

**PENNINGTON COUNTY HOUSING AND
REDEVELOPMENT COMMISSION
(A COMPONENT UNIT OF
PENNINGTON COUNTY)**

INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

MARCH 31, 2016 AND 2015



**CASEY PETERSON
& ASSOCIATES, LTD.**
CPAs & FINANCIAL ADVISORS

RAPID CITY, SOUTH DAKOTA
GILLETTE, WYOMING

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
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March 31, 2016 and 2015

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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
Pennington County Housing and Redevelopment Commission
Rapid City, 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 statements of net position, revenues, expenses and changes in net position, and cash flows of Pennington County Housing and Redevelopment Commission, a component unit of Pennington County, as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise Pennington County Housing and Redevelopment Commission's basic financial statements and have issued our report thereon dated August 17, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pennington County Housing and Redevelopment 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 Pennington County Housing and Redevelopment Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Pennington County Housing and Redevelopment 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 Pennington County 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 Pennington County Housing and Redevelopment Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pennington County Housing and Redevelopment Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Casey Peterson & Associates, LTD

Rapid City, South Dakota

August 17, 2016



Independent Auditors' Report on Compliance for
Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance

Board of Commissioners
Pennington County Housing and Redevelopment Commission
Rapid City, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Pennington County Housing and Redevelopment Commission's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on Pennington County Housing and Redevelopment Commission's major federal programs for the year ended March 31, 2016. Pennington County Housing and Redevelopment Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Pennington County Housing and Redevelopment Commission's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pennington County Housing and Redevelopment Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of Pennington County Housing and Redevelopment Commission's compliance.

Opinion on Major Federal Program

In our opinion, Pennington County Housing and Redevelopment 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 programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended March 31, 2016.

Report on Internal Control Over Compliance

Management of Pennington County Housing and Redevelopment Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pennington County Housing and Redevelopment Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pennington County Housing and Redevelopment Commission's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Casey Peterson & Associates, LTD

Rapid City, South Dakota
August 17, 2016

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Schedule of Findings and Questioned Costs
March 31, 2016

SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

- a. The independent auditors' report expressed an unmodified opinion on the financials statements of Pennington County Housing and Redevelopment Commission.
- b. No material weaknesses related to the audit of the financial statements were reported in the Report on Internal Control over Financial Reporting and on Compliance with Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- c. There was no noncompliance material to the financial statements of Pennington County Housing and Redevelopment Commission which would be required to be reported in accordance with *Government Auditing Standards*.
- d. The independent auditor's report on compliance for the major federal award programs of Pennington County Housing and Redevelopment Commission expresses an unmodified opinion on the major federal programs.
- e. No noncompliance or material weaknesses in internal control over compliance related to the major federal programs were reported in the Independent Auditors' Report on Compliance for Each Major Program and Internal Control over Compliance in Accordance with the Uniform Guidance.
- f. There were no audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
- g. The Commission's major program for the year ended March 31, 2016 was:
Section 8 Housing Choice Vouchers CFDA #14.871
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i. The Commission qualified as a low-risk auditee under 2 CFR section 200.520.

FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statement audit.

FINDINGS - MAJOR FEDERAL AWARD PROGRAMS

There were no findings related to the audit of major federal award programs.

**Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Schedule of Prior Audit Findings and Questioned Costs
March 31, 2016**

There were no findings applicable to federal programs in the prior year financial statements.



Independent Auditors' Report

To the Board of Commissioners
Pennington County Housing and Redevelopment Commission
Rapid City, South Dakota

We have audited the accompanying financial statements of Pennington County Housing and Redevelopment Commission, a component unit of Pennington County, which comprise the statements of net position as of March 31, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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 Pennington County Housing and Redevelopment Commission, as of March 31, 2016 and 2015, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As described in Note 6 to the financial statements, the Commission adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 14 to the financial statements, the Commission has restated the beginning net position for the year ended March 31, 2016 in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 - 20, Schedule of Net Pension Asset on page 56, and Schedule of Pension Contributions on page 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pennington County Housing and Redevelopment Commission's basic financial statements. The accompanying Supplementary Schedule of Net Position, Supplementary Schedule of Revenues, Expenses and Change in Net Position and Modernization Projects Completed on pages 60 through 68 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* on page 69 is also presented for purposes of additional analysis and is also not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 17, 2016 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Casey Peterson & Associates, LTD". The signature is written in a cursive style.

Casey Peterson & Associates, LTD

Rapid City, South Dakota

August 17, 2016

**Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Management's Discussion and Analysis (Unaudited)
For the Year Ended March 31, 2016**

This section of Pennington County Housing and Redevelopment Commission's (PCHRC) annual financial report presents our Management's Discussion and Analysis (MD&A) of PCHRC's financial performance during the fiscal year ended March 31, 2016. The MD&A is designed to assist the reader in focusing on significant financial issues, to provide an overview of PCHRC's financial activity and position, and to identify financial trends and concerns. Since this section is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with PCHRC's financial statements.

FINANCIAL HIGHLIGHTS

- The PCHRC implemented GASB 68 in 2016. GASB 68 relates to accounting and financial reporting issues and how pension costs and obligations are measured and reported in audited external financial reports. While there has been a close relationship between how governments fund pensions and how they account and report information until now, the new guidance establishes a decided shift from a funding-based approach to an accounting-based approach. This shift was designed to improve pension information and increase the transparency, consistency, and comparability of pension information across governments. For 2016 the PCHRC's financial statements show a prorated share of the South Dakota Retirement System's Net Pension Asset in the amount of \$294,516.
- In Fiscal Year 2016, PCHRC utilized \$546,745 in Capital Fund Grants.

AGENCY OVERVIEW

PCHRC is supported largely by HUD. PCHRC's mission is to provide decent, safe, and affordable housing to low and very low-income populations. PCHRC uses the enterprise fund method for financial reporting. This presentation is designed to be corporate-like in that all business type activities are consolidated into one agency-wide total. While detailed sub-fund information is not presented, separate accounts are maintained for each program or grant to control and manage money for particular purposes or to demonstrate that PCHRC is properly using specific appropriations and grants.

Housing Choice Voucher Program

PCHRC administers a Housing Choice Voucher Program with federal funds received from HUD. The Housing Choice Voucher Program is a federal government program for assisting very low-income families to afford decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, townhouses, and apartments.

A family issued a housing voucher chooses a suitable housing unit where the owner agrees to rent under the program. The family pays a portion of the rent based on their income, and the remainder of the rent is paid to the landlord directly by PCHRC.

Eligibility for a housing voucher is determined based on the total annual gross income and family size and is limited to U.S. citizens and specified categories of non-citizens who have eligible immigration status. In general, the family's income may not exceed 50 percent of the median income for the county or metropolitan area in which the family chooses to live. By law, PCHRC must provide 75 percent of its vouchers to applicants whose incomes do not exceed 30 percent of the area median income.

**Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Management's Discussion and Analysis (Unaudited)
For the Year Ended March 31, 2016**

Public Housing Program

Public Housing was established to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. PCHRC's Public Housing stock was predominantly built in the late 1970s and comes in all sizes and types, from scattered single-family houses to high-rise apartments. 500 public housing units are owned and managed by PCHRC, which includes 110 single-family homes, 95 townhouses and apartment units, 258 high-rise apartment units and 37 units in a residential group home setting for developmentally disabled individuals. Occupancy rates remained high in FY 2016 at approximately 99%. HUD provides federal aid to PCHRC so that PCHRC can manage the housing for low-income residents at rents they can afford. Rents charged are based on the family's income. To be eligible for Public Housing, a family's total annual gross income must not exceed 80% of the area median income. Participation is limited to U.S. citizens and specified categories of non-citizens who have eligible immigration status. By law, the PCHRC must provide 40 percent of its Public Housing units to applicants whose incomes do not exceed 30 percent of the area median income.

In addition to federal aid for the operation of Public Housing, HUD also provides PCHRC with Capital Fund Program grants for Public Housing modernization. Capital Fund grant revenue has averaged \$502,716 over the past three years which is a 39% decrease over the previous three-year average. Expenditure of these funds depends largely on the timing of the construction contracts. Expenditures of Capital Fund grants amounted to \$546,745 in 2016 and \$788,093 in 2015. The large decrease in spending in 2016 is the result of recognizing and receiving revenue as the modernization work is completed. In 2015 a contract begun in 2014 was completed while 2016 saw contracts start and finish.

Other Affordable Housing Programs

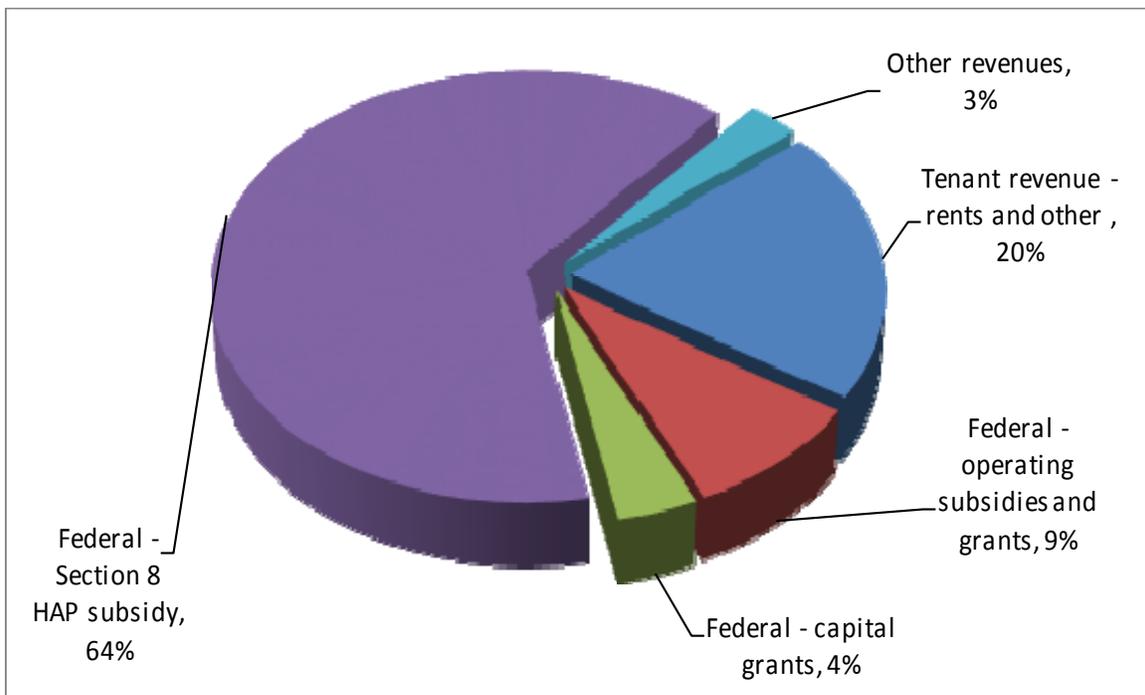
In addition to Public Housing, PCHRC owns and operates several other affordable housing developments. These include two USDA Rural Development developments, two HOME developments and a former Low-Income Tax Credit property. Rural Development properties receive subsidies and mortgage interest credits provided by the USDA Rural Development and the South Dakota Housing Development Authority to provide income based rents. HOME projects received favorable financing rates which allow rents to be set below market levels.

**Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Management’s Discussion and Analysis (Unaudited)
For the Year Ended March 31, 2016**

Sources and Uses of Funds

The following charts present a breakdown of PCHRC’s 2016 sources and uses of funds and make comparisons based on a percentage of the totals. The sources and uses presentation is another method of looking at how PCHRC is utilizing the resources provided to manage its housing programs. It differs slightly from the financial statement on page 25. The difference is that depreciation expense, which does not result in a cash disbursement, is not included here, but capital expenditures, which do require a cash outlay, are include here but not found in the Statements of Revenues, Expenses and Changes in Net Position. As in previous years, PCHRC was heavily financed by the federal government. In 2016, federal grants and subsidies made up 77 percent of PCHRC’s total sources of funds. These funds were provided for general program operation, capital improvements to existing structures and Section 8 housing assistance subsidies. Federal operating subsidies and grants saw an increase in 2016 while capital grants and other revenues decreased in 2016. The decrease in Capital Fund grant revenue is due to the timing of the expenditures for this program as Capital Fund grant revenue is recognized when these funds are expended and not when the grant is awarded. The decrease in other revenue is mostly due to a decrease in the unrealized gain attributed to investments.

2016 Sources of Funds

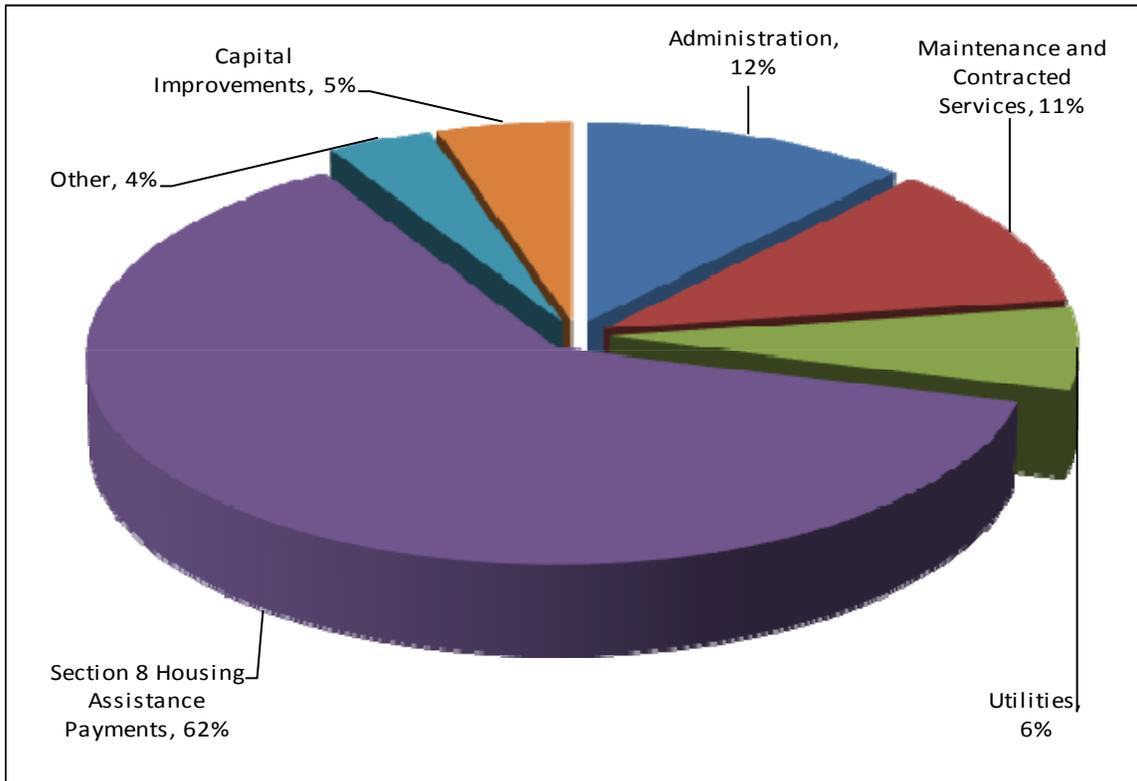


Tenant revenue - rents and other	\$ 2,565,739
Federal - operating subsidies and grants	1,114,027
Federal - capital grants	487,296
Federal - Section 8 HAP subsidy	8,045,317
Other revenues	<u>358,960</u>
Total Sources	<u>\$ 12,571,339</u>

**Pennington County Housing and Redevelopment Commission
 (A Component Unit of Pennington County)
 Management's Discussion and Analysis (Unaudited)
 For the Year Ended March 31, 2016**

The majority of uses of funds were for housing assistance payments to Section 8 landlords. In 2016, capital uses decreased over 2015 due to the timing of the expenditure of Capital Fund Grant funds. The projects started in 2016 were large in scope but smaller in cost than 2015. Therefore, expenditures were down in 2016. Utilities and Maintenance and Contracted Services were relatively unchanged while Administration increased by just over 1% over 2015 when comparing to the total uses of funds.

2016 Uses of Funds



Administration	\$ 1,384,551
Maintenance and Contracted Services	1,288,159
Utilities	742,363
Section 8 Housing Assistance Payments	7,318,432
Other	441,353
Capital Improvements	565,512
Total Uses	<u>\$ 11,740,370</u>

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Management's Discussion and Analysis (Unaudited)
For the Year Ended March 31, 2016

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements are designed to provide readers with a broad overview of PCHRC's finances in a manner similar to a private sector business. These statements include:

Statement of Net Position which presents information on all of PCHRC's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position usually serve as a useful indicator of whether the financial position of PCHRC is improving or deteriorating. The Statement of Net Position is shown on pages 22 and 23.

Statement of Revenues, Expenses, and Changes in Net Position which presents information showing how PCHRC's Net Position changed during the most recent period. This statement shows the total revenues and total expenses of PCHRC, and the difference between them is PCHRC's net income. This statement is shown on page 25.

Statement of Cash Flows which presents changes in cash and cash equivalents resulting from operations, capital and noncapital financing activities, and investing activities. The Statement of Cash Flows is shown on pages 26 and 27.

The Notes to the Financial Statements provide additional information essential to the full understanding of the data provided in PCHRC's other basic financial statements. The Notes to the Financial Statements can be found on pages 28 through 54 of this report.

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Management's Discussion and Analysis (Unaudited)
For the Year Ended March 31, 2016

COMPARATIVE FINANCIAL ANALYSIS

The following table provides a comparative analysis of PCHRC's financial position for the fiscal years ended March 31, 2016 and March 31, 2015. March 31, 2014 has been listed for informational purposes only. This table provides a snapshot of PCHRC's economic resources (assets), the claims on these resources (liabilities) by outside creditors, and the net resources (equity) available to PCHRC.

	2016	2015	2015-2016 Variance (%)	2014
Current and Other	\$ 11,446,241	\$ 10,211,098	12.1	\$ 9,024,606
Capital Assets	<u>11,783,114</u>	<u>12,435,695</u>	(5.2)	<u>13,006,958</u>
Total Assets	<u>23,229,355</u>	<u>22,646,793</u>	2.5	<u>22,031,564</u>
Deferred Outflows	532,555	-		-
Current Liabilities	710,995	670,915	6.0	649,207
Long-term Liabilities	<u>4,051,042</u>	<u>4,235,314</u>	(4.4)	<u>4,403,699</u>
Total Liabilities	<u>4,762,037</u>	<u>4,906,229</u>	(2.9)	<u>5,052,906</u>
Deferred Inflows	<u>434,564</u>	-		-
Net Position				
Invested in Capital				
Net of Related Debt	7,780,039	8,252,363	(5.7)	8,668,227
Restricted	869,980	393,234	121.2	444,776
Unrestricted	<u>9,915,290</u>	<u>9,094,967</u>	9.0	<u>7,865,655</u>
Total Net Position	<u>\$ 18,565,309</u>	<u>\$ 17,740,564</u>	4.6	<u>\$ 16,978,658</u>

Current and other assets increased over 2015 levels by \$1,235,143. This increase is primarily due to the increase in cash and investments of 17.59% as well as the addition of a net pension asset as discussed below. Other notable changes that occurred in current and other assets was a increase of 151.65% in Tenant accounts receivable, net of the allowance for doubtful accounts, due to less write-offs in this year compared to 2015 due to the timing of the collection process, and a decrease of 99.24% in Accounts Receivable-HUD, mostly due to a lack of Housing Choice Voucher receivables at end of 2016.

At the end of 2015 current and other assets increased over 2014 levels by \$1,186,492. This increase is primarily due to the decrease in cash but an increase in investments of 13.94%. From 2014 to 2015 there was a decrease of 38.7% in Tenant accounts receivables, net of the allowance for doubtful accounts, due to more aggressive write-offs, and a decrease of 50.24% in Accounts Receivable-HUD, mostly due to a lack of Shelter Plus Care and SNAP receivables at end of 2015.

**Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Management's Discussion and Analysis (Unaudited)
For the Year Ended March 31, 2016**

In 2016 the PCHRC implemented GASB 68. As a result, the 2016 financial statements include information related to the South Dakota Retirement System (SDRS) that the PCHRC participates in. For 2016 the SDRS was "over-funded" creating a Net Pension Asset. GASB 68 requires that the PCHRC show a proportionate share of this Net Pension Asset. Included within the other assets above is the PCHRC's proportionate share of this Net Pension Asset of \$294,516.

Also required by GASB 68 is to show deferred inflows and outflows of resources related to the PCHRC's participation in the SDRS.

The decrease in the book value of Capital Assets is due in large part to the expensing of depreciation in the normal course of business during the year. By the end of 2016, PCHRC had invested \$11,783,114, net of depreciation, in a broad range of capital assets, including land, buildings, various furniture, equipment and machinery and site improvements. (See Table 2.) This amount represents a net decrease (including additions and deductions) of \$652,581, or 5.25%, over the last year.

**Table 2
Change in Capital Assets
(Net of Depreciation)**

	2016	2015	Total Dollar Change	Total Percentage Change
Land	\$ 1,979,446	\$ 1,979,446	\$ -	
Buildings	8,296,711	8,746,672	(449,961)	-5.14%
Furniture, Equipment and Machinery	910,517	1,027,251	(116,734)	-11.36%
Site Improvements	596,440	682,326	(85,886)	-12.59%
	<u>\$ 11,783,114</u>	<u>\$ 12,435,695</u>	<u>\$ (652,581)</u>	-5.25%

This year's major capital asset additions included:

- Replacement of new furnaces and addition of central air conditioning in Public Housing Family units \$446,151.
- Jackson Heights Highrise Common Area Air Conditioning Upgrades \$13,076.
- Maintenance Vehicle Replacement \$26,142.

In PCHRC's fiscal year 2017, \$618,291 in Capital Fund Program funds are scheduled to be used to continue the plumbing upgrades and begin parking lot upgrades, siding replacements and common area window and door replacements in the highrises. PCHRC has no plans to incur additional debt to fund these additions, rather we will use the above mentioned resources and general account funds if necessary.

**Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Management's Discussion and Analysis (Unaudited)
For the Year Ended March 31, 2016**

Current liabilities increased by \$40,080 while long-term liabilities decreased by \$184,272 resulting in an overall decrease of \$144,192 in total liabilities. The majority of the modest increase in current liabilities is the result of the increase of the amount of long-term debt classified as current portion and an small increases in tenant security deposit liability, accounts payable-vendors, wages and payroll taxes payable, payment in Lieu of taxes payable and deferred revenues from tenants offset by the decrease in accrued interest payable. Most notable is the 63.73 % increase in current year accrued absences due to the expected retirement of a long-term employee in the upcoming year. All of these changes are normal in the course of business.

At year-end, PCHRC had \$4,265,090 in compensated absences and long-term mortgage debt obligations. This is a decrease of 3.61% as shown on Table 3 below.

**Table 3
Outstanding Debt and Obligations**

	<u>2016</u>	<u>2015</u>	<u>Total Dollar Change</u>	<u>Total Percentage Change</u>
Compensated Absences	\$ 262,015	\$ 241,478	\$ 20,537	8.50%
Long-term Debt, Mortgages	<u>4,003,075</u>	<u>4,183,332</u>	<u>(180,257)</u>	-4.31%
	<u>\$ 4,265,090</u>	<u>\$ 4,424,810</u>	<u>\$ (159,720)</u>	-3.61%

The Commission is liable for accrued vacation and sick leave payable to full-time employees. The increase is due to an increase in the amount of leave accumulated and outstanding at the end of the year.

Total Net Position increased by 4.6 percent from 2015. The largest portion of PCHRC's Net Position is in capital assets, net of related debt. Capital assets, net of related debt, comprise 42 percent of the total Net Position. Net Position mainly represents the buildings and equipment that PCHRC utilizes in housing low to moderate-income individuals and families.

Restricted Net Position represents funds constrained in use by grantors, contributors, laws, or regulations of the government. In our case, these funds are reserves restricted in use by the USDA Rural Development, the South Dakota Housing Development Authority, the US Department of Housing and Urban Development (HUD) as well as the net effect of the implementation of GASB 68 as it relates to the SDRS. Restricted Net Position increased by 121.2% from 2015. The majority of this increase is the result of the implantation of the GASB 68 as it pertains to the SDRS in the amount of \$392,507 as well as smaller increase to the Rural Rental Assistance Payments Program and HOME Investments Partnerships Program replacement reserves and housing assistance reserve for the Housing Choice Voucher Program.

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Management's Discussion and Analysis (Unaudited)
For the Year Ended March 31, 2016

OPERATING ACTIVITIES

PCHRC receives its operating revenues from rental charges and government subsidies and grants provided through HUD and USDA Rural Development. PCHRC also receives funding from HUD for capital improvement expenditures. The following table summarizes and compares the PCHRC's operating and capital transactions between fiscal years 2016 and 2015. 2014 is listed for informational purposes only.

Table 4
Statement of Revenues and Expenses

	2016	2015	2015-2016 Variance (%)	2014
Revenues				
Dwelling Rental Income	\$ 2,565,739	\$ 2,471,198	3.8	\$ 2,007,511
Federal - Section 8 Rent Subsidy	8,045,317	7,722,228	4.2	7,265,571
Federal - Public Housing Operating Operating Subsidy	1,028,532	1,005,804	2.3	942,704
Other Government Grants	144,944	133,664	8.4	142,729
Investment Income	266,443	677,500	(139.3)	(404,283)
Management Fee Income	-	-	0.0	21,360
Other Revenue	150,568	173,447	(13.2)	150,503
Total Revenues	<u>12,201,543</u>	<u>12,183,841</u>	0.1	<u>10,126,095</u>
Expenses				
Rental Assistance Payments	7,304,387	7,132,296	2.4	6,893,992
Depreciation and Amortization	1,218,180	1,340,989	(9.2)	1,376,544
Administrative	1,384,551	1,230,225	12.5	1,382,393
Ordinary Maintenance	1,128,915	1,007,942	12.0	903,374
Utilities	742,363	758,382	(2.1)	703,473
General Expenses	435,141	460,075	(5.4)	356,861
Extraordinary Maintenance	159,244	170,934	(6.8)	209,536
Protective Services	25,000	25,000	0.0	25,000
Tenant Services	23,404	22,374	4.6	20,996
Total Expenses	<u>12,421,185</u>	<u>12,148,217</u>	2.2	<u>11,872,169</u>
Net Income Before Contributed Capital	(219,642)	35,624	(716.6)	(1,746,074)
Federal - Capital Fund Grant	487,296	729,680	(33.2)	174,321
Gain (Loss) on Disposition on Equipment	96	(3,398)	(102.8)	(6,189)
Change in Net Position	<u>\$ 267,750</u>	<u>\$ 761,906</u>	(64.9)	<u>\$ (1,577,942)</u>

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Management's Discussion and Analysis (Unaudited)
For the Year Ended March 31, 2016

Revenues to support operations in total were relatively flat from 2015 as compared to an increase of 20.3 percent from 2014 to 2015 due to the addition of the Memorial Park Apartment late in fiscal year 2014. The increases of \$94,541 in Dwelling Rental Income and \$323,089 in Federal – Section 8 Rent Subsidy were offset by the decrease of \$411,057 in Investment Income due to much smaller unrealized gains on investments in 2016 when compared to 2015.

Section 8 housing assistance payment expenses showed a 2.6% increase from the 2015 levels. This is due to an increase in funding.

Administrative expenses increased by 12.5% over 2015 levels with the bulk of this decrease attributable to required employee benefit entries to implement the SDRS GASB 68.

Ordinary Maintenance, attributable in part to the above GASB 68 implementation, increased 12.0%. All other expense categories show decreases with the exception of a 4.6% increase in tenant services expense. These increases are in line with the increases seen between 2014 and 2015 with the exception of the 28.9% increase in General Expenses during this period due to an insurance premium increases and the addition of Payments in Lieu of taxes also attributable to the addition of Memorial Park Apartments.

Overall total expenses increased by 2.2% when compared to the 2015 levels. While other expenses may show a percentage change, none are significant enough in dollar terms to mention here.

Capital Fund grant revenue decreased by 716.6% from the 2015 amount. This dramatic decrease is the result of the timing of the construction projects of the Capital Fund Program as grant revenue is recognized when these funds are expended and not when the grant is awarded. In contrast, In 2015 Capital Fund grant revenue increased by 318.6% from the 2014 amount. The PCHRC's capital expenditures in 2016 were solely for modernization of existing units.

Several significant economic factors are present that may impact PCHRC in the future.

- In recent years, the Department of Housing and Urban Development has underfunded public housing authorities by prorating the funding allowable under the HUD formula. We do not expect this trend to change making funding levels uncertain and volatile from year to year. As an example of this, in the calendar year 2012, because of the Public Housing Operating Subsidy Reserve Recapture offset, PCHRC saw a decrease in revenue for FYE 2013 of \$835,478. At this time there is no indication that HUD plans to repeat the offsets in calendar year 2017.
- Inflation, employment trends and utility costs, which affect resident rent calculations, can significantly affect the amount of rental income collected and Section 8 Housing Assistance Payments made by PCHRC.
- PCHRC is heavily reliant on federal government funding. Many believe that current federal spending levels are unsustainable. HUD funding falls under the category of discretionary federal spending and is likely to be more vulnerable to budget cuts than entitlement programs. PCHRC faces a very real threat of significant funding cuts in the coming years.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of PCHRC's finances and to demonstrate PCHRC's accountability for the appropriations and grants that it receives. If you have any questions about this report or need additional financial information, contact the Pennington County Housing and Redevelopment Commission, ATTN: Executive Director, 1805 West Fulton Street, Suite 101, Rapid City, SD 57702.

FINANCIAL STATEMENTS

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Statements of Net Position
March 31, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash and Cash Equivalents - Unrestricted	\$ 1,993,068	\$ 1,977,935
Cash and Cash Equivalents - Restricted	327,278	293,453
Tenant Accounts Receivable, Less Allowance for Uncollectible Accounts of \$41,575 in 2016 and \$44,649 in 2015	46,258	18,382
Funded Security Deposits	217,703	209,547
Certificates of Deposit - Restricted	98,697	98,352
Accounts Receivable - HUD	23	12,773
Accounts Receivable - Other	1,293	3,963
Prepaid Expenses and Other Assets	76,513	70,835
Inventories	30,117	32,677
Accrued Interest Receivable	31,973	26,100
Total Current Assets	2,822,923	2,744,017
Non-current Assets		
Non-current Investments	8,328,802	7,467,081
Net Pension Asset	294,516	-
Property and Equipment		
Land	1,979,446	1,979,446
Buildings	35,097,902	34,608,088
Furniture, Equipment and Machinery	3,582,567	3,563,669
Site Improvements	3,870,158	3,852,266
	44,530,073	44,003,469
Less Accumulated Depreciation	(32,746,959)	(31,567,774)
Total Property and Equipment	11,783,114	12,435,695
TOTAL ASSETS	23,229,355	22,646,793
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	532,555	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	532,555	-

The accompanying notes are an integral part of this statement.

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current Liabilities		
Current Portion of Long-term Debt	193,467	176,926
Accounts Payable	23,675	22,731
Accounts Payable - Other Government	103	91
Tenant Security Deposits	214,157	208,118
Accrued Liabilities		
Wages and Payroll Taxes	84,128	80,208
Interest	3,028	3,367
Payments in Lieu of Taxes	145,937	141,781
Accrued Absences	20,581	12,570
Prepaid Tenant Rents	<u>25,919</u>	<u>25,123</u>
Total Current Liabilities	710,995	670,915
Non-current Accrued Absences	241,434	228,908
Long-term Debt, Less Current Maturities	<u>3,809,608</u>	<u>4,006,406</u>
TOTAL LIABILITIES	<u>4,762,037</u>	<u>4,906,229</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows	<u>434,564</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>434,564</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	7,780,039	8,252,363
Restricted for:		
Replacement Reserves	425,975	391,805
Security Deposits	3,546	1,429
Section 8 Housing	47,952	-
Net Pension Asset	392,507	-
Unrestricted Net Position	<u>9,915,290</u>	<u>9,094,967</u>
TOTAL NET POSITION	<u>\$ 18,565,309</u>	<u>\$ 17,740,564</u>

The accompanying notes are an integral part of this statement.

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Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended March 31, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Dwelling Rental Income	\$ 2,190,045	\$ 2,078,119
Dwelling Rental Income - Pledged to Service		
Long-term Debt	375,694	393,079
Other Income	150,568	173,447
Total Operating Revenues	2,716,307	2,644,645
OPERATING EXPENSES		
Rental Assistance Payments	7,304,387	7,132,296
Depreciation and Amortization	1,218,180	1,340,989
Administrative	1,384,551	1,230,225
Ordinary Maintenance and Operation	1,128,915	1,007,942
Utilities	742,363	758,382
General Expenses	376,994	397,317
Extraordinary Maintenance	159,244	170,934
Protective Services	25,000	25,000
Tenant Services	23,404	22,374
Total Operating Expenses	12,363,038	12,085,459
OPERATING LOSS	(9,646,731)	(9,440,814)
NONOPERATING REVENUE (EXPENSE)		
Subsidies from HUD and Department of Agriculture	9,218,793	8,861,696
Investment Return (Loss)	266,443	677,500
Interest Expense	(58,147)	(62,758)
Loss on Disposition of Equipment	96	(3,398)
Total Nonoperating Revenue	9,427,185	9,473,040
LOSS BEFORE CONTRIBUTED CAPITAL	(219,546)	32,226
CONTRIBUTED CAPITAL - HUD SUBSIDY	487,296	729,680
CHANGE IN NET POSITION	267,750	761,906
NET POSITION, BEGINNING OF YEAR (AS PREVIOUSLY REPORTED)	17,740,564	16,978,658
PRIOR PERIOD ADJUSTMENT	556,995	-
NET POSITION, END OF YEAR	\$ 18,565,309	\$ 17,740,564

The accompanying notes are an integral part of this statement.

