance	-	-	449	-	-	449
94000	Total Maintenance	-	-	17,828	-	-	17,828
96110	Property Insurance	-	-	5,674	-	-	5,674
96120	Liability Insurance	-	718	-	402	-	1,120
96140	All Other Insurance	-	64	-	36	-	100
96100	Total insurance Premiums	-	782	5,674	438	-	6,894
96200	Other General Expenses	-	142	158	-	-	300
96000	Total Other General Expenses	-	142	158	-	-	300
96720	Interest on Notes Payable (Short and Long Term)	-	-	51,524	-	-	51,524
96700	Total Interest Expense and Amortization Cost	-	-	51,524	-	-	51,524
96900	Total Operating Expenses	34,266	58,885	87,754	30,198	-	211,103
97000	Excess of Operating Revenue over Operating Expenses	-	381,474	34,333	217,309	-	633,116
97300	Housing Assistance Payments	-	394,286	-	215,184	-	609,470
97400	Depreciation Expense	-	838	45,722	-	-	46,560
90000	Total Expenses	34,266	454,009	133,476	245,382	-	867,133

**MOBRIDGE HOUSING AND REDEVELOPMENT COMMISSION
FINANCIAL DATA SCHEDULE - REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2017**

Line Item#	Description	PIH Family Self- Sufficiency Program	Housing Choice Vouchers	Business Activities	Lower Income Housing Assistance Program- Section 8 Moderate	ELIM	Total
10010	Operating Transfer In	-	2,371	-	-	(2,371)	-
10020	Operating transfer Out	-	-	-	(2,371)	2,371	-
10100	Total Other financing Sources (Uses)	-	2,371	-	(2,371)	-	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ -	\$ (11,279)	\$ (11,389)	\$ (246)	\$ -	\$ (22,914)
11020	Required Annual Debt Principal Payments	-	-	34,183	-	-	34,183
11030	Beginning Equity	-	23,040	(126,894)	31,369	-	(72,485)
11170	Administrative Fee Equity	-	11,761	-	-	-	11,761
11190	Unit Months Available	-	1,608	144	504	-	2,256
11210	Number of Unit Months Leased	-	1,135	133	504	-	1,772

**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**

Board of Commissioners
Mobridge Housing and Redevelopment Commission
Mobridge, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Mobridge Housing and Redevelopment Commission (the Commission), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated August 23, 2018.

Internal Control Over Financial Reporting

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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



Johnson, Mattson, Smail & Cavanaugh, PLLC
St. Louis Park, Minnesota
August 23, 2018