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Statements of Cash Flows
For the Years Ended March 31, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Receipts From Tenant Payments	\$ 2,546,416	\$ 2,501,357
Receipts for Other	150,568	173,448
Payments for Operating Expenses	(9,222,430)	(9,081,320)
Payments to Employees	<u>(1,730,540)</u>	<u>(1,665,947)</u>
Net Cash Used by Operating Activities	<u>(8,255,986)</u>	<u>(8,072,462)</u>
INVESTING ACTIVITIES		
Interest Earned	260,225	190,361
Proceeds from Memorial Park Apartments Acquisition	-	-
Cash Paid to Acquire Investments	(3,827,915)	(3,036,021)
Proceeds From Sale of Investments	<u>2,966,194</u>	<u>2,189,791</u>
Net Cash Used by Investing Activities	<u>(601,496)</u>	<u>(655,869)</u>
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from HUD and Department of Agriculture	<u>9,231,555</u>	<u>8,874,681</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributed Capital - HUD Subsidy	487,296	729,680
Purchases of Property and Equipment	(565,512)	(773,711)
Mortgage Interest Paid	(58,486)	(63,090)
Principal Payments on Long-term Debt	<u>(180,257)</u>	<u>(155,399)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(316,959)</u>	<u>(262,520)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	57,114	(116,170)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,480,935</u>	<u>2,597,105</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,538,049</u>	<u>\$ 2,480,935</u>
CASH AND CASH EQUIVALENTS CONSISTS OF		
Cash and Cash Equivalents - Unrestricted	\$ 1,993,068	\$ 1,977,935
Cash and Cash Equivalents - Restricted	327,278	293,453
Funded Security Deposits	<u>217,703</u>	<u>209,547</u>
	<u>\$ 2,538,049</u>	<u>\$ 2,480,935</u>

The accompanying notes are an integral part of this statement.

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Operating Loss	\$ (9,646,731)	\$ (9,440,814)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation and Amortization	1,218,180	1,340,989
Provision for Losses on Accounts Receivable	(3,074)	(10,130)
Net Pension Expense	164,488	-
Change in Assets and Liabilities		
Tenant Accounts Receivable	(24,802)	21,735
Accounts Receivable - Other	2,670	3,919
Prepaid Expenses	(5,678)	(5,564)
Inventories	2,560	7,852
Accounts Payable	953	(4,695)
Tenant Security Deposits	6,039	21,291
Accrued Liabilities	<u>29,409</u>	<u>(7,045)</u>
Net Cash Used by Operating Activities	<u>\$ (8,255,986)</u>	<u>\$ (8,072,462)</u>

The accompanying notes are an integral part of this statement.

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Notes to Financial Statements
March 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial statements presented in this report represent all the funds and fiscal activities under the control of the Board of Commissioners, a five-member governing board, of Pennington County Housing and Redevelopment Commission (the Commission), a component unit of Pennington County. The Pennington County Commissioners have the authority to approve or deny any new housing projects and to approve or disapprove the Commission's intent to issue long-term debt, by disapproving a proposed project to be so financed.

Pennington County Housing and Redevelopment Commission, a public housing authority (PHA), is engaged in providing housing and housing assistance to the low and very low income elderly, family and disabled, through low rent housing programs designed to provide decent, safe, affordable and sanitary housing.

The low rent programs are regulated by HUD as to rental charges and operating methods. The Commission receives subsidies from HUD to assist in covering the costs of the Commission's low rent housing programs. Contributions are received from HUD based on budgeted amounts. The Commission is required to prepare and adopt annual operating budgets for each of its HUD programs.

Low income families who participate in subsidized or housing assistance programs typically pay a portion of their housing costs, which generally amounts to the higher of either thirty percent of their adjusted gross income, based on HUD guidelines, or ten percent of their gross income; the remaining portion of the rent for the units is paid by HUD either through public housing program annual contributions, subsidies or housing assistance payments or through South Dakota Housing Development Authority (SDHDA) or Rural Development in the form of housing assistance payments.

Pennington County Housing and Redevelopment Commission owns and operates the following low income housing programs:

- a. HUD Projects SD045000011 and SD045000016, the public housing program, consists of two Public Housing developments with a total of 500 units of conventional housing in Rapid City and Wall, South Dakota under annual contributions contract DEN 371.
- b. The Section 8 Housing Choice Voucher program is a federally subsidized housing program designed to assist very low income families in finding, in the local market, decent, safe, affordable and sanitary rental housing suitable for their needs and desires. If the unit and rental rate are acceptable, the PHA enters into a housing assistance payments (HAP) contract with the owner of the unit to make up the difference between what the families can afford to pay, based on HUD guidelines, and the total contracted rent. Housing units leased under the Section 8 programs must meet housing quality standards as determined by the Commission; this is accomplished through unit inspections that must be conducted initially and on an annual basis thereafter. The Section 8 Housing Choice Voucher Program Administration derives its income from administration of the Section 8 Housing Choice Voucher low rent housing program; this program provides for an administrative fee based on a unit fair market rental rate and the number of rental units administered for each program.

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Notes to Financial Statements
March 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- c. The HUD-Veterans Affairs Supportive Housing (HUD-VASH) program combines Housing Choice Voucher (HCV) rental assistance for homeless Veterans with case management and clinical services provided by the Department of Veterans Affairs (VA). The VA provides these services for participating Veterans at VA medical centers (VAMCs) and community-based outreach clinics. The Commission has 110 HUD-VASH vouchers in its inventory. The financial information for this program is included with the Section 8 Housing Voucher Program within this report.
- d. The Shelter Plus Care (S+C) Program provides rental assistance in conjunction with supportive services. The program provides a variety of permanent housing choices, accompanied by a range of supportive services funded through other sources. The Commission has 37 of these vouchers in its inventory. In 2016, this program was funded through grants from the Shelter Plus Care Program and the Continuum of Care Program.
- e. The Commission owns and operates two HOME Developments through the South Dakota Housing Development Authority, consisting of 39 units for families. The projects are Harney View Apartments and Black Fox Manor, both located in Rapid City, South Dakota.
- f. The Commission owns and operates two USDA Rural Development projects with a total of 49 units for the elderly, disabled, and handicapped. The projects are located in Hill City and New Underwood, South Dakota.
- g. The Central Office account derives its income from management of the Public Housing, HOME, USDA Rural Development projects, the Section 8 program of Pennington County Housing and Redevelopment Commission, and from other property managed by the Central Office.
- h. During the year ended March 31, 2014, the Commission purchased Memorial Park Apartments, a former Low-Income Tax Credit property that had reached the end of the "Tax Credit Compliance Period", located in Rapid City, South Dakota. Memorial Park Apartments consists of 60 units of housing designated for the elderly. The property has extended use commitments that require the Commission to lease to residents with income not to exceed 60% of Area Median Income at rents not to exceed established/published Tax Credit rents.

Basis of Presentation

The Commission is considered a single enterprise fund for financial reporting purposes. The Commission's financial statements have been prepared on the accrual basis of accounting, consistent with the governmental proprietary fund concept which pertains to financial activities that operate in a manner similar to private business enterprises and are financed through tenant rentals and federal housing assistance programs. The Commission applies all applicable Government Accounting Standards Board (GASB) pronouncements.

Operating income (loss) includes revenues and expenses related to the primary, continuing operations of the Commission. Principal operating revenues are rents charged to tenants and management and administrative fees earned. Principal operating expenses are the costs of providing housing and include administrative expenses and depreciation and amortization. Other revenues and expenses are classified as non-operating in the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Commission considers all highly liquid investments with a term to maturity of three months or less when purchased to be cash equivalents.

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Notes to Financial Statements
March 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Certificates of Deposit

Certificates of deposit totaling \$98,697 (\$98,352 at March 31, 2015) are shown as Certificates of Deposits – Restricted in the accompanying financial statements. These certificates represent a portion of the USDA-RD required reserve for replacement accounts for the USDA-RD projects. The certificates bear interest of 1.0% (.35% at March 31, 2015) and have maturities of twenty-eight months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Capital Assets

Capital assets, which include land, buildings, and equipment, are reported in the basic financial statements. The Commission defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost.

Expenditures for renewals and improvements that will significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense currently. When depreciable properties are retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	3 - 40 years
Furniture, equipment and machinery	3 - 10 years
Leasehold improvements	15 - 40 years

Investments

The Commission follows an investment policy to invest in authorized investment pools and funds, U.S. Government securities and repurchase agreements. Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values on the statements of net position. Management's intent is to hold all investments to maturity. Realized and unrealized gains and losses are included in investment return on the statements of revenues, expenses, and changes in net position.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a charge to bad debt expense and as an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Inventories

Inventories are valued at cost and consist mainly of maintenance supplies.

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Notes to Financial Statements
March 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Deferred Inflows 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 until the applicable future period. The only deferred outflow of resources reported is a deferred amount arising from the Commission's pension plan for qualified retirees as discussed in Note 6.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until that applicable future period. The only deferred inflow of resources reported is a deferred amount arising from the Commission's pension plan for qualified retirees as discussed in Note 6.

Pensions

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

Accumulated Unpaid Vacation and Sick Pay

Employees may accumulate vacation pay up to a maximum of 35 days. Employees may also accumulate sick pay up to a maximum of 100 days. Up to 280 hours of vacation pay and up to 50 days of sick pay are paid to employees upon termination.

Prepaid Tenant Rents

Income from tenant prepayments of rent is recognized over the periods to which the revenues are earned or rent payments relate.

Equity Classifications

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

- a. Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings (net of unspent related debt proceeds, if any) attributable to the acquisition, construction or improvement of those assets.
- b. Restricted Net Position - Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.
- c. Unrestricted Net Position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as needed.

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Notes to Financial Statements
March 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Commission is a governmental entity exempt from federal income taxes; therefore, no provision for income taxes has been presented in the accompanying financial statements.

Use of Estimates

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

NOTE 2 - MANAGEMENT AGREEMENTS

Black Fox Manor, Harney View Apartments and Memorial Park Apartments pay a monthly management fee of \$54 per unit per month. The management agreements for Hillyo Manor and Sunny Haven Apartments, approved by Rural Development, provide for the payment of management fees equal to \$54 per month per occupied unit.

NOTE 3 - RURAL RENTAL HOUSING PROGRAMS

The Commission owns and operates two Rural Development projects known as Sunny Haven Apartments located in New Underwood, South Dakota, and Hillyo Manor located in Hill City, South Dakota.

As a condition to obtaining financing, the Commission entered into loan agreements with Rural Development. Significant provisions in the loan agreements are as follows:

- a. The Commission must establish and maintain reserve accounts for each project. Deposits for Hillyo Manor must be made at a rate not less than \$5,259 annually until the amount in the reserves reach \$52,590. Deposits for Sunny Haven Apartments must be made at a rate not less than \$5,373 annually until the amount in the reserves reach \$53,720. With prior consent of Rural Development, funds in the reserve accounts may be used for payments due on outstanding debt balances, repairs or replacements, improvements, or other purposes as required.

	2016	2015
<u>Hillyo Manor</u>		
Reserve Account Balance	\$ 130,830	\$ 118,662
Required Reserve Balance	52,590	52,590
Surplus	\$ 78,240	\$ 66,072
 <u>Sunny Haven Apartments</u>		
Reserve Account Balance	\$ 126,819	\$ 114,597
Required Reserve Balance	53,720	53,720
Surplus	\$ 73,099	\$ 60,877

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NOTE 3 - RURAL RENTAL HOUSING PROGRAMS (CONTINUED)

- b. The Commission must also maintain a separate account for tenant security deposits for each project in an amount equal to the security deposit liability

	2016	2015
<u>Hillyo Manor</u>		
Tenant Security Deposit Balance	\$ 5,134	\$ 5,133
Security Deposit Liability	4,279	4,551
Surplus	\$ 855	\$ 582
 <u>Sunny Haven Apartments</u>		
Tenant Security Deposit Balance	\$ 10,556	\$ 9,754
Security Deposit Liability	10,558	9,626
Surplus (Deficit)	\$ (2)	\$ 128

- c. Rents cannot exceed the rates approved by Rural Development.

Segment Information

The two Rural Development projects have outstanding long-term debt, with rental revenue pledged to secure that debt. Summary financial information for the Rural Development Hillyo Manor project is as follows:

	2016	2015
CONDENSED STATEMENT OF NET POSITION		
Assets		
Current Assets	\$ 194,934	\$ 176,683
Capital Assets	90,394	107,192
Total Assets	\$ 285,328	\$ 283,875
Liabilities		
Current Liabilities	\$ 41,603	\$ 39,631
Long-term Debt	192,050	223,487
Total Liabilities	233,653	263,118
Net Assets		
Net Investment in Capital Assets	(133,253)	(145,619)
Restricted Net Position	131,685	119,243
Unrestricted Net Position	53,243	47,133
Total Net Position	51,675	20,757
Total Liabilities and Net Position	\$ 285,328	\$ 283,875

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NOTE 3 - RURAL RENTAL HOUSING PROGRAMS (CONTINUED)

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

Operating Revenues (Pledged)	\$ 73,501	\$ 71,101
Other Revenues	2,754	748
Depreciation Expense	(16,798)	(17,017)
Other Operating Expenses	<u>(104,164)</u>	<u>(102,706)</u>
Operating Loss	(44,707)	(47,874)
Nonoperating Revenues (Expenses)		
Subsidy from Department of Agriculture	93,202	90,809
Investment Return	382	182
Interest Expense	<u>(17,959)</u>	<u>(20,113)</u>
Change in Net Position	30,918	23,004
Net Position, Beginning of Year	<u>20,757</u>	<u>(2,247)</u>
Net Position, End of Year	<u>\$ 51,675</u>	<u>\$ 20,757</u>
	<u>2016</u>	<u>2015</u>

CONDENSED STATEMENT OF CASH FLOWS

Net Cash From (Used for)		
Operating Activities	\$ (31,422)	\$ (42,062)
Investing Activities	239	40
Noncapital Financing Activities	93,202	90,809
Capital and Related Financing Activities	<u>(45,111)</u>	<u>(47,264)</u>
Net Change in Cash and Cash Equivalents	16,908	1,523
Cash and Cash Equivalents, Beginning of Year	<u>126,666</u>	<u>125,143</u>
Cash and Cash Equivalents, End of Year	<u>\$ 143,574</u>	<u>\$ 126,666</u>

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NOTE 3 - RURAL RENTAL HOUSING PROGRAMS (CONTINUED)

Summary financial information for the Rural Development Sunny Haven Apartments project is as follows:

	<u>2016</u>	<u>2015</u>
CONDENSED STATEMENT OF NET POSITION		
Assets		
Current Assets	\$ 160,871	\$ 163,352
Capital Assets	88,290	106,126
Total Assets	<u>\$ 249,161</u>	<u>\$ 269,478</u>
Liabilities		
Current Liabilities	\$ 42,919	\$ 53,233
Long-term Debt	178,525	193,248
Total Liabilities	<u>221,444</u>	<u>246,481</u>
Net Assets		
Net Investment in Capital Assets	(104,982)	(101,724)
Restricted Net Position	126,817	114,725
Unrestricted Net Position	5,882	9,996
Total Net Position	<u>27,717</u>	<u>22,997</u>
Total Liabilities and Net Position	<u>\$ 249,161</u>	<u>\$ 269,478</u>
	<u>2016</u>	<u>2015</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Operating Revenues (Pledged)	\$ 81,965	\$ 96,859
Other Revenues	743	918
Depreciation Expense	(17,836)	(17,361)
Other Operating Expenses	<u>(110,391)</u>	<u>(106,809)</u>
Operating Loss	(45,519)	(26,393)
Non-Operating Revenues (Expenses)		
Subsidy from Department of Agriculture	51,742	42,855
Investment Return	513	234
Interest Expense	<u>(2,016)</u>	<u>(2,149)</u>
Change in Net Position	4,720	14,547
Net Position, Beginning of Year	<u>22,997</u>	<u>8,450</u>
Net Position, End of Year	<u>\$ 27,717</u>	<u>\$ 22,997</u>

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NOTE 3 - RURAL RENTAL HOUSING PROGRAMS (CONTINUED)

	2016	2015
CONDENSED STATEMENT OF CASH FLOWS		
Net Cash From (Used for)		
Operating Activities	\$ (38,897)	\$ (22,322)
Investing Activities	311	33
Noncapital Financing Activities	51,742	42,855
Capital and Related Financing Activities	(16,594)	(16,588)
Net Change in Cash and Cash Equivalents	(3,438)	3,978
Cash and Cash Equivalents, Beginning of Year	92,255	88,277
Cash and Cash Equivalents, End of Year	\$ 88,817	\$ 92,255

NOTE 4 - HOME INVESTMENT PARTNERSHIP PROGRAMS

The Commission owns and operates two HOME Developments regulated by the South Dakota Housing Development Authority (SDHDA) known as Black Fox Manor and Harney View Apartment located in Rapid City, South Dakota.

As a condition to obtaining a reduced rate of financing, the Commission entered into Regulatory Agreements with SDHDA. Significant provisions in the regulatory agreement are as follows:

- a. The Commission must establish and maintain reserve funds for replacements in separate accounts with SDHDA or in a safe and responsible depository. Under the agreements, the owners are required to make monthly deposits to the funds. Disbursements from these funds may be used for repairs and replacements.
- b. Rents cannot exceed the rate schedule established by SDHDA.

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NOTE 4 - HOME INVESTMENT PARTNERSHIP PROGRAMS (CONTINUED)

Segment Information

The two SDHDA projects have outstanding long-term debt, with rental revenue pledged to secure that debt. Summary financial information for the Harney View Apartments SDHDA project is as follows:

	2016	2015
CONDENSED STATEMENT OF NET POSITION		
Assets		
Current Assets	\$ 51,612	\$ 51,390
Capital Assets	389,042	402,650
Total Assets	\$ 440,654	\$ 454,040
Liabilities		
Current Liabilities	\$ 125,367	\$ 102,949
Long-term Debt	100,046	128,846
Total Liabilities	225,413	231,795
Net Position		
Net Investment in Capital Assets	260,196	245,005
Restricted Net Position	42,358	43,286
Unrestricted Net Position	(87,313)	(66,046)
Total Net Position	215,241	222,245
Total Liabilities and Net Position	\$ 440,654	\$ 454,040
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Operating Revenues (Pledged)	\$ 73,379	\$ 79,266
Other Revenues	556	593
Depreciation Expense	(20,099)	(19,574)
Other Operating Expenses	(60,684)	(52,756)
Operating Income	(6,848)	7,529
Non-operating Revenues (Expenses)		
Investment Return	13	14
Loss on Disposition of Equipment	(169)	-
Change in Net Position	(7,004)	7,543
Net Position, Beginning of Year	222,245	214,702
Net Position, End of Year	\$ 215,241	\$ 222,245

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NOTE 4 - HOME INVESTMENT PARTNERSHIP PROGRAMS (CONTINUED)

	2016	2015
CONDENSED STATEMENT OF CASH FLOWS		
Net Cash From (Used for):		
Operating Activities	\$ 26,856	\$ 31,791
Investing Activities	13	14
Capital and Related Financing Activities	(28,800)	(28,800)
Net Change in Cash and Cash Equivalents	(1,931)	3,005
Cash and Cash Equivalents at Beginning of Year	43,419	40,414
Cash and Cash Equivalents at End of Year	\$ 41,488	\$ 43,419

Summary financial information for the Black Fox Manor SDHDA project is as follows:

	2016	2015
CONDENSED STATEMENT OF NET POSITION		
Assets		
Current Assets	\$ 158,072	\$ 158,144
Capital Assets	755,640	792,189
Total Assets	\$ 913,712	\$ 950,333
Liabilities		
Current Liabilities	\$ 160,571	\$ 148,593
Long-term Debt	1,115,383	1,181,683
Total Liabilities	1,275,954	1,330,276
Net Assets		
Net Investment in Capital Assets	(422,143)	(440,195)
Restricted Net Position	127,900	115,774
Unrestricted Net Position	(67,999)	(55,522)
Total Net Position	(362,242)	(379,943)
Total Liabilities and Net Position	\$ 913,712	\$ 950,333

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NOTE 4 - HOME INVESTMENT PARTNERSHIP PROGRAMS (CONTINUED)

	2016	2015
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating Revenues (Pledged)	\$ 146,849	\$ 145,853
Depreciation Expense	(38,848)	(38,656)
Other Operating Expenses	(90,347)	(77,735)
Operating Income	17,654	29,462
Nonoperating Revenues (Expenses)		
Investment Return	47	38
Interest Expense	-	(355)
Change in Net Position	17,701	29,145
Net Position, Beginning of Year	(379,943)	(409,088)
Net Position, End of Year	\$ (362,242)	\$ (379,943)
CONDENSED STATEMENT OF CASH FLOWS		
Net Cash From (Used for):		
Operating Activities	\$ 55,452	\$ 69,530
Investing Activities	47	38
Capital and Related Financing Activities	(54,600)	(34,259)
Net Change in Cash and Cash Equivalents	899	35,309
Cash and Cash Equivalents at Beginning of Year	140,995	105,686
Cash and Cash Equivalents at End of Year	\$ 141,894	\$ 140,995

NOTE 5 - CREDIT RISK CONCENTRATIONS AND INVESTMENTS

Cash and cash equivalent deposits are classified in three categories. Category 1 deposits are fully insured or collateralized with securities held by the Commission or the Commission's agent in the Commission's name. Category 2 deposits are collateralized with securities held by the pledging institution's trust department or agent in the Commission's name. Category 3 deposits are uninsured and uncollateralized.

The Commission's deposits are made and held in qualified public depositories. In South Dakota, qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA," or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota. The Commission has entered into a general depository agreement in which deposits in excess of the amounts insured by the FDIC shall be fully and continually secured by the bank by the deposit or setting aside of collateral of the types, and in the manner, as is prescribed by State law for the security of public funds.

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NOTE 5 - CREDIT RISK CONCENTRATIONS AND INVESTMENTS (CONTINUED)

All cash balances, including interest earned, where applicable, have market values at March 31, 2016 and 2015 that are substantially the same as the carrying value in the accompanying financial statements.

At March 31, 2016 and 2015, the Commission's cash and cash equivalents consisted of the following:

	<u>2016</u>	<u>2015</u>
Demand Deposits - Unrestricted	\$ 898,919	\$ 762,972
Public Housing Program		
Money Market Accounts	390,576	245,041
HOME Investments Partnerships Program		
Bank Reserve Funds - Savings Accounts	168,326	158,546
Bank Savings Accounts	13,133	24,069
Rural Rental Assistance Payments Program		
Bank Reserve Funds - Savings Accounts	158,951	134,907
Bank Savings Accounts	72,939	81,765
Other Management		
Money Market Accounts	69,049	24,090
Bank Savings Accounts	467,979	438,850
Other Housing Needs		
Money Market Accounts	(142,901)	26,112
Memorial Park Apartments		
Money Market Accounts	1,198	-
Bank Savings Accounts	<u>222,177</u>	<u>375,036</u>
Total Cash and Cash Equivalents	<u>\$ 2,320,346</u>	<u>\$ 2,271,388</u>
Security Deposits:		
Public Housing Program	\$ 167,666	\$ 160,425
HOME Investments Partnership Program	18,335	18,330
Rural Rental Assistance Payments Program	15,691	14,886
Memorial Park Apartments	<u>16,011</u>	<u>15,906</u>
Total Funded Security Deposits	<u>\$ 217,703</u>	<u>\$ 209,547</u>

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NOTE 5 - CREDIT RISK CONCENTRATIONS AND INVESTMENTS (CONTINUED)

In general, SDCL 11-7-31 permits 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. Supplemental to this authority, SDCL 4-5-6 permits public 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 of its fiscal agent. The Commission's investment policy limits short-term investments to U.S. Treasury bills and limits long-term investments to U.S. Treasury notes and bond obligations and accounts with financial institutions insured under Federal plans.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2016 and 2015, all investments of the Commission were classified as insured or registered, or the securities were held by the Commission or its agent in the Commission's name.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a depository failure, the Commission will not be able to recover deposits. Commission deposits in excess of depository insurance must be 100 percent collateralized. Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A. As of March 31, 2016 and 2015, all of the Commission's demand deposits and certificates of deposit were adequately insured or collateralized as required by statute.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Commission does not have a policy regarding concentration of credit risk.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Commission prohibits the use of investments which do not pay in U.S. dollars.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following chart summarizes the Commission's investments using segmented time distribution.

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NOTE 5 - CREDIT RISK CONCENTRATIONS AND INVESTMENTS (CONTINUED)

Investments as of March 31, 2016 consisted of the following:

	Credit Rating	Fair Value		Maturity Date			Call Date	
		March 31, 2015	March 31, 2016	Less Than 1 Year	1 - 5 Years	5 or More Years	Less Than 1 Year	1 - 3 Years
Public Housing Government Bonds	AAA	\$ 3,867,974 *	\$ 4,405,228 *	\$ -	\$ -	\$ 4,405,228	\$ -	\$ -
Marketable Certificates of Deposit	AAA	<u>1,493,342 *</u>	<u>1,344,481 *</u>	<u>593,331</u>	<u>751,150</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>5,361,316</u>	<u>5,749,709</u>	<u>593,331</u>	<u>751,150</u>	<u>4,405,228</u>	<u>-</u>	<u>-</u>
Other Management Government Bonds	AAA	535,684 *	535,175 *	-	-	535,175	-	-
Marketable Certificates of Deposit	AAA	<u>255,196</u>	<u>244,351</u>	<u>244,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>790,880</u>	<u>779,526</u>	<u>244,351</u>	<u>-</u>	<u>535,175</u>	<u>-</u>	<u>-</u>
Other Housing Needs Government Bonds	AAA	596,181 *	553,022 *	-	-	553,022	-	-
Marketable Certificates of Deposit	AAA	<u>718,704 *</u>	<u>971,473 *</u>	<u>720,943</u>	<u>250,530</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>1,314,885</u>	<u>1,524,495</u>	<u>720,943</u>	<u>250,530</u>	<u>553,022</u>	<u>-</u>	<u>-</u>
Memorial Park Apts. Government Bonds	AAA	-	-	-	-	-	-	-
Marketable Certificates of Deposit	AAA	<u>-</u>	<u>275,072</u>	<u>200,014</u>	<u>75,058</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>-</u>	<u>275,072</u>	<u>200,014</u>	<u>75,058</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments		<u>\$ 7,467,081</u>	<u>\$ 8,328,802</u>	<u>\$ 1,758,639</u>	<u>\$ 1,076,738</u>	<u>\$ 5,493,425</u>	<u>\$ -</u>	<u>\$ -</u>

*Represents 5% or more of total investments

Investment return is summarized as follows:

	2016	2015
Interest Income	\$ 164,110	\$ 177,098
Net Realized and Unrealized Gains	<u>102,333</u>	<u>500,402</u>
Total Investment Return	<u>\$ 266,443</u>	<u>\$ 677,500</u>

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NOTE 6 - PENSION PLAN

Plan Information

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

Benefits Provided

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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

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

All benefits except those depending on the member's accumulated contributions are annually increased by the cost-of-living adjustment.

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NOTE 6 - PENSION PLAN (CONTINUED)

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Commission's share of contributions to the SDRS for the fiscal years ended March 31, 2016, 2015, and 2014 were \$78,163, \$75,604 and \$74,989, respectively, equal to the required contributions each year.

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

At June 30, 2015, SDRS is 104.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Commission as of this measurement period and reported by the Commission as of March 31, 2016 are as follows:

	SDRS	PCHRC
Proportionate Share of Net Position Restricted for Pension Benefits	\$ 10,776,533,615	\$ 7,483,257
Less: Proportionate Share of Total Pension Liability	10,352,405,041	7,188,741
Proportionate Share of Net Pension Liability (Asset)	\$ (424,128,574)	\$ (294,516)

At March 31, 2016, the Commission reported an asset of \$294,516 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015 and the total pension asset used to calculate the net pension asset was based on a projection of the Commission's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the Commission's proportion was .0694403%.

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NOTE 6 - PENSION PLAN (CONTINUED)

For the year ended March 31, 2016, the Commission recognized pension expense of \$32,144. At March 31, 2016 the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience.	\$ 60,304	\$ -
Changes in Assumption	233,533	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	179,915	434,564
Commission Contributions Subsequent to the Measurement Date	58,803	-
Totals	\$ 532,555	\$ 434,564

\$58,803 reported as deferred outflow of resources related to pensions resulting from Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ending March 31, 2017. 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 March 31	
2017	\$ 13,955
2018	13,955
2019	(37,542)
2020	48,820
2021	-
Thereafter	-
	\$ 39,188

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NOTE 6 - PENSION PLAN (CONTINUED)

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

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2016 and 7.50 percent thereafter, net of pension plan investment expense

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	2.0%	0.0%
	<u>100.0%</u>	

Pennington County Housing and Redevelopment Commission
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Notes to Financial Statements
March 31, 2016 and 2015

NOTE 6 - PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2016 and 7.50% thereafter. 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 from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of Liability (Asset) to Changes in the Discount Rate:

The following presents the Commission's proportionate share of net pension asset calculated using the discount rate of 7.25 percent through 2016 and 7.50 percent thereafter, as well as what the Commission's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Commission's Proportionate Share of the Net Pension Liability (Asset)	\$ 741,294	\$ (294,516)	\$ (1,139,130)

Pension Plan Fiduciary Net Position

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

Pennington County Housing and Redevelopment Commission
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Notes to Financial Statements
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NOTE 8 - 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 for real property owned, but rather they make payments in lieu of (property) taxes (PILOT) based on calculations determined by the State of South Dakota. This calculation is based on the amount of dwelling rent collected during the calendar year which differs from the Commission's fiscal year. Therefore, the liability reflects an additional three months over the one year reflected in the expense.

Payments in lieu of taxes expense of \$117,105 and \$113,922 for the years ended March 31, 2016 and 2015, respectively, were determined by program as follows:

	2016					
	Public Housing	Black Fox Manor	Harney View Apartments	Sunny Haven Apartments	Hillyo Apartments	Memorial Park Apartments
Dwelling Rent Collected	<u>\$ 1,590,151</u>	<u>\$ 140,573</u>	<u>\$ 66,169</u>	<u>\$ 74,446</u>	<u>\$ 65,052</u>	<u>\$ 405,705</u>
5% of Dwelling Rent Collected (PILOT)	<u>\$ 79,508</u>	<u>\$ 7,029</u>	<u>\$ 3,308</u>	<u>\$ 3,722</u>	<u>\$ 3,253</u>	<u>\$ 20,285</u>
	2015					
	Public Housing	Black Fox Manor	Harney View Apartments	Sunny Haven Apartments	Hillyo Apartments	Memorial Park Apartments
Dwelling Rent Collected	<u>\$ 1,503,783</u>	<u>\$ 141,994</u>	<u>\$ 73,182</u>	<u>\$ 88,227</u>	<u>\$ 62,805</u>	<u>\$ 408,450</u>
5% of Dwelling Rent Collected (PILOT)	<u>\$ 75,189</u>	<u>\$ 7,100</u>	<u>\$ 3,659</u>	<u>\$ 4,411</u>	<u>\$ 3,140</u>	<u>\$ 20,423</u>

Pennington County Housing and Redevelopment Commission
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Notes to Financial Statements
March 31, 2016 and 2015

NOTE 9 - LONG-TERM DEBT AND OTHER LIABILITIES

The following is a summary of changes in long-term debt, including the current portion for the year ended March 31, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
8.5% reducing to an effective rate of 7.5% note payable to Rural Development under Section 8 Housing Assistance Payment contract, due in monthly installments of \$3,543, including interest, to October 31, 2028, secured by land, building, equipment and rents of Hillyo Manor.	\$ 233,018	\$ -	\$ (25,814)	\$ 207,204	\$ 27,964
8.75% reducing to an effective rate of 7.75% note payable to Rural Development under Section 8 Housing Assistance Payment contract, due in monthly installments of \$398, including interest, to June 15, 2029, secured by land, building, equipment and rents of Hillyo Manor.	19,793	-	(3,350)	16,443	3,633
8.5% reducing to an effective rate of 1% note payable to Rural Development, due in monthly installments of \$1,234, plus overage, including interest, to October 31, 2028, secured by land, building, equipment and rents of Sunny Haven Apartments.	184,784	-	(13,014)	171,770	13,165
8.75% reducing to an effective rate of 1% note payable to Rural Development, due in monthly installments of \$149, including interest, to June 15, 2029, secured by land, building, equipment and rents of Sunny Haven Apartments.	23,067	-	(1,565)	21,502	1,582

Pennington County Housing and Redevelopment Commission
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Notes to Financial Statements
March 31, 2016 and 2015

NOTE 9 - LONG-TERM DEBT AND OTHER LIABILITIES (CONTINUED)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
0% HOME loan payable to SDHDA, due in monthly installments of \$299 increasing to \$5,690, from June 1, 2005 through June 1, 2034, secured by all real and personal property and rents of Black Fox Manor.	1,232,383	-	(54,600)	1,177,783	62,400
0% HOME loan payable to SDHDA, due in monthly installments of \$2,100 from January 1, 1997 through December 1, 2006, \$2,400 from January 2007 through December 1, 2019, \$2,374 from January 1, 2020 through December 1, 2020, secured by all real and personal property and rents of Harney View Apartments.	157,646	-	(28,800)	128,846	28,800
0% forgivable loan payable to SDHDA, secured by real and personal property and rents of LaCrosse Apartments. Payment is deferred until expiration of the 20 year period of affordability which begins at the project completion date, at which time any amount then due and payable will be forgiven. If the property is sold or no longer used for affordable housing during the period of affordability, the loan becomes immediately due and payable in full.	1,365,910	-	-	1,365,910	-
4% Mortgage payable to Wells Fargo Bank, due in monthly installments of \$7,621 including interest, to January 1, 2019 secured by land, building, and equipment of Memorial Park Apartments.	966,731	-	(53,114)	913,617	55,923
	<u>\$ 4,183,332</u>	<u>\$ -</u>	<u>\$ (180,257)</u>	<u>\$ 4,003,075</u>	<u>\$ 193,467</u>

Pennington County Housing and Redevelopment Commission
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Notes to Financial Statements
March 31, 2016 and 2015

NOTE 9 - LONG-TERM DEBT AND OTHER LIABILITIES (CONTINUED)

A summary of required principal and interest payments on the long-term debt is as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 193,466	\$ 53,075	\$ 246,541
2018	198,355	48,187	246,542
2019	942,450	35,623	978,073
2020	159,614	9,120	168,734
2021	115,517	6,057	121,574
2022 - 2026	438,798	5,837	444,635
2027 - 2031	376,507	405	376,912
2032 - 2036	212,458	-	212,458
SDHDA Forgivable Mortgage	<u>1,365,910</u>	<u>-</u>	<u>1,365,910</u>
	<u>\$ 4,003,075</u>	<u>\$ 158,304</u>	<u>\$ 4,161,379</u>

The following is a summary of changes in long-term debt, including the current portion, for the year ended March 31, 2015:

Balance, Beginning of Year	\$ 4,338,731
Additions	-
Reductions	<u>(155,400)</u>
	4,183,331
Less Current Balance	<u>(176,925)</u>
Balance, End of Year	<u>\$ 4,006,406</u>

Following is a summary of the changes in accrued absences for the years ended March 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Balance, Beginning of Year	\$ 241,478	\$ 231,217
Increase in Accrued Absences	138,226	129,022
Decrease in Accrued Absences	<u>(117,689)</u>	<u>(118,761)</u>
	262,015	241,478
Less Current Balance	<u>(20,581)</u>	<u>(12,570)</u>
Balance, End of Year	<u>\$ 241,434</u>	<u>\$ 228,908</u>

The Low Rent Program, Section 8 Housing Choice Voucher Program, and Central Office funds typically have been used to liquidate accrued compensated absences in prior years.

Pennington County Housing and Redevelopment Commission
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Notes to Financial Statements
March 31, 2016 and 2015

NOTE 10 - PLEDGE OF FUTURE REVENUES

As discussed in Note 9, the Commission has pledged future rent revenues related to Hillyo Manor, Sunny Haven Apartments, Black Fox Manor, and Harney View Apartments. The pledged rent revenues provide security under various loan agreements with Rural Development and SDHDA. Proceeds from the loans provided financing for the construction of, and improvements related to, the aforementioned projects. 100% of the rent revenues related to these projects have been pledged through the maturity dates of each applicable loan as listed in Note 9. The total principal and interest remaining to be paid on the notes, which represents the approximate amount of each pledge, along with a comparison of the pledged revenues recognized during the year to the principal and interest requirements, by project, is as follows.

	Hillyo Manor	Sunny Haven Apartments	Black Fox Manor	Harney View Apartments
Principal and Interest Remaining	\$ 277,576	\$ 205,372	\$ 1,177,783	\$ 128,846
Pledged Revenues Recognized	73,501	81,965	146,849	73,379
Principal and Interest Requirements	47,292	16,596	54,600	28,800

NOTE 11 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Commission's operations are concentrated in serving families of the multi-family real estate market. In addition, the Commission operates in a heavily regulated environment. The operations of the Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD, SDHDA and Rural Development. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE 12 - RISK MANAGEMENT

The Commission purchases insurance for risks related to torts, theft, or damage to property; errors and omissions of public officials; general workmen's compensation; and property insurance from commercial insurance carriers including State Farm Fire and Casualty Company, Travelers Casualty Insurance Company of America and Dakota Truck Underwriters.

The policies provide that the above coverage will be provided with a \$5,000,000 limit on liability coverage and \$51,390,661 limit on property. As of March 31, 2016 the Commission carried the following deductibles related to insurance coverage:

- General Liability - None
- Property - \$2,500, \$5,000 or \$30,000
- Automobile - \$500
- Crime - \$250

In prior years, settled claims resulting from these risks have not exceeded the Commission's liability coverage.

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Notes to Financial Statements
March 31, 2016 and 2015

NOTE 13 - NEW ACCOUNTING PRONOUNCEMENTS

During the year ending March 31, 2017, the Commission plans to implement GASB 72 *Fair Value Measurement and Application*. This statement will require the Commission to report fair value measurements and investment activity at a more detailed level.

NOTE 14 - PRIOR PERIOD ADJUSTMENT

During the year ending March 31, 2016, the Commission implemented GASB 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. As a result, beginning net position for the year ended March 31, 2016 has been restated to reflect the related net pension asset and deferred outflows of resources as follows:

Net Position April 1, 2015, as Previously Reported	\$ 17,740,564
Restatement for Pension Accounting:	
Net Pension Asset	500,289
Pension Related Deferred Outflows of Resources	<u>56,706</u>
Net Position April 1, 2015, as Restated	<u>\$ 18,297,559</u>

The Commission has determined that it is not practical to restate balances as of and for the year ended March 31, 2015 for the effects of implementation of GASB No. 68 and GASB No. 71 due to time and cost considerations. Therefore, the amounts shown for 2015 in the accompanying Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows which are included to provide a basis for comparison with 2016 and have not been restated to reflect implementation of GASB No. 68 and GASB No. 71.

NOTE 15 - SUBSEQUENT EVENTS

The Commission routinely enters into contracts for regular maintenance and renovation of the various housing projects. Subsequent events have been evaluated through the date of the independent auditor's report, which is the date the financial statements were available to be issued. During this evaluation, nothing was discovered that warranted disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Schedule of Net Pension Asset
For the Year Ended March 31, 2016

Commission's Proportion of the Net Pension Asset	.0694403%
Commission's Proportionate Share of Net Pension Asset	\$ 294,516
Commission's Covered-employee Payroll	\$ 1,267,782
Commission's Proportionate Share of Net Pension Asset as a Percentage of its Covered-employee Payroll	23.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	104.10%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension asset, which is June 30 of the previous year.

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Schedule of Pension Contributions
For the Year Ended March 31, 2016

Contractually-Required Contribution	\$ 78,163
Contributions in Relation to the Contractually-required Contribution	<u>78,163</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Commission's Covered-employee Payroll	\$ 1,302,730
Contributions as a Percentage of Covered-employee Payroll	6.00%

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SUPPLEMENTARY INFORMATION

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Supplementary Schedule of Net Position
March 31, 2016

	Public Housing Program	Section 8 Housing Choice Voucher Program	Rural Rental Assistance Payments	HOME Investment Partnerships Program
ASSETS				
Current Assets				
Cash and Cash Equivalents - Unrestricted	\$ 803,056	\$ 382,701	\$ 73,439	\$ 15,056
Cash and Cash Equivalents - Restricted	-	-	158,952	168,326
Tenant Accounts Receivable, Less Allowance	39,735	-	4,343	2,099
Funded Security Deposits	167,666	-	15,691	18,335
Certificates of Deposit - Restricted	-	-	98,697	-
Accounts Receivable - HUD	-	-	-	-
Accounts Receivable - Other	-	580	25	688
Prepaid Expenses and Other Assets	54,093	319	3,920	5,180
Inventories	5,256	-	-	-
Accrued Interest Receivable	17,604	-	738	-
Investments-Restricted	-	-	-	-
Interprogram Receivables	-	-	-	-
Total Current Assets	<u>1,087,410</u>	<u>383,600</u>	<u>355,805</u>	<u>209,684</u>
Non-Current Assets				
Non-Current Investments	5,749,709	-	-	-
Net Pension Asset	92,458	58,172	-	-
Property and Equipment				
Land	843,321	-	46,358	-
Buildings	30,219,094	-	1,369,569	2,018,558
Furniture, Equipment and Machinery	3,013,297	53,344	35,338	26,594
Leasehold Improvements	3,391,163	-	171,348	307,647
	<u>37,466,875</u>	<u>53,344</u>	<u>1,622,613</u>	<u>2,352,799</u>
Less Accumulated Depreciation	<u>(29,603,766)</u>	<u>(51,344)</u>	<u>(1,443,929)</u>	<u>(1,208,117)</u>
Total Property and Equipment	<u>7,863,109</u>	<u>2,000</u>	<u>178,684</u>	<u>1,144,682</u>
TOTAL ASSETS	<u>14,792,686</u>	<u>443,772</u>	<u>534,489</u>	<u>1,354,366</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	<u>167,189</u>	<u>105,188</u>	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>167,189</u>	<u>105,188</u>	-	-

See independent auditors' report.

<u>Memorial Park Apartments</u>	<u>Capital Fund Program Cluster</u>	<u>Central Office Cost Center</u>	<u>Shelter Plus Care</u>	<u>Continuum Of Care</u>	<u>Eliminations</u>	<u>Total</u>
\$ 224,664	\$ -	\$ 494,152	\$ -	\$ -	\$ -	\$ 1,993,068
-	-	-	-	-	-	327,278
81	-	-	-	-	-	46,258
16,011	-	-	-	-	-	217,703
-	-	-	-	-	-	98,697
-	-	-	-	23	-	23
-	-	-	-	-	-	1,293
9,314	-	3,687	-	-	-	76,513
2,564	-	22,297	-	-	-	30,117
495	-	13,136	-	-	-	31,973
-	-	-	-	-	-	-
-	-	197,023	-	-	(197,023)	-
<u>253,129</u>	<u>-</u>	<u>730,295</u>	<u>-</u>	<u>23</u>	<u>(197,023)</u>	<u>2,822,923</u>
275,072	-	2,304,021	-	-	-	8,328,802
-	-	143,886	-	-	-	294,516
-	-	1,089,767	-	-	-	1,979,446
801,850	688,232	599	-	-	-	35,097,902
33,659	28,500	391,835	-	-	-	3,582,567
-	-	-	-	-	-	3,870,158
835,509	716,732	1,482,201	-	-	-	44,530,073
(64,447)	(34,367)	(340,989)	-	-	-	(32,746,959)
<u>771,062</u>	<u>682,365</u>	<u>1,141,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,783,114</u>
<u>1,299,263</u>	<u>682,365</u>	<u>4,319,414</u>	<u>-</u>	<u>23</u>	<u>(197,023)</u>	<u>23,229,355</u>
-	-	260,178	-	-	-	532,555
-	-	260,178	-	-	-	532,555

See independent auditors' report.

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Supplementary Schedule of Net Position (Continued)
March 31, 2016

	Public Housing Program	Section 8 Housing Choice Voucher Program	Rural Rental Assistance Payments	HOME Investment Partnerships Program
LIABILITIES				
Current Liabilities				
Current Portion of Long-term Debt	\$ -	\$ -	\$ 46,344	\$ 91,200
Accounts Payable	5,912	4,433	3,685	138
Accounts Payable - Other Government	-	-	103	-
Tenant Security Deposits	167,666	-	14,838	16,403
Accrued Liabilities				
Wages and Payroll Taxes	26,830	17,128	-	-
Interest	-	-	124	-
Payments in Lieu of Taxes	98,539	-	8,933	13,057
Accrued Absences	16,706	-	-	-
Interprogram Payables	-	24,010	8,337	161,490
Prepaid Tenant Rents	17,585	-	2,158	3,650
Total Current Liabilities	<u>333,238</u>	<u>45,571</u>	<u>84,522</u>	<u>285,938</u>
Non-current Accrued Absences	<u>40,489</u>	<u>47,652</u>	<u>-</u>	<u>-</u>
Long-term Debt, Less				
Current Maturities	<u>1,365,910</u>	<u>-</u>	<u>370,575</u>	<u>1,215,429</u>
TOTAL LIABILITIES	<u>1,739,637</u>	<u>93,223</u>	<u>455,097</u>	<u>1,501,367</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows	<u>136,425</u>	<u>85,833</u>	<u>-</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>136,425</u>	<u>85,833</u>	<u>-</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	6,497,199	2,000	(238,235)	(161,947)
Restricted for:				
Replacement Reserves	-	-	257,649	168,326
Security Deposits	-	-	853	1,932
Section 8 Housing		47,952		
Net Pension Asset	123,222	77,527	-	-
Unrestricted Net Position	<u>6,463,392</u>	<u>242,425</u>	<u>59,125</u>	<u>(155,312)</u>
TOTAL NET POSITION	<u>\$ 13,083,813</u>	<u>\$ 369,904</u>	<u>\$ 79,392</u>	<u>\$ (147,001)</u>

See independent auditors' report.

<u>Memorial Park Apartments</u>	<u>Capital Fund Program Cluster</u>	<u>Central Office Cost Center</u>	<u>Shelter Plus Care</u>	<u>Continuum Of Care</u>	<u>Eliminations</u>	<u>Total</u>
\$ 55,923	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 193,467
2,286	-	7,198	-	23	-	23,675
-	-	-	-	-	-	103
15,250	-	-	-	-	-	214,157
-	-	40,170	-	-	-	84,128
2,904	-	-	-	-	-	3,028
25,408	-	-	-	-	-	145,937
-	-	3,875	-	-	-	20,581
3,186	-	-	-	-	(197,023)	-
2,526	-	-	-	-	-	25,919
<u>107,483</u>	<u>-</u>	<u>51,243</u>	<u>-</u>	<u>23</u>	<u>(197,023)</u>	<u>710,995</u>
<u>-</u>	<u>-</u>	<u>153,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,434</u>
<u>857,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,809,608</u>
<u>965,177</u>	<u>-</u>	<u>204,536</u>	<u>-</u>	<u>23</u>	<u>(197,023)</u>	<u>4,762,037</u>
<u>-</u>	<u>-</u>	<u>212,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>434,564</u>
<u>-</u>	<u>-</u>	<u>212,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>434,564</u>
(142,555)	682,365	1,141,212	-	-	-	7,780,039
-	-	-	-	-	-	425,975
761	-	-	-	-	-	3,546
-	-	191,758	-	-	-	47,952
475,880	-	2,829,780	-	-	-	392,507
<u>\$ 334,086</u>	<u>\$ 682,365</u>	<u>\$ 4,162,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,565,309</u>

See independent auditors' report.

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Supplementary Schedule of Revenues, Expenses and
Changes in Net Position
For the Year Ended March 31 2016

	Public Housing Program	Section 8 Housing Choice Voucher Program	Rural Rental Assistance Payments	HOME Investment Partnerships Program
OPERATING REVENUES				
Dwelling Rental Income	\$ 1,769,309	\$ -	\$ -	\$ -
Dwelling Rental Income - Pledged to Service Long-term Debt	-	-	155,466	220,228
Other Income	<u>100,990</u>	<u>44,111</u>	<u>3,497</u>	<u>556</u>
Total Operating Revenues	<u>1,870,299</u>	<u>44,111</u>	<u>158,963</u>	<u>220,784</u>
OPERATING EXPENSES				
Rental Assistance Payments	-	7,049,824	-	-
Depreciation and Amortization	1,045,212	-	34,634	58,947
Administrative	632,992	722,673	44,810	31,645
Ordinary Maintenance and Operation	816,692	-	56,935	50,494
Utilities	542,505	-	84,600	36,214
General Expenses	239,999	14,640	17,795	25,069
Extraordinary Maintenance	136,564	-	10,415	7,609
Protective Services	25,000	-	-	-
Tenant Services	<u>3,768</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>3,442,732</u>	<u>7,787,137</u>	<u>249,189</u>	<u>209,978</u>
OPERATING INCOME (LOSS)	<u>(1,572,433)</u>	<u>(7,743,026)</u>	<u>(90,226)</u>	<u>10,806</u>
NONOPERATING REVENUE (EXPENSE)				
Subsidies from HUD and Department of Agriculture	969,083	7,759,989	144,944	-
Investment Return	187,926	-	895	60
Interest Expense	-	-	(19,975)	-
Loss on Disposition of Equipment	<u>265</u>	<u>-</u>	<u>-</u>	<u>(169)</u>
Total Nonoperating Revenue (Expense)	<u>1,157,274</u>	<u>7,759,989</u>	<u>125,864</u>	<u>(109)</u>

See independent auditors' report.

Memorial Park Apartments	Capital Fund Program Cluster	Central Office Cost Center	Shelter Plus Care	Continuum Of Care	Eliminations	Total
\$ 420,736	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,190,045
-	-	-	-	-	-	375,694
-	-	1,082,870	-	-	(1,081,456)	150,568
<u>420,736</u>	<u>-</u>	<u>1,082,870</u>	<u>-</u>	<u>-</u>	<u>(1,081,456)</u>	<u>2,716,307</u>
-	-	-	99,869	154,694	-	7,304,387
29,128	29,867	20,392	-	-	-	1,218,180
43,575	59,449	760,663	7,729	8,991	(927,976)	1,384,551
35,136	-	323,138	-	-	(153,480)	1,128,915
78,852	-	192	-	-	-	742,363
34,537	-	44,954	-	-	-	376,994
3,334	-	1,322	-	-	-	159,244
-	-	-	-	-	-	25,000
5,591	-	-	4,101	9,944	-	23,404
<u>230,153</u>	<u>89,316</u>	<u>1,150,661</u>	<u>111,699</u>	<u>173,629</u>	<u>(1,081,456)</u>	<u>12,363,038</u>
<u>190,583</u>	<u>(89,316)</u>	<u>(67,791)</u>	<u>(111,699)</u>	<u>(173,629)</u>	<u>-</u>	<u>(9,646,731)</u>
-	59,449	-	111,699	173,629	-	9,218,793
1,826	-	75,736	-	-	-	266,443
(38,172)	-	-	-	-	-	(58,147)
-	-	-	-	-	-	96
<u>(36,346)</u>	<u>59,449</u>	<u>75,736</u>	<u>111,699</u>	<u>173,629</u>	<u>-</u>	<u>9,427,185</u>

See independent auditors' report.

Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Supplementary Schedule of Revenues, Expenses and
Changes in Net Position (Continued)
For the Year Ended March 31, 2016

	Public Housing Program	Section 8 Housing Choice Voucher Program	Rural Rental Assistance Payments	HOME Investment Partnerships Program
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES AND TRANSFERS	(415,159)	16,963	35,638	10,697
CONTRIBUTED CAPITAL - HUD SUBSIDY	-	-	-	-
EQUITY TRANSFERS	503,441	-	-	-
CHANGES IN NET POSITION	88,282	16,963	35,638	10,697
NET POSITION, BEGINNING OF YEAR (AS PREVIOUSLY REPORTED)	12,820,670	242,926	43,754	(157,698)
PRIOR PERIOD ADJUSTMENT	174,861	110,015	-	-
NET POSITION, END OF YEAR	<u>\$ 13,083,813</u>	<u>\$ 369,904</u>	<u>\$ 79,392</u>	<u>\$ (147,001)</u>

See independent auditors' report.

<u>Memorial Park Apartments</u>	<u>Capital Fund Program Cluster</u>	<u>Central Office Cost Center</u>	<u>Shelter Plus Care</u>	<u>Continuum Of Care</u>	<u>Eliminations</u>	<u>Total</u>
154,237	(29,867)	7,945	-	-	-	(219,546)
<u>-</u>	<u>487,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>487,296</u>
<u>-</u>	<u>(503,441)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
154,237	(46,012)	7,945	-	-	-	267,750
179,849	728,377	3,882,686	-	-	-	17,740,564
<u>-</u>	<u>-</u>	<u>272,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>556,995</u>
<u>\$ 334,086</u>	<u>\$ 682,365</u>	<u>\$ 4,162,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,565,309</u>

See independent auditors' report.

**Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Modernization Projects Completed
March 31, 2016**

PUBLIC HOUSING CAPITAL FUND PROGRAM

<u>Classification</u>	<u>Project #</u> <u>SD06P045501-14</u>
Fees and Costs	\$ 4,130
Site Improvement	-
Dwelling Structures	493,091
Dwelling Equipment	-
Non-Dwelling Equipment	28,500
Administration Costs	<u>58,413</u>
Total Capital Fund Project Expenditures	<u>\$ 584,134</u>
Capital Fund Advances Received through March 31, 2016	<u>\$ 584,134</u>
Total Capital Fund Amount Approved	<u>\$ 584,134</u>

NOTE 1: All costs on the above project have been paid and all liabilities, actual and contingent, have been discharged through payments.

NOTE 2: The Actual Modernization Cost Certificate, Form HUD 53001, for this project was submitted to HUD and approved on September 22, 2015.

See independent auditors' report.

**Pennington County Housing and Redevelopment Commission
(A Component Unit of Pennington County)
Schedule of Expenditures of Federal Awards
March 31, 2016**

	<u>Amount</u>	<u>CFDA Number</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct Federal Funding:		
Public and Indian Housing	\$ 969,083	14.850
Section 8 Housing Choice Vouchers	7,759,989	14.871
Public Housing Capital Fund	546,745	14.872
Shelter Plus Care	111,699	14.238
Continuum of Care	173,629	14.267
US DEPARTMENT OF AGRICULTURE		
Direct Federal Funding:		
Rural Rental Assistance Payments	<u>144,944</u>	10.427
	<u>\$ 9,706,089</u>	

NOTE 1: The accompanying schedule of expenditures of federal awards presents the activity of all federal financial award programs of Pennington County Housing and Redevelopment Commission. The Commission's reporting entity is defined in the notes to the component unit financial statements of the Commission.

NOTE 2: The accompanying schedule of expenditures of federal awards presents the federal grant activity of Pennington County Housing and Redevelopment Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The Commission has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